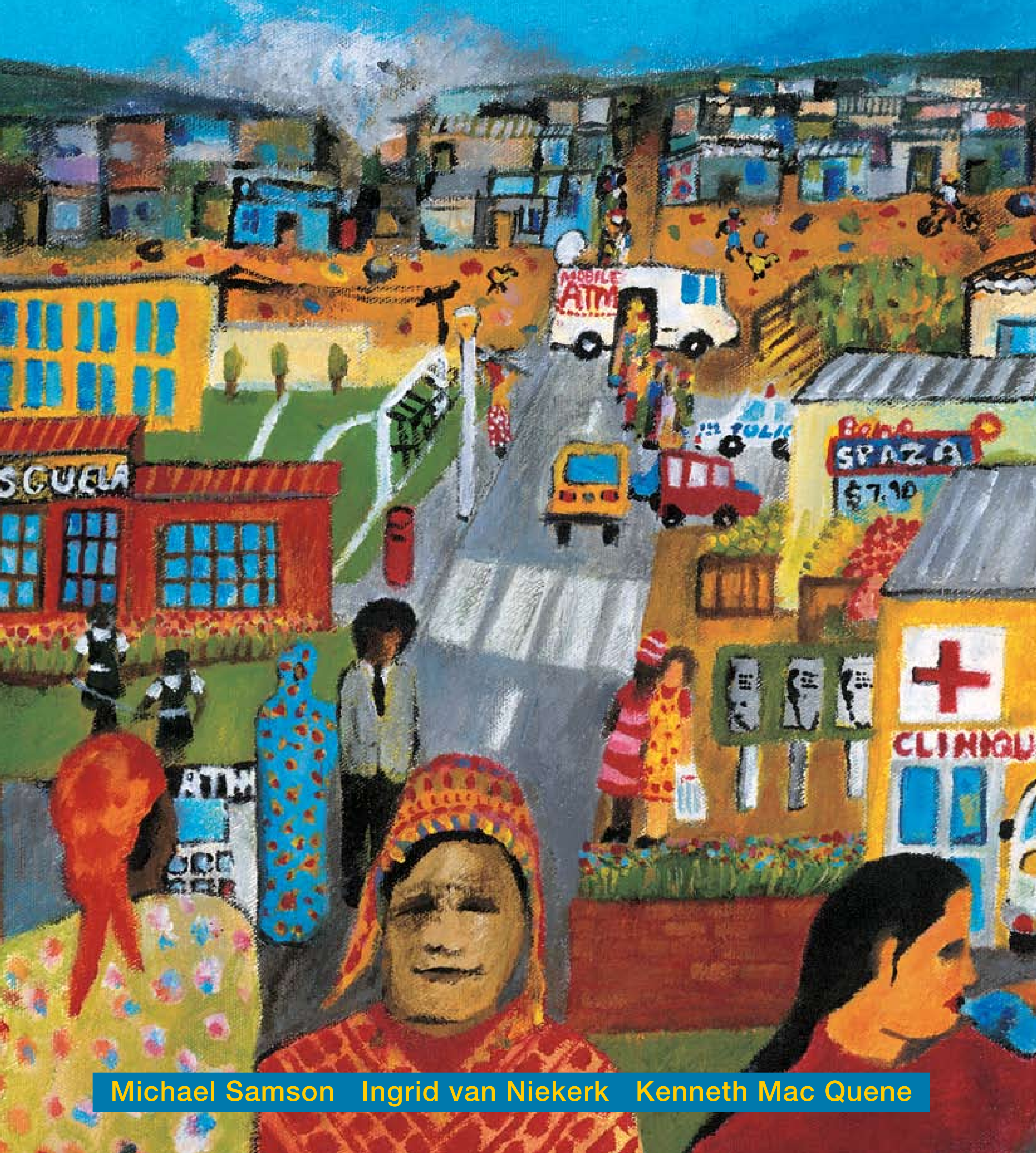
Designing *and* Implementing SOCIAL TRANSFER PROGRAMMES



Michael Samson   Ingrid van Niekerk   Kenneth Mac Quene

Designing and Implementing Social Transfer Programmes

Michael Samson
Ingrid van Niekerk
Kenneth Mac Quene

EPRI Press
Cape Town

Designing and Implementing Social Transfer Programmes

Economic Policy Research Institute

The Economic Policy Research Institute is an independent research institute. This publication received funding from the UK Department for International Development but the views expressed do not necessarily reflect official policy.

First Published in South Africa in 2006

Published by EPRI Press
Sanclare Building, 3rd Floor, 21 Dreyer Street, Claremont, 7700, Cape Town, South Africa.

www.epri.org.za

ISBN 0 -620-36594-3
ISBN 13 978-0-620-36594-9

Publications Manager: Richard Charlton
Publication Design: Stuart-Clark & Associates cc, Cape Town
Digital Formatting: The Design Drawer cc, Johannesburg
Cover Design: Matthew Ibbotson at Petal Design, Cape Town
Printed and bound by ABC Press, Cape Town

Photographic credits:
© Chris Stowers/Panos Pictures
© Peter Barker Panos Pictures
© Guy Stubbs/africanpictures.net

For our parents and our children

Designing and Implementing Social Transfer Programmes:

A Guide to Management Arrangements for Social Transfers in the Form of Cash

Table of Contents

Table of Boxes viii

List of Acronyms xi

Acknowledgements xiii

CHAPTER 1: Introduction 1
- 1.1. The role of social transfers 1
- 1.2. Overview of the guide: how do you manage social transfer programmes? 5
- 1.3 An overview of the types of social transfers covered by this guide 8
  - 1.3.1 Unconditional transfers 8
  - 1.3.2 Conditional cash transfers (cash for human development programmes) 10
  - 1.3.3 Public works 12
- 1.4. Is a social transfer programme appropriate for my country? 14

CHAPTER 2: How does the institutional and policy context influence the choice of social transfer instrument? 16
- 2.1 Introduction 16
- 2.2 Understanding the institutional and policy context 17
  - 2.2.1 Policy priorities 18
  - 2.2.2 Poverty profile 20
  - 2.2.3 Information on existing programmes 24
  - 2.2.4 Government capacity 25
  - 2.2.5 National and donor financial resources 26
- 2.3 What are the appropriate social transfer instruments? 28
  - 2.3.1 Who benefits from the social transfers? 29

2.3.2 What size of social transfer is provided? 31
2.3.3 Should targeting mechanisms be used to reach the poor? 34
2.3.4 Conditions for eligibility and payment 40
2.3.5 Human capital conditionalities 41
2.3.6 Public works conditionalities 44
2.4 Conclusions 46

CHAPTER 3: Programme Design 48
3.1 Overview 48
3.2 Programme management 49
3.3 Targeting the beneficiary 54
3.3.1 Poverty targeting 54
3.3.2 Individual and household assessment 55
3.3.3 Proxy means tests 56
3.3.4 Categorical targeting 58
3.3.5 Targeting older people 59
3.3.6 Targeting children 60
3.3.7 Targeting people with disabilities 62
3.3.8 Geographical targeting 66
3.3.9 Self-targeting 68
3.3.10 Community-based targeting 68
3.3.11 Combinations of targeting mechanisms 70
3.3.12 The gender of the beneficiary: addressing gender inequality 71
3.4 Payment arrangements 73
3.5 How can exit policies improve the developmental impact of social transfers? 76
3.6 Design issues for monitoring and evaluation 78
3.7 Conclusions 80

CHAPTER 4: Designing Conditional Cash Transfer Schemes 82
4.1 Introduction 82
4.2 The managing institutions 85
4.3 Designing conditionalities 87
4.4 Supply side support 95
4.5 Costing conditional cash transfers 96
4.6 Payment design issues for conditional cash transfers 99
4.7 Conclusions 101

CHAPTER 5: Designing Public Works Programmes 102
5.1 Introduction 102
5.2 Determining the wage rate 103
5.3 Wage payment arrangements 106
5.4 Timing and duration 107
5.5 Supplementary non-wage targeting 109
5.6 Skill- and labour-intensity (productivity versus job creation) 110
5.7 Productivity and pro-poor impact of public works (how to maximise the social value of the public works) 112
5.8 Exit policies 113
5.9 Free distribution to vulnerable groups 114
5.10 Civil society's role 115
5.11 Conclusions 115

CHAPTER 6: Designing Systems for Implementation 116
6.1 Introduction 116
6.2 Implementation systems 117
6.3 Building and retaining human resources 130
6.4 Pilot programmes and scaling up 131
6.5 Managing fiduciary risk 133
6.6 Security for cash movements 136
6.7 Conclusions 137

CHAPTER 7: Monitoring and Evaluation 140
7.1 Introduction 140
7.2 Design issues for impact evaluation 144
7.3 Implementing an evaluation of a social transfer programme 152
7.4 Conclusions 156

References 158

Index of Countries 177

Table of Boxes

CHAPTER 1: Introduction

BOX 1.1:	The role of social transfers in alternative frameworks for social protection	2
BOX 1.2:	Management arrangements and the social and policy context	4
BOX 1.3:	A Roadmap to *Designing and Implementing Social Transfer Programmes*	6
BOX 1.4:	South Africa's system of unconditional social grants	8
BOX 1.5:	Mexico's Oportunidades Conditional Cash Transfer Programme	10
BOX 1.6:	The Maharashtra Employment Guarantee Scheme (EGS)	12
BOX 1.7:	Is a social transfer programme appropriate for a fragile state rebuilding from war?	14

CHAPTER 2: How does the institutional and policy context influence the choice of social transfer instrument?

BOX 2.1.	Lesotho's selection of a universal pension	17
BOX 2.2.	Understanding the Policy Context: "Drivers of Change" Studies	18
BOX 2.3:	Social expenditure reviews	20
BOX 2.4.	Measuring poverty—a simple numeric example	22
BOX 2.5.	Evidence for Policy: Zambia's Poverty and Vulnerability Assessment	24
BOX 2.6:	How to deal with pre-existing social protection institutions	26
BOX 2.7:	Cost of a national social transfer programme	28
BOX 2.8:	Social protection and economic growth	30
BOX 2.9:	Examples of answers to "Who benefits from the social transfers?"	32
BOX 2.10:	Examples of answers to "What size of social transfer is provided?"	34
BOX 2.11:	Setting the size of the social transfer for public works projects in Malawi	36
BOX 2.12:	Decision-making that defines social transfer instruments	38
BOX 2.13:	Does targeting reduce the cost of social transfers	40
BOX 2.14:	The Targeting Test	42
BOX 2.15:	The Human Capital Conditionality Test	44
BOX 2.16:	Revisiting Lesotho	46

CHAPTER 3: Programme Design

BOX 3.1:	South Africa's Social Security Agency	49
BOX 3.2:	Indonesia's labour-intensive public works programme and the issue of organisational fit	50
BOX 3.3:	An example of division of responsibility across federal, state and local levels	51
BOX 3.4:	Decentralised accountability in Bolsa Escola	52

BOX 3.5: Bolivia’s decision not to employ poverty targeting with its social pension 54
BOX 3.6: Individual assessment in South Africa’s Child Support Grant 56
BOX 3.7: Proxy means testing in Ecuador’s Bono de Desarrollo Humano 58
BOX 3.8: Categorical targeting and the analysis of social impact 60
BOX 3.9: Child poverty in developing countries 62
BOX 3.10: The Disability Pension in Namibia and the vicious circle of poverty, vulnerability and disability. 64
BOX 3.11: The design of Nicaragua’a Social Protection Safety Net 66
BOX 3.12: Community Targeting in Bangladesh 68
BOX 3.13: Main Options for Targeting the Beneficiary 70
BOX 3.14: The Impact of Mexico’s Progresa on Gender Relations 72
BOX 3.15: Focusing on Gender Issues 73
BOX 3.16: Frequency of Social Transfer Payments 74
BOX 3.17: Anti-retroviral Treatment as an exit strategy for the Disability Grant 76
BOX 3.18: Holistic approaches to programme design 78
BOX 3.19: Randomised Experiments and Nicaragua’s Red de Proteccion Social 80

CHAPTER 4: Designing Conditional Cash Transfer Schemes
BOX 4.1: Examples of objectives and managing institutions 84
BOX 4.2: Examples of the choice of conditionalities 86
BOX 4.3: Examples of compliance procedures in conditional cash transfer programmes 88
BOX 4.4: Child targeting and programme design in Honduras 90
BOX 4.5: Conditionalities for Nicaragua’s RPS by household type 92
BOX 4.6: Conditionalities in Mexico’s Oportunidades vary by type of participant 93
BOX 4.7: Examples of supply side interventions 94
BOX 4.8: The private costs of conditional cash transfers 96
BOX 4.9: Average cash transfers from Progresa 97
BOX 4.10: Payment arrangements in conditional cash transfer programmes 98
BOX 4.11: The World Bank debates the necessity of conditionalities 100

CHAPTER 5: Designing Public Works Programmes
BOX 5.1: Measuring the net wage gain 103
BOX 5.2: Legislating social protection through public works – India’s National Rural Employment Guarantee Act 104
BOX 5.3: Effective community targeting in Zibambele, South Africa 106
BOX 5.4 Important features of an effective public works programme 108
BOX 5.5: First Lessons from Ethiopia’s Productive Safety Net Programme 110
BOX 5.6: Wage subsidy vouchers in Argentina as an exit door for public works programmes (the Proempleo Experiment) 112

BOX 5.7: The need for a complementary social transfer for households with no one able to work: the case of Malawi's Social Action Fund 114

CHAPTER 6: Designing Systems for Implementation
BOX 6.1: A flowchart for major systems required to implement a social transfer programme 117
BOX 6.2: Alternative approaches to registering beneficiaries 118
BOX 6.3: Applying for a social pension in Namibia 120
BOX 6.4: Nepal solves the missing identity documents puzzle 121
BOX 6.5: Brazil's Single Registry (Cadastro Único) 122
BOX 6.6: Implementation pitfalls in the delivery of social transfers in the state of Maharashtra 124
BOX 6.7: Cash payments through the banking system in Bangladesh's social transfer programmes 126
BOX 6.8: Do the wrongly excluded appeal? Evidence from Progresa's early days 128
BOX 6.9: Pilot social cash transfers in Kalomo, Zambia 130
BOX 6.10: Improving the management of fiduciary risk in Brazil's Bolsa Familia 132
BOX 6.11: Checks and balances in a decentralised environment 134
BOX 6.12: Implementing a cash transfer programme in Somalia 136
BOX 6.13: Key Lessons 138

CHAPTER 7: Monitoring and Evaluation
BOX 7.1: Types of Evaluation Strategies 141
BOX 7.2: The potential and pitfalls of government-mandated evaluations 142
BOX 7.3: The Importance of a Credible Comparison Group in Impact Assessment 144
BOX 7.4: Quantitative and qualitative approaches for impact evaluation 146
BOX 7.5: Challenges with evaluations requiring experimental design 148
BOX 7.6: To Experiment or Not: The Problem of Bias 149
BOX 7.7: Quantitative methods for assessing the impact of social transfers 150
BOX 7.8: Linking impact evaluation with a results-based approach 152
BOX 7.9: What to include in the terms of reference for a request for proposals 154
BOX 7.10: Budgeting for impact evaluation 156

List of Acronyms

AIDS	Acquired Immune Deficiency Syndrome
APWDW	Assistance Programme for Widowed and Destitute Women (Bangladesh)
ARV	Anti-retroviral
ATM	Automated Teller Machine
BDH	Bono de Desarrollo Humano – Human Development Bond (Ecuador)
BFP	Bolsa Familia Programme (Brazil)
BRAC	The Bangladesh Rural Advancement Committee (Bangladesh)
CAS-PASIS	Pension Asistencial – Pension Assistance Programme (Chile)
CCT	Conditional Cash Transfer
CEF	Caixa Econômica Federal – public sector bank (Brazil)
CPU	Central Programme Unit within the Ministry of Home Affairs (Kenya)
CRIMP	Central Region Infrastructure Maintenance Programme (Malawi)
CSG	Child Support Grant (South Africa)
DCO	District Children's Office (Kenya)
DFID	Department for International Development (United Kingdom)
EGS	Employment Guarantee Scheme (Maharashtra, India)
EPRI	Economic Policy Research Institute (South Africa)
EPWP	Expanded Public Works Programme (South Africa)
FAO	Food and Agricultural Organisation
GAPVU	Gabinete de Apoio à População Vulnerável – loosely translated as "the Cash Payments to War-Displaced Urban Destitute Households Programme" (Mozambique)
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
ICT	Information and Communications Technology
ILO	International Labour Office
LIWP	Labour Intensive Works Programme (Afghanistan)
MASAF	Malawi Social Action Fund (Malawi)
MBS	Ministry of Social Welfare (Ecuador)
MDS	Ministry of Social Development and Hunger Eradication (Brazil)
MIS	Management Information System
MOHA	Ministry of Home Affairs (Kenya)
NAPWA	National Association of People with AIDS
NFBS	National Family Benefit Scheme (India)
NGO	Non-governmental Organisation
OAAS	Old Age Allowance Scheme (Bangladesh)
OECD	Organisation for Economic Co-operation and Development
OVC	Orphans and Vulnerable Children

PATH	Programme for Advancement through Health and Education (Jamaica)
PESP	Primary Education Stipend Programme (Bangladesh)
PETI	Programa de Erradicação do Trabalho Infantil – Programme for the Eradication of Child Labour (Brazil)
PHECS	Palestinian Housing Expenditure and Consumption Survey (Palestine)
PIN	Personal Identification Number
PPP	Purchasing Power Parity
PPS	Social Protection Programme (Ecuador)
PRAF	Programa de Asignacion Familiar – Family Allowances Program (Honduras)
PROCAMPO	Programa de Apoyos Directos a la Agricultura – Programme for Direct Assistance in Agriculture (Mexico)
PROGRESA	Programa de Educación, Salud y Alimentación – the Education, Health, and Nutrition Programme (Mexico)
PSNP	Productive Safety Net Programme (Ethiopia)
PVA	Poverty and Vulnerability Assessment
RMP	Rural Maintenance Program (Bangladesh)
RPS	Red de Protección Social – Social Safety Net Programme (Nicaragua)
SASSA	The South African Social Security Agency Act of 2004 (South Africa)
SBP	State Bank of Pakistan (Pakistan)
SEDESOL	Secretaria de Desarrollo – Secretariat for Social Development (Mexico)
SENARC	Secretaria Nacional de Renda de Cidadania (Brazil)
SISBEN	Sistema de Selección de Beneficiarios – System of Beneficiary Selection (Colombia)
SOAP	State Old Age Pension (South Africa)
SSNP	Social Safety Net Programme (Bangladesh)
SSP	Social Support Project (Malawi)
UNAT	Unidad de Apoyo Técnico – Technical Analysis Unit (Honduras)
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund

Acknowledgements

The authors would like to thank Stephen Kidd for his insight, comments and support in developing this guide. In addition, we are grateful to Malcolm Ridout and Fauzia Shariff for their work advising the development of the manuscript and their most useful comments. We also appreciate the helpful comments and suggestions from Maria Cushion, Katie Fawkner-Corbett, Matthew Greenslade and Laurie Joshua.

The authors would also like to thank Anna McCord and Fauzia Shariff for their dedicated work on the review committees. Their well-considered and constructive comments have reinforced this work and consistently improved its quality, and their dedicated contributions have goaded us to further effort. We are also grateful to Armando Barrientos and Francisco Ayala for their work on the Peer Review Committee. Their comments and criticisms have strengthened the final document, and we appreciate their commitment to interrogating the complex arguments that surround social transfers.

The authors also express their gratitude to Celeste Abrahams, Philip Arnolds, Ronit Bhattacharyya, Richard Charlton, Bridget Dillon, Nicole Pillay, Keightley Reynolds, Joanne Raisin, Suranjit Tilakawardane, Tim Waites, Martin Williams, and Nombulelo Yabo for comments, suggestions and other support in the production of this publication. The Economic Policy Research Institute (EPRI) appreciates the financial support from the Department for International Development (DFID) that made this publication possible. The views expressed are EPRI's and do not necessarily reflect the official policy of DFID.

CHAPTER 1

Introduction

The objective of this chapter is to establish the purpose and context for the guide and to introduce the key issues. This chapter also defines the main terms, discusses the main options for social transfer instruments, provides examples of them, and discusses the preconditions for social transfers.

1.1 The role of social transfers

National governments and the international community are increasingly recognising the value of social transfers (including pensions, grants for families, public works schemes and other programmes) in achieving the Millennium Development Goals. Social transfers not only tackle income poverty, they also provide effective support for broader developmental objectives. Households in developing countries spend social transfer income primarily on improving nutrition. In many countries, social grants are distributed largely to women, promoting empowerment and more balanced gender relations. Better household living standards facilitate education and improve health outcomes – particularly for women and children. Social transfers also provide a role in the protection strategy for those afflicted by HIV/AIDS, malaria and other debilitating diseases. Long a vital tool for industrialised countries, social transfers are increasingly recognised as an essential policy instrument for poverty reduction in low- and middle-income nations.

In addition to their vital social contribution, social transfers can support critical economic objectives. Many of the world's fastest growing economies over the past several decades have built social protection into their policies at early stages because of its potential to increase productivity and contribute to stabilising domestic demand. The failure to provide appropriate social protection limits prospects for growth and development at the very foundation of society because household poverty undermines children's nutrition and educational attainment, limiting their future prospects.[1] Poverty traps individuals and households – even entire countries – stifling human dignity and eroding potential. Poverty reproduces itself generation after generation, challenging policymakers to take imaginative and bold steps to transform their nations. Social transfers are increasingly acknowledged as an effective tool to reduce this inter-generational poverty:

> *"The Commission for Africa identified social transfers as a key tool in tackling extreme poverty in sub-Saharan Africa… The greater use of social transfers in developing countries worldwide is endorsed by the World Bank's* World Development Report *for 2006 which recognises their potential impact on poverty and inequality as well as their contribution to promoting and distributing growth."*[2]

1. Asian Development Bank (2003), page 50.
2. DFID (2005), page 2.

BOX 1.1: The role of social transfers in alternative frameworks for social protection

Alternative social protection frameworks consistently identify a critical role for cash-based social transfers in reducing vulnerability to poverty. A transformative approach defines social protection broadly, as "the set of all initiatives, both formal and informal, that provide: **social assistance** to extremely poor individuals and households; **social services** to groups who need special care or would otherwise be denied access to basic services; **social insurance** to protect people against the risks and consequences of livelihood shocks; and **social equity** to protect people against social risks such as discrimination or abuse." (Devereux and Sabates-Wheeler, 2004.) Alternatively, the social risk management approach focuses more explicitly on human capital and income risks, defining social protection as "a collection of measures to improve or protect human capital, ranging from labour market interventions, publicly mandated unemployment or old-age insurance to targeted income support. Social protection interventions assist individuals, households, and communities to better manage the income risks that leave people vulnerable." (World Bank, 2004.)

Both frameworks (and many others) include essential roles for social transfers, which can operate at several levels. In the first approach, social transfers can be understood to support protective, preventive, promotive as well as transformative impacts. The dimensions of the social risk management framework can be compared to the transformative approach, as illustrated in the table on the following page. Using risk management terminology social transfers reduce poverty in three major ways: (1) by enabling risk coping, (2) facilitating risk management and (3) promoting risk reduction.

The social risk management framework exerts an important influence on social policy thinking, yet has come under criticism for a number of reasons. Critics point out that the framework focuses narrowly on risks to assets and incomes, lacking a comprehensive approach to vulnerability. By focusing on risk, the approach is biased towards transitory poverty and insufficiently addresses the problem of chronic poverty. The social risk management model tends to view social protection as a public response to the inadequacies of the private sector, limiting government's role to correcting market failure.

The transformative approach aims for a more expansive impact, particularly through policies that redress society's power imbalances responsible for fostering and exacerbating vulnerability. Transformative social protection includes

The United Kingdom's recent White Paper "Eliminating world poverty: making governance work for the poor" recognises that "all human beings have a right to food, clothing, shelter, education, health and social security." Realising these rights holds the potential to speed progress towards the Millennium Development Goals. Children have more opportunities to attend school if they are not required to spend substantial amounts of time fetching water. An educated woman is more likely to get her children immunised, and healthy students are more likely to complete their schooling. Social security reinforces these effects – directly tackling poverty while promoting access to education, health care, water and sanitation.[3]

This guide aims to assist government policymakers, programme officials from non-governmental organisations (NGOs) as well as donor agency representatives and advisors in designing, implementing and managing cash-based social transfer programmes. This guide is also of use to policy advocates who require evidence of the feasibility and desirability of social transfer programmes. More information on the benefits and challenges of social transfers is available in the DFID paper "Social transfers and chronic poverty: emerging evidence and the challenge ahead".[4]

The definition of cash-based social transfers

Cash-based social transfers are operationally defined as regular non-contributory payments of money provided by government or non-governmental organisations to individuals or households, with the objective of decreasing chronic or shock-induced poverty, addressing social risk and reducing economic vulnerability.[5] The transfers can be unconditional, conditional on households actively fulfilling human development responsibilities (education, health, nutrition, etc.) or else

3. DFID (2006a).
4. DFID (2005) is available at www.dfid.gov.uk/pubs/files/social-transfers.pdf
5. This adapts DFID's (2005, page 6) and Devereux's (et al. 2005, page 3) definitions of social transfers and incorporates McCord's (2005d, page 5) definition of public works programmes.

measures other than resource transfers, such as social services, interventions that improve the intra-household allocation of resources, and sensitisation campaigns that aim to change public attitudes and behaviours. Social transfers reinforce the transformative impact of a comprehensive approach to social protection in several ways. The security that transfers provide enables households to undertake riskier and higher-return investments, including job search. Households receiving social transfers are often more likely to send children to school. The income helps to maintain and improve productive assets, particularly human capital. The macroeconomic impact can help dampen economic shocks, stimulate growth and promote employment creation. Social transfers broadly reinforce the transformative impact of social protection. ●

TABLE: Dimensions of alternative approaches to social protection and the role of transfers

Transformative Social Protection	Social Risk Management	Role of social transfers
Protective	**Risk coping**	Social transfers provide cash income to enable households to address the worst consequences of poverty. Even short-term public works projects or temporary transfers provide important protective value, enabling households to cope (at least temporarily) with the circumstances of poverty.
Preventive	**Risk mitigation**	Social transfers can prevent poverty shocks from devastating households, mitigating the adverse consequences. Employment guarantee schemes and targeted programmes include many elements of risk insurance, helping to keep households from sinking deeper into poverty.
Promotive and transformative	**Risk reduction**	Social transfers strengthen the economic power of households, potentially enabling workers to negotiate higher wages. Transfers support accumulation of assets, particularly human capital. Public works programmes create productive infrastructure. The macroeconomic stabilisation effects of transfer programmes reduce the intensity of poverty shocks.

SOURCE: Devereux and Sabates-Wheeler (2004), McCord (2005), Samson et. al. (2004), World Bank (2001).

conditional on recipients providing labour in compliance with a work requirement. The transfers can be universal or explicitly targeted to those identified as poor or vulnerable. (The terms “transfers”, “cash transfers” and “social transfers” are used interchangeably throughout this guide.)

The broader social protection context

Social protection rests on three pillars – social insurance (individuals pooling resources to provide support in the case of a shock to their livelihoods), social assistance[6] and the effective protection of minimum standards in the workplace.[7] Social transfers support the second of these pillars and are the main type of social assistance used in developed countries. They are increasingly recognised as the key to social solidarity and development in low- and middle-income nations. Cash-based transfers aim to provide social protection, which is defined as those “public actions – carried out by the state or privately – that address risk, vulnerability and chronic poverty”.[8]

Social transfers provide an important risk management tool for the poor at three levels: reducing the poverty resulting from shocks (drought, floods, sudden food price increases, and others), reducing vulnerability and strengthening coping mechanisms.[9] Social transfers reduce the impact of shocks on livelihoods nationally by stimulating overall economic activity, and they protect households by reducing the impact of shocks on productive assets. For example, economic shocks are less likely to force poor households to sell their livestock – often their only productive asset – if social transfers help them cope with the loss of income. At the household-level transfers reduce risk by providing the security of a guaranteed minimum level of income. This better enables poor households to send children to school because they can afford for them not to be working, as well as afford fees,

6. DFID (2005, page 6) defines social assistance as “non-contributory transfers to those deemed eligible by society on the basis of their vulnerability or poverty. Examples include social transfers and initiatives such as fee waivers for education and health, and school meals.”
7. DFID (2005), page 2.
8. DFID (2005), page 6.
9. This discussion follows the framework set out in Holzmann and Jorgensen (2000).

BOX 1.2: Management arrangements and the social and policy context

This guide aims to provide a tool for policymakers, programme officials and donor agency representatives who *manage* social transfer programmes. "Manage" refers to the entire set of management arrangements required for identifying the type of social transfer appropriate for a country's social and political context and then designing and implementing an effective programme or set of programmes. In addition, the guide reviews key issues faced in the process of monitoring and evaluating the impact of social transfers.

Effective management of social transfer programmes requires a careful consideration of the interaction between the social and policy context and the management of the programme. The diagram on the opposite page illustrates some of the key linkages. Particularly in the early stages – when the appropriate programme is identified and designed – policy planners must thoroughly assess the social, economic and political factors. An understanding of the country's poverty profile provides essential information guiding the choice of the programme – and whether and how to develop an appropriate targeting mechanism. Policy goals will affect the shape of the programme. Social and economic factors will affect the affordability and consequently the scope of the programme's reach.

The programme's design incorporates information about the social and policy context and determines the initial implementation of the programmes. Learning by doing – and particularly by monitoring and evaluating on an ongoing basis – provides feedback that is essential for informing the implementation process.

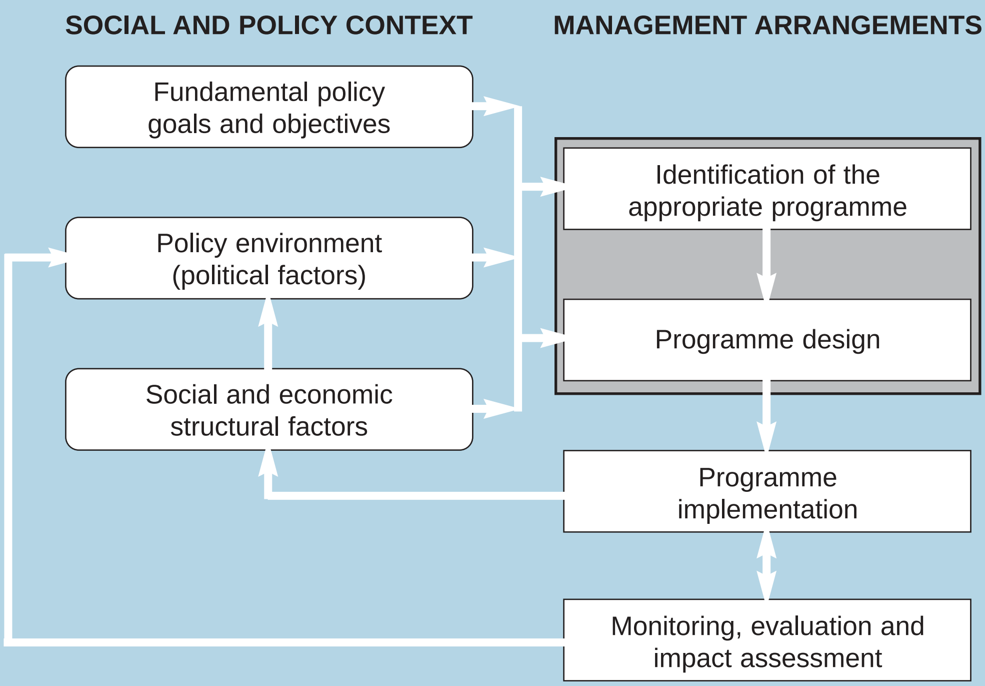
Implementation also affects the social and policy context. Successful programmes reduce poverty, promote human development and stimulate economic growth. This social and economic change bolsters the policy environment and often promotes programme sustainability and expansion. In addition, effective monitoring and evaluation can lead to more immediate improvements in the policy environment – when policymakers clearly see the intervention's successful impact, they are more likely to support and expand the programme. ●

uniforms and other school expenses. The unemployed and lowest paid workers can take a chance on riskier ventures that are likely to result in a higher income, or acquire human capital such as education in order to find higher wage employment. The time and travel costs of job search – with its unpredictable outcomes – can lock vulnerable workers into poverty traps. Social transfers provide a coping mechanism for the least fortunate, supporting a minimal level of subsistence and allowing them to invest time and money to improve their chances of getting better employment. **Box 1.1** discusses the role of social transfers in alternative frameworks for conceptualising social protection.

While social transfer programmes have demonstrated remarkable success in reducing poverty in many developing countries, they are not in themselves a panacea for poverty eradication. They do not replace other development activities but rather serve as an essential element in a pro-poor strategy, effectively complementing investments in health, education and other sectors. Social transfers both reinforce and are strengthened by successful delivery of complementary social interventions. For example, social transfers are likely to have less of an impact on educational outcomes if school fees are high, but fee waivers may not benefit the poorest since children face other costs to accessing schooling. A combination of fee waivers and social transfers maximises the positive educational impact.[10]

Countries around the world effectively build cash transfers into broader social protection strategies. Brazil complements investments in health and education with several social transfer programmes that promote social protection. Community referral centres identify, monitor and address the needs – both cash and non-cash – of the vulnerable, supporting social inclusion and poverty reduction.[11] In South Africa, the government's integrated approach combines social transfers with guaranteed access to basic social services, successfully reducing poverty and laying a foundation for future development.[12] Increasingly, policymakers recognise the essential role for cash transfers in a comprehensive system of social security.

10. Kidd (2006), page 27.
11. Inter-American Development Bank (2004), page 6.
12. "As noted by Fezile Makiwane. [Head of the South African Social Security Agency], the unequivocal commitment of the state to an integrated approach to social protection that combined on the one hand, minimum income services for vulnerable categories and job creation schemes, and on the other, guaranteed access to basic social services, had made it possible to reduce poverty considerably in some developing countries." International Social Security Association (2004), page 45.



1.2 Overview of the guide: how do you manage social transfer programmes?

"Management arrangements" refer to the selection, design, implementation, monitoring, evaluation and impact assessment of a programme of social transfers aimed at providing social protection. This guide includes chapters on each of these major elements, with additional chapters addressing special features of specific classes of social transfer programmes (conditional cash transfers and public works).

The management arrangements of social transfer programmes reflect the social and policy priorities of government. The inter-relationships between management arrangements and this social and policy context are illustrated in **Box 1.2.** The policy environment and social and economic structural factors influence and constrain the design and implementation of the programme. Programme design largely determines implementation, which over time has an impact on social and economic factors – particularly poverty, vulnerability, human development and economic growth. Monitoring, evaluation and impact assessment reflect programme implementation – and can provide feedback for improving delivery. In addition, positive social and economic impacts as well as effective evaluations can strengthen the policy environment – and lead to further programme expansions.

The structure of the guide
This guide provides a sequential structure to designing, implementing and managing a social transfer programme (or set of programmes) for a country. The guide discusses, step-by-step, each major phase of the process. This first chapter provides an overview of the case for social transfers and sets out the main instruments that can be used, and begins the sequence (in section 1.4) by addressing the question of whether a social transfer programme is appropriate for

BOX 1.3: A Roadmap to *Designing and Implementing Social Transfer Programmes*

This guide is structured sequentially according to the stages required for designing and implementing a social transfer programme – following the blueprint from Box 1.2.

- Chapter 1 explains social transfers and addresses the question of whether a social transfer programme is appropriate for a given country.

- Chapter 2 identifies a process for selecting the appropriate type of social transfer programme given a country's social, economic and political context.

- Chapters 3, 4 and 5 discuss the major issues involved in designing a social transfer programme – with chapter 3 addressing the general factors, chapter 4 focusing on the specific concerns with conditional cash transfers (CCTs) and chapter 5 concentrating on questions particular to public works programmes.

- Chapter 6 addresses the major steps in the implementation process.

- Chapter 7 discusses major issues for monitoring, evaluating and assessing the impact of the programmes.

The table on the opposite page lays out an alternative way to access the guide – by the kind of social transfer programme. Each chapter is cross-referenced against the five major programme types – social pensions, child grants, disability grants, conditional cash transfers and public works schemes – and the particularly relevant sections are highlighted. For example, if you are especially interested in social pensions, read chapter 1 (particularly section 1.3.1), chapter 2, chapter 3 (particularly section 3.3.5), chapter 6 and chapter 7. ●

a given country. **Box 1.3** shows where each of the major types of instruments – social pensions, child grants, disability grants, conditional cash transfers, and public works – are covered in the seven chapters of the guide. This roadmap provides an alternative structure for using the guide, allowing a reader to extract programme specific information.

Chapter 2 continues the sequential structure by exploring which type of programme is most appropriate for a country. The first part discusses the key dimensions of a country's social and policy context that influence the choice of programme – policy priorities, the profile of poverty, the government's capacity and available resources. Based on these factors, the second part of the chapter addresses the questions that define a social transfer programme:

- Who benefits from the social transfers?
- How much should be provided to beneficiaries through the transfer?
- Are targeting mechanisms employed to reach the poor?
- What conditionalities (if any) are imposed for eligibility?

Answering these questions provides a working definition for the country's appropriate social transfer programme (or programmes).

Chapter 3 takes the programme defined in chapter 2 and examines how to design its main features. The first section discusses the appropriate institution to manage the programme. The second section evaluates the process of identifying beneficiaries, including targeting mechanisms if appropriate. The third section explores issues with payments, and the fourth section assesses the appropriateness of policies that manage how beneficiaries exit from the programme. The final section identifies the major design features necessary to ensure effective monitoring and evaluation.

Chapter 4 further explores design issues, but focuses exclusively on those questions that arise in making a social transfer conditional on compliance with requirements that aim to promote human capital development. This covers particular dimensions of broader questions: how do

Social transfer type	Chapter 1	Chapter 2	Chapter 3	Chapter 4	Chapter 5	Chapter 6	Chapter 7
Social pensions	1.3.1		3.3.5				
Child grants	1.3.1		3.3.6				
Disability grants	1.3.1		3.3.7				
Conditional cash Transfers	1.3.2	2.3.4 2.3.5		Chapter 4		6.2	
Public Works	1.3.3	2.3.4 2.3.6	3.2		Chapter 5		

conditionalities affect the choice of managing institution, the costing of the programme, and payment mechanisms? These also include entirely new questions: how do you design the conditionalities, and what provisions must be made to improve the delivery of health and education services?

Chapter 5 also examines design questions in greater detail, but with a concentration on the issues specific to public works programmes. These include the determination of the wage rate, the arrangements for making wage payments, the timing and duration of employment, and the targeting issues particular to public works programmes. The chapter also examines how to ensure that public works projects promote longer term development – discussing the role of labour intensity and other factors that improve the social value of the projects. In addition, chapter 5 addresses exit policies particular to public works programmes, as well as the need for complementary programmes for those unable to participate in the work projects.

Chapter 6 moves beyond the design phase and explores issues of implementation. One implementation strategy is to begin with a pilot, and then scale up the programme once the design features have been fully tested. All implementation strategies will require effective systems – including registration and determining eligibility, payment mechanisms and accountability. The chapter also addresses the importance of human resources, public financial management and broader issues of fiduciary risk.

Chapter 7 discusses monitoring, evaluation and impact assessment. This includes a concise introduction to the major techniques as well as guidance in how and when to use alternative methodologies. The chapter draws on examples of programmes that have been effectively evaluated.

BOX 1.4: South Africa's system of unconditional social grants

South Africa's system of unconditional social grants constitutes the government's most effective poverty reduction intervention, directly benefiting over 10 million people while supporting household development and socio-economic progress. Poverty in South Africa continues to bear the imprint of apartheid's legacy – racially and spatially biased, and deeply embedded in a skewed allocation of social and human capital. According to the government's *Labour Force Survey,* in 2004 over half the households subsisted on expenditure of less than US$130 per month (with an average household size of 4).

Social security in South Africa consists of targeted social grants that provide support for older people, individuals with disabilities and children under the age of 14. The grants are fairly large by developing country standards – the social pension and the disability grant are approximately equal to the household poverty line, while the child support grant is approximately US$1 per day. The Department of Social Development has implemented an income-based means test, which varies according to the type of grant, the marital status of the beneficiary and other characteristics.

Up until a few years ago, problems with the targeting mechanisms created severe bottlenecks. Surveys of provincial social development offices identified contradictory interpretations of the means tests, and conditionalities for the child support grant severely undermined take-up. Single parents of a qualifying child had to provide 'proof of efforts' to obtain private maintenance from the other parent, proof of immunisation and health clinic registration, and proof of efforts to secure employment or to join a development programme. In 2000, 90.7% of poor children failed to receive the child support grant, and these children were concentrated in the poorest provinces. A study in 2001 of one of the country's poorest regions found less than 5% of qualifying children received the grant – in spite of such severe poverty that children in the sampled households were hospitalised for severe malnutrition.

In 2000 the South African Cabinet appointed a Committee of Inquiry into Comprehensive Social Security (the Taylor Committee), which examined the shortcomings of the existing system. Under the leadership of Prof. Viviene Taylor, the Committee recommended the introduction of a universal grant to all South Africans, beginning with the extension of the child support grant to all children. Following the government's acceptance of the report, the Department of Social Development extended the grant from age seven to age 14, doubling its scope. In the 2002 State-of-the-Nation Address, President Thabo Mbeki announced a government-led campaign to "register all who are eligible for the child grant". A few weeks later the National Treasury declared a 45% increase in the size of the child support grant. Relaxation of the burdensome targeting mechanisms and conditionalities kicked away the stumbling blocks, and delivery accelerated.

In the 2003 State-of-the-Nation address, the President reinforced his support for the ongoing effort by publicly thanking all those "who had rolled up their sleeves to lend a hand in the national effort to build a better life for all South

1.3 An overview of the types of social transfers covered by this guide

This guide distinguishes three types of social transfer programmes with important operational distinctions: unconditional transfers, conditional cash transfers (also known as "cash for development" programmes) and public work schemes. These categories include most of the non-contributory cash-based transfers commonly used in developing countries. This guide does not cover food assistance programmes (such as food stamps), contributory social insurance programmes (such as unemployment insurance) or programmes that provide social services.

1.3.1 Unconditional transfers

Unconditional social transfers are regular non-contributory payments of money provided without active conditionalities by government (or non-governmental organisations) to individuals or households, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability. "Without active conditionalities" means that no one in the household of the recipient is expected to undertake an activity (like work, school attendance, etc.) in exchange for the transfers. ("Unconditional" does not exclude administrative requirements, such as proving one's identity or qualifications for the programme, or preclude the employment of targeting mechanisms such as age or income.)

Africans" citing first "the campaign to register people for social grants". By 2004 the take-up rate for the child support grant had risen six-fold to 58%. The President's unequivocal commitment sent a clear message to the bureaucracy that social grants provided the central pillar for the poverty eradication strategy. Today, the grants are fairly well targeted both geographically and at a household level. Less than one-fifth of the grants are paid to households with expenditure in excess of approximately US$200 per month. Nevertheless, gaping holes riddle the safety net. More than half the poorest households receive no social grants, mainly because no one in the households meets the targeting conditions.

Social grants are financed through general tax revenues collected on a national basis. The grants are directly deposited into a beneficiary's bank account – or more frequently, given South Africa's exceptionally high personal banking fees and low rates of bank access for the poor, paid in cash at specified pay points. Legislation in 2004 established a national government social security agency, centralising responsibility from the provinces. While the national Department for Social Development remains accountable for social security, the Agency becomes the implementing provider, managing and administering grant delivery, while the department acts as assuror. As assuror, the Department develops and implements policies, norms and standards, and monitors and evaluates the impact and quality of the Agency's service delivery. High priorities include a more effective national information management system, delivery-improving infrastructure, improved economies in grant payments and fraud reduction.

Extensive evaluations document the substantial impact of social grants – children (particularly girls) in households receiving grants demonstrate better weight-for-height indicators, improved nutrition, less hunger and better school attendance than children in comparable households that do not receive grants. Grant recipient households spend a greater proportion of their income on food and education, and less on alcohol, tobacco and gambling than similar households not receiving grants. Analysis of household survey data shows that the grants reduce South Africa's poverty gap by 47%.

Social grants provide potential labour market participants with the resources and economic security necessary to invest in high-risk/high-reward job search. Workers in households receiving social grants have higher labour force participation rates and greater success rates in finding employment than those in comparable households not receiving grants. The redistribution of spending power from upper income groups to the poor shifts the composition of demand toward labour intensity and domestic production, improving the demand for labour and the trade balance. The tripling of spending on social grants since 2000 has been associated with South Africa's longest economic expansion in decades, low inflation, a trade surplus in spite of an appreciating currency and the first significant upturn in job creation since the dawn of the nation's democracy. Social grants not only reduce income poverty – they support sustainable social and economic progress. South Africa's experience demonstrates that investments in social grants are developmental. ●

SOURCE: Samson, Mac Quene and van Niekerk (2005).

Unconditional transfers include social pensions, child support grants, family assistance, widows' allowances and grants for people with disabilities. Social pensions are non-contributory cash grants to older people provided either universally (subject to age requirements) or with eligibility determined by a means test. Examples include pension programmes in Bangladesh, Brazil, Lesotho, Namibia, Nepal, South Africa, and other countries. Child and family allowances provide cash (or near-cash[13]) transfers to poor households or families. Examples include South Africa's Child Support Grant, Namibia's Child Maintenance Grants and Foster Parent Grants, Zambia's Kalomo pilot cash transfer scheme, and Kyrgyzstan's Unified Monthly Benefit. Examples of other types of programmes – such as Disability Allowances and Widows' Allowances – include India's National Family Benefit Scheme (NFBS), Bangladesh's Assistance Programme for Widowed and Destitute Women (APWDW), Brazil's disability assistance programmes, and Namibia's and South Africa's disability grants. South Africa's system of unconditional grants is described in **Box 1.4**.

Unconditional cash transfers have significant advantages over alternative vehicles for social protection. With potentially lower administrative costs they promise the least-cost solution to poverty reduction.[14] Unlike subsidies, they do not distort the price system. Unlike in-kind transfers, they enable households to decide on and meet their most critical needs. It is easier to predict the budget for cash transfers as the benefits are fixed and do not depend on volatile commodity prices.

13. This guide focuses on social transfers in the form of cash, although some countries have delivered social transfers with cash-like substitutes like food stamps. Near-cash substitutes usually increase transaction costs and can create distortions – such as when households must convert food stamps into cash in order to pay for essential medical treatment. Issues with food as a transfer medium are discussed in chapter 3.
14. These arguments are drawn from del Ninno (2005), page 6 and Blomquist (2005), page 12.

BOX 1.5: Mexico's *Oportunidades* Conditional Cash Transfer Programme

Mexico's *Oportunidades* programme provides incentives for poor families to invest in *human capital* – education, health and nutrition – in order to improve their long-term economic prospects and reduce future poverty. The incentives take the form of cash transfers to households, where payment depends on clinic visits and school attendance. By providing social transfers to promote human capital investment, the scheme aims to reduce both current and future poverty. Government officials in different ministries conceived the programme with strong presidential support, and education, health, finance, and social security ministries collaborate effectively on the operation of the scheme. Originating as *Progresa* (the Programa de Educación, Salud y Alimentación – the Education, Health, and Nutrition Programme) in 1997, the programme was renamed *Oportunidades* in 2002.

Oportunidades pays cash grants, usually to the mother or female family head, for each eligible child (21 years old or younger) enrolled in school from the third primary grade to the third grade of high school. The benefits increase at higher grades. (This is not because older children have greater priority for poverty reduction, but because they are more likely to leave school in order to work.) Likewise, grants for girls are higher than for boys in secondary school because of the higher female drop-out rate. Health and nutrition components provide incentives and resources for basic health care (particularly preventive care) and improved food consumption, including supplements for pregnant and lactating women and young children. More than five million families (both rural and urban) benefit from *Oportunidades*, and the Mexican government has committed approximately half of its poverty reduction budget to this programme. Mexico borrowed its largest loan ever received from the Inter-American Development Bank – US$1 billion – in 2002 in order to help finance the expansion of the programme.

The targeting process requires three steps. Census data provides a statistical measure of deprivation that identifies the poorest communities. Within these geographically targeted areas, household surveys provide proxy indicators of poverty that feed a statistical analysis identifying those most likely to be poor. The third stage involves a community

Transfers can also help to provide one more macroeconomic stabiliser, since the net benefits to the poor tend to increase during a recession or in the face of an economic shock.

Unconditional transfers also pose important challenges to social analysts and policymakers. Information on the social and economic benefits is not always readily available, making the task of mobilising political support a challenge. If targeted, poorly designed mechanisms can create distortions. Social transfers establish a new contract between citizens and the state, which means the government must be prepared to commit the resources necessary for a sustainable programme.

1.3.2 Conditional cash transfers (cash for human development programmes)

This guide defines "conditional cash transfers" as regular payments of money (or in some cases in-kind benefits) by government or non-governmental organisations to individuals or households in exchange for active compliance with human capital conditionalities, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability, while at the same time also promoting human capital development. The human capital conditionalities can include such requirements as school attendance or academic achievement by children, clinic visits, meeting nutritional objectives, adult education programmes, and others.

Conditional cash transfer programmes, often referred to as "cash for human development programmes", link monetary compensation to the active compliance with health or education conditionalities. Providing support directly to households, they serve the same traditional functions as unconditional transfers. The conditionalities endeavour to provide a further impact – by encouraging the accumulation of human capital through education, health and nutrition, the programmes aim to break the inter-generational transmission of poverty. These programmes can meeting to review and approve the list of selected households. In practice, the combination of geographical targeting, proxy means tests and community participation initially led to under-coverage of poor households, particularly since the programme failed to serve areas without health and education services (usually the poorest and most remote areas).

Evaluations showed that organisers of community reviews sometimes invited only selected beneficiaries and generally failed to encourage the participation of non-beneficiaries, potentially turning the reviews into legitimising exercises rather than checks on transparency and accountability. A common perception at the grassroots level was that the targeting system often excluded the poorest households and sometimes included non-poor households. While some mis-targeting is a natural consequence of the statistical errors of a proxy means test, practical problems with surveying exacerbated the problem. Survey techniques suffered from language problems, biases in reporting income, the poor being away from home or not answering their door, and a lack of sufficient follow-up.

Oportunidades invests considerable resources in a rigorous evaluation process, whose positive results have strengthened the programme's political legitimacy, won international recognition and supported its expansion. While the use of randomised experiments has generated some controversy, the political benefits have offset their costs. The results have documented increased school enrolments – particularly at the secondary level, better nutrition and improved health. *Oportunidades* combines three key mechanisms: grants that increase the income of poor households, awareness promotion that emphasises the importance of human capital, and conditionalities that link the two – making the grants conditional on behaviours that reinforce human capital development. The evaluations have successfully demonstrated that all three of these ingredients together can generate very positive results. However, the studies so far have been unable to identify which is most important – the income, the awareness or the conditionality. ●

SOURCE: Britto (2005), World Bank (2004c), Santibañez, Vernez and Razquin (2005).

increase the demand for human capital by providing transfers to poor families conditional on their actual compliance with requirements to ensure children attend school, visit health clinics, and follow through with other similar activities. In addition, these programmes are often linked to infrastructure investment initiatives that improve the supply of educational and health services.[15]

Established examples include Brazil's Bolsa Familia, which consolidated four similar pre-existing programmes, and Mexico's *Oportunidades* programme, formerly *Progresa*, described in **Box 1.5**. Other countries in Latin America and the Caribbean have followed these models in setting up similar programmes in Ecuador, Honduras, Jamaica, and Nicaragua. While less common outside of Latin America, the approach has been adopted in Bangladesh and pilots have been established in some African countries.

These grants provide money to poor families under an agreement between the programme agency and the beneficiaries. In order to obtain the transfer, households must actively satisfy certain conditions, such as ensuring their children attend school regularly or visit health centres. The cash provides immediate social assistance, and the compliance with conditionalities can foster longer term investments in human capital.[16] While this social transfer vehicle is relatively new, and further critical evaluations are required, the initial evidence on social impact demonstrates favourable human capital investment effects.[17]

Evaluations of conditional cash transfer programmes in several Latin American countries document positive impacts on health and education. Successful programmes can be administratively efficient and fairly well-targeted, and most of them integrate monitoring and evaluation into the design and implementation phases of the project with successful results. The programmes tend to promote linkages across social sectors in order to meet the needs of the poor.[18]

15. Sedlacek, Ilahi and Gustafsson-Wright (2000), page 4.
16. Lindert (2005b), page 1.
17. "In terms of results, although CCTs are quite recent initiatives, initial evaluations have shown positive effects on school enrolment and nutrition patterns." [Rawlings and Rubio (2003), Morley and Coady (2003), Guerrero (2001), Sedlacek et al. (2000), cited in Britto (2005), page 13.]
18. Rawlings (2005), page 18, and Ayala Consulting (2003), page 60.

BOX 1.6: The Maharashtra Employment Guarantee Scheme (EGS)

India's Employment Guarantee Scheme (EGS) in the state of Maharashtra aims to address the problem of transient poverty during the agricultural lean season. The programme provides guaranteed employment at a subsistence-level wage while constructing productive infrastructure and other assets. The developmental projects seek to address short-term poverty while supporting longer term development. The work requirement and the low wage intend to target the poor – and the exclusionary impact on those unable to work is offset somewhat by the government's social pension and food subsidies.

In order to participate, individuals must register a "demand for work" with the local village authority, which is then obliged to offer work within 15 days or else to provide an unemployment allowance. The work project site must make available potable water, childcare, first aid, a shaded place for rest breaks, and other amenities. Projects must be labour-intensive, spending at least 51% of their budget on unskilled labour. In addition, they must generate productive assets, with a priority given to water conservation. The law requires the creation of a new project when at least 50 workers who have demanded jobs cannot be accommodated in existing public works.

Committees at the state, district and block council (Panchayat Samiti) levels implement the Employment Guarantee Scheme. The Panchayat Samiti is an elected block council which plans, co-ordinates and implements development policy initiatives and social welfare programmes of the state government. The state Planning Department manages overall responsibility for the programme, with district-level authority vested in the Collector, who receives quarterly budget allocations from the state. Dedicated taxes (including taxes on urban formal sector employees) together with a matching contribution from the state government finance the scheme.

However, there is a strong argument against conditional transfers because the imposition of conditionalities may unnecessarily undermine household autonomy and presumes that the poor will not make rational choices that improve their livelihoods. Policy analysts point out that the transfers do not always reach the poorest. Conditional transfers depend on the presence of adequate health and education services. Areas where services are poor are often inhabited by the country's most vulnerable people, and these areas may well not be chosen for conditional transfer schemes. The monitoring requirements can be administratively burdensome, particularly in lower income countries.[19] In addition, the conditionalities can be costly for the households to satisfy, particularly for the very poor.

1.3.3 Public works

This guide defines "public works" as programmes that involve the regular payment of money (or in some cases in-kind benefits) by government or non-governmental organisations to individuals in exchange for work, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability. Examples include Argentina's Trabajar public works programme, Bangladesh's Cash-for-Work and Food-for-Work public works programmes, Ethiopia's Productive Safety Net Programme, India's Employment Guarantee Scheme in Maharashtra (described in **Box 1.6**), Malawi's public works programmes run by its social fund (MASAF), and South Africa's Expanded Public Works Programme (EPWP).

Public works programmes are particularly appropriate for addressing transient poverty by employing workers whose employment or livelihoods are disrupted by a seasonal, climatic or economic shock or cyclical downturn. Public works can be productive, holding the potential to create valuable assets that further reduce poverty or otherwise contribute to programme cost-effectiveness. The projects often have political appeal, supporting their implementation and sustainability. The project orientation facilitates geographic targeting to areas of high unemployment and poverty.[20]

---

19. Rawlings (2005), page 18.
20. For more details see Subbarao (2003), pages 1–4.

Launched in 1965, the government expanded the programme after the extended drought in 1971 and legally institutionalised it with the Employment Guarantee Act of 1979. The most significant poverty reduction programme in the state of Maharashtra, the scheme created 90 million person-days of employment in 1997. Reaching the poor, however, has posed significant challenges. From 1979 to 1989, the non-poor participation rate rose from 39% to 55% while the proportion of the poor not participating rose from 81% to 86%. Low overall participation rates do not reflect a lack of demand for jobs, but rather complicated registration procedures, inaccessible work sites and the management of the programme. The proportion of female participation significantly lags their share of registration due to the programme's failure to provide childcare, discriminatory wages and the particular burden long distances to work sites place on women.

Nevertheless, the programme provides substantial benefits. Studies of household data indicate that the employment guarantee has contributed to higher market wages for agricultural workers – both through the improved productivity generated by the assets created, and the improved economic power and worker solidarity the programme promotes. Many of the benefits of the productive assets accrue to large landholders, encouraging their political support but missing an opportunity to accelerate pro-poor development. The scheme successfully improves the income stability of poor rural households, reducing reliance on usurious credit, productive asset sales and hunger as responses to income shocks. The programme generates little disincentive effects – workers seek higher wage employment and take advantage of better opportunities when they become available. The relative success of the programme has inspired the implementation of a national Employment Guarantee Scheme. ●

SOURCE: Gaiha and Imai (2005) and Gaiha and Imai (2006).

Offsetting these advantages are several potential pitfalls.[21] Often they are expensive and difficult to administer, taxing government capacity. They are not appropriate for many of the most vulnerable (children, older people, those with disabilities) who are unable to accept the kind of employment offered. In some countries the work requirement fosters a gender bias. It is often difficult to target those of the poorest who live in remote and inaccessible locations. In most cases the projects offer employment of only a short duration, which undermines the delivery of a sustainable social impact. Sometimes the assets created by the projects are of poor quality, failing to contribute the expected productivity impact.

Public works programmes are more likely to succeed when the link between poverty and unemployment is exceptionally strong. Since most programmes offer only short-term employment, they are more appropriate for transient rather than chronic poverty.[22] It is also important that the value of assets produced through public works substantially offset the cost of the programme. Public works can be an expensive way to deliver social protection. The net income gains to the workers from the Trabajar programme in Argentina have been estimated to be just a quarter of the benefits paid by the government.[23] Due to their high implementation costs, unless programmes generate substantial production-related benefits, they are unlikely to deliver social transfers in a cost-effective manner.

Public works often aim to provide a safety net – to prevent the poor from falling deeper into poverty and liquidating their assets in order to survive. Policymakers employ public works in the face of economic shocks and natural disasters, and even for cyclical downturns in employment. For chronic poverty and deep structural unemployment, however, short-term public works have limited impact. In these circumstances, regular and predictable employment aimed at creating pro-poor assets is likely to provide more effective social protection.[24]

21. For more details, see Coady, Grosh and Hoddinott (2004).
22. Jones (2005), page 2.
23. Ronconi, Sanguinetti and Fachelli (undated), page 21, Jalan and Ravallion (1999).
24. McCord (2005d), pages 1–5.

BOX 1.7: Is a social transfer programme appropriate for a fragile state rebuilding from war?

During the conflict situation of the early 1990s, the Government of Mozambique successfully implemented a social transfer programme supporting those disabled or displaced by the country's civil war. The scheme – known by its acronym GAPVU (Gabinete de Apoio à População Vulnerável, loosely translated as "the Cash Payments to War-Displaced Urban Destitute Households Programme") – provided very small but significant cash transfers to more than 70 000 households by 1995. Initiated in 1990 by the Ministry of Finance and later managed by the Ministry for Co-ordination of Social Action, its purpose was to reduce destitution in Mozambique's 13 principal urban centres

With a staff of 92 people in 1995, GAPVU reached 16% of all households living in Mozambique's cities and towns, providing the only functioning programme to broadly address the needs of the urban poor, particularly older people and individuals with disabilities. In some areas GAPVU increased household income by up to 41%. While the transfer was very small – about US$6 per person each month – it contributed significantly to food security, promoted trading activities and supported home gardens. It reduced the headcount poverty rate by approximately six percentage points, and the poverty gap by even more.

1.4 Is a social transfer programme appropriate for my country?

While social transfers offer substantial potential to reduce poverty and foster development, the capacity of a country to deliver on this depends on several important preconditions. The country needs to mobilise substantial resources, either from domestic sources or through international assistance. The significant cost implies the need for political commitment to effective social protection. Practically, there must be appropriate implementation capacity to ensure automatic and robust delivery of the transfers. The government must be committed to a transparent targeting process which supports a clear understanding of the entitlements of beneficiaries.[25] A wide range of countries have effectively implemented social transfer programmes – often adapting institutional features to most appropriately address their specific circumstances. Low income countries, including Lesotho, Nepal and Nicaragua, demonstrate that transfers are affordable and that the more important factor is the commitment to poverty reduction as a central policy priority.

It is difficult to identify clear standards for these preconditions. Even a small amount of resources can create a significant social impact. Nepal grants a social pension equal to approximately US$2 per month (about 10% of per capita GDP), India pays a monthly pension benefit equal to approximately US$1.50, and Honduras' PRAF programme provides children with US$3 per month.[26] A study of Nepal's social pension found only 1.3% of the participants believed the amount was too low to have an impact, although most agreed the programme would benefit from expansion.[27] This evidence of usefulness is corroborated by the pension's high take-up rate – over 80%.[28] While India's national social pension benefit is very low, individual states are able to increase the amount or provide other benefits, usually with a more significant impact.[29] The low benefit in Honduras' PRAF programme may explain the relatively poor performance of the scheme in achieving human capital development outcomes.[30] For unconditional social transfer programmes, low initial benefit levels may provide an affordable starting point for evolving a more developmental and comprehensive programme.

Likewise, implementation capacity constraints need not deter a committed government from implementing a social transfer programme. Even in fragile states – such as Nepal and early-1990s Mozambique – governments have effectively delivered social transfers. During the reconstruction period in the early 1990s, Mozambique's GAPVU programme delivered very small transfers with a significant impact – promoting food security and significantly reducing poverty. **Box 1.7** describes this programme

25. For more details, see Schubert (2005), Harvey (2005), Rawlings and Rubio (2003), ODI (May 2005).
26. Rajan (2002), page 2, Barrientos and Smith (2005), pages 24–34.
27. Shresth and Raj (2003), page 43.
28. Rajan (2002), page 8.
29. Government of India (2002), page 300.
30. Glewwe, Olinto and de Souza (2003), page 22.

One problem with programme implementation was the means test – the income threshold for programme eligibility was only about 25% of the poverty line. With strict enforcement, the programme would have served a tiny fraction of the poor. In practice, the means test appeared to have been largely ignored, and this contributed to programme success. Another problem resulted from the urban focus – with 85% of Mozambique's population in rural areas, their exclusion limited the potential social impact.

Given the low state capacity and limited fiscal resources, the programme worked remarkably well in the first five years, but grew increasingly strained as pressures built for more rapid expansion. With overheads and administrative expenses limited to 7%, administrators and phantom beneficiaries seized opportunities for self-enrichment, and widespread fraud caused government to suspend the programme in 1997. It re-emerged as the National Institute for Social Action programme shortly thereafter, and continued similar operations on a smaller scale. GAPVU's failure does not discredit the capacity of a fragile state to successfully implement a social transfer programme but rather underscores the need to properly resource sound administrative systems and effective monitoring and supervision. ●

SOURCE: Devereux (2002), (2003) and (2005), DFID (2005), and Datt et al. (1997).

in greater detail. Nepal chose a universal social pension to reduce the administrative burden and facilitate delivery.

In many ways, cash transfers require less government bureaucracy and administrative resources than other mechanisms for social delivery. The option of administratively feasible and affordable social transfers makes it easier for governments to consider implementing direct income support for the poorest. The critical prerequisite is the political commitment to undertake meaningful poverty reduction. The positive impact of cash-based social transfers works through market processes and reinforces them. Countries that rely on markets and face significant problems with poverty are most likely to find social transfer programmes an effective instrument for developmental social protection.

CHAPTER 2

How does the institutional and policy context influence the choice of social transfer instrument?

The objective of this chapter is to identify the key elements of a country's institutional and policy context that influence the choice of social transfer instruments, and to analyse the decision-making process. This chapter provides a framework for selecting an appropriate set of social transfer instruments for a country.

2.1 Introduction

Various types of social transfer systems have proven successful in different countries because they appropriately address the social, political, institutional and economic circumstances facing both policymakers and the poor. No single type provides a magic bullet to address poverty in every nation. Brazil's *Bolsa Familia* provides social protection for the poor, supports human development and is politically sustainable because it addresses the needs of the poor while employing a framework within which policymakers can deliver effectively. The institutional features enable policymakers to scale it up – and success fosters further achievements. South Africa's social pension offers a different approach, but equally suited to the country's institutional and policy context. Successful instruments are well-adapted to the socio-economic conditions of poverty they address – and are rooted in the political environment. Lesotho's choice of a social pension is discussed in **Box 2.1**.

The first step in managing a social transfer programme is the selection of the appropriate instruments that address the identified policy objectives for reducing poverty and providing social protection.[31] This selection process requires a clear understanding of the government's social protection objectives and how these identify who should benefit from social transfers.

The formulation of a social transfer programme is both a political and technical process. Many of the political decisions are concentrated in the initial stages when the specific instruments are

31. Several researchers have written on programme selection, including Shepherd, Marcus and Barrientos (2005), Subbarao et al. (1997), and Grosh (1994). This chapter draws on their evidence and further lessons from case study analysis.

BOX 2.1: Lesotho's selection of a universal pension

In November 2004 Lesotho implemented a universal non-contributory social pension for those over the age of 70. The selection of this programme reflects the government's political priorities as influenced by the country's poverty profile. Lesotho is one of the world's poorest countries and is coping with a severe AIDS pandemic. Many older people in Lesotho are increasingly vulnerable, particularly as the impact of HIV/AIDS and social change erode support networks. Rural households in 1993 averaged twice as many adults over 60 compared to households in the capital city (Maseru), and the incidence, depth and severity of poverty in rural areas were more than double that of the capital. Only 6% of non-poor household members were over 60 years of age, but 9% of poor and very poor household members were over 60. By 2002, the number of poor older people had significantly increased. Older people are increasingly responsible for the care of orphans and vulnerable children. As a result, the benefit amount of M150 per month (US$25) has a broad impact.

In spite of the scarcity of government resources, Lesotho's choice of a universal pension rejects the fiscal case for targeting. (Nepal is the only other lowest income country to run a universal pension programme.) Given Lesotho's income distribution, the extra expenditure on non-poor older people may be less expensive than the sum of the various costs of targeting – not the least consideration is that the taxpayers funding the programme may benefit from it someday.

The selection of a universal pension appears to be very much a home-grown solution – perhaps in part reflecting the success of this type of intervention in Namibia, Botswana, South Africa and Mauritius, but ignoring apparent scepticism on the part of multi-lateral institutions concerned with affordability and the macroeconomic consequences. At a cost of M117 million per year (1.4% of national income, 7% of government spending), the programme requires a substantial but affordable allocation of government resources. The programme does not require donor financing.

The programme is operating successfully and benefits 50% more women than men. While most of the transfers are spent on food, medicine, clothing, children's education and other necessities, some older people have been able to invest in raising chickens, whose eggs they can market to further support their livelihoods. Other older people have invested in different micro-enterprises – demonstrating the growth and benefit multiplier effects of social transfers. The high eligibility age constitutes a form of categorical targeting, reducing both the programme cost and its effectiveness in targeting poverty. The government is considering lowering the eligibility age to 65 years, which would include 49 000 more older people at a cost of another M88 million per year. ●

SOURCE: Devereux et al. (2005).

selected. The political and technical considerations are intricately interwoven. For example, the amount that a country can afford to pay depends on the number of potential beneficiaries, which in turn depends on the targeting mechanisms and conditionalities the programme employs.

Identifying the appropriate programme requires first collecting the required information and then analysing it in order to make informed decisions that define the social transfer instruments. The most effective social transfer programmes are those that are integrated into a comprehensive system of social protection, often with multiple instruments. Even when the selected programme is implemented by a single government ministry or agency, the broader demands of social protection require inter-ministerial co-ordination. In the absence of a comprehensive approach, individual interventions can become fragmented, inefficiently absorbing resources and the attention of policymakers.

2.2 Understanding the institutional and policy context

A thorough understanding of the institutional and policy context provides the evidence base for selecting the appropriate social transfer instruments for a country. Well-informed decisions require information in four major areas:

- **Policy priorities:** What are the government's central policy priorities? What public support

BOX 2.2: Understanding the Policy Context: "Drivers of Change" Studies

One important option for better understanding the political barriers and opportunities for social protection strategies is a "Drivers of Change" study. Rooted in the country's current situation, this kind of analysis supports a long-term strategic approach while developing short- and medium-term tactical opportunities for influencing policy change.

A "Drivers of Change" study analyses three factors: agents, institutions and structures.

- Agents are the actors – like policymakers, civil servants, business people, labour union officials – operating either individually or through their organisations.
- Institutions are the rules (both formal and informal) that govern how agents behave.
- Structures are the foundation for governance – nearly permanent features rooted in historical circumstances, resources, economic and social structures, demography, geography and globalisation.

A "Drivers of Change" study analyses how structures influence the evolution of institutions, which in turn affect the behaviour of agents, whose actions can ultimately change both institutions and eventually structures. The study's main purpose is to illuminate government priorities and patterns of behaviour, supporting the development of an effective process for change while identifying the arguments most likely to persuade policymakers.

The first "Drivers of Change" study applied to social protection analysed Zambia's constraints and challenges.

exists for social protection? How effectively do the poor mobilise their political power to ensure the priority of social protection? To what extent does the risk of social and political instability reinforce the government's concern with poverty reduction?

- **Poverty profile:** Who are most affected by poverty, and how do the most affected relate to those who are less poor? What programmes currently exist? What is their impact on poverty? What are the likely effects of alternative policies on poverty?

- **Government capacity:** What is the administrative capacity of government to implement programmes?

- **Available resources:** How much can the government afford to spend? How substantial is the political will to mobilise the necessary resources? What donor resources are available? What are the risks of reliance on unstable or irregular donor resources?

2.2.1 Policy priorities

Many developing countries place poverty reduction as a central objective of national socio-economic strategy. The translation of this rhetorical goal into action is the test of political priorities. In assessing policy priority, it is important to understand the objectives of the key role-players, both in government and in civil society. Who are the champions and allies that will push to make social protection a central issue? What are their specific interests and objectives? Is the focus of social protection income poverty or human capital development? Are there particular priority groups? What existing programmes reflect policy priorities? What are the gaps in these programmes?

Understanding the positions of those opposed to social protection can also help illuminate public priorities. Who are the adversaries of social protection? What are their concerns? Does social protection spending compete with their priorities, or are there other factors driving their positions?

Are there non-government allies? What are the risks of involving civil society? Does government have a co-operative or confrontational relationship with civil society? Civil society's role is often

The report identified misunderstandings of poverty as an important barrier to developing more effective policy. For example, a focus on headcount poverty biases policy against the poorest. The report also documented how the structure of the political system constrains policy debate and undermines commitment to more effective social protection.

The report identified important opportunities for challenging the inertia and moving forward the agenda for social protection. Non-governmental and church-based organisations play a key role in championing pro-poor initiatives. The Ministry of Community Development and Social Services requires significant capacity building to take up the challenge of providing effective social protection. Donors together with civil society have succeeded in focusing the government on the need for more effective policies addressing poverty.

Some of the key constraints that must be addressed include:
- Increasing government ownership of social protection initiatives;
- Moving beyond the technical and addressing the political dimensions of pro-poor policy;
- Marshalling more convincing evidence that social protection works in Zambia.

A "Drivers of Change" study might not provide the final action plan, but it can identify common ground for policymakers and donors, promote better dialogue, and form the basis for a constructive consensus. ●

SOURCE: Barrientos, Hickey, Simutanyi and Wood (2005).

that of watchdog, and vigorous advocacy for the poor sometimes creates tension with government. Some civil society organisations interact closely with government, while others take a more adversarial approach. Both strategies can affect how government addresses the need for social protection.

The organised business community can exert an important influence on policymakers. Business organisations sometimes oppose increased social spending because the higher taxes required to finance the transfers are often borne in large part by their constituencies. Some businesses, however, clearly profit from social transfers in the immediate term (food industries, telecommunications, clothing and textiles, etc.). Opening the political process to their voice on this issue can help break the misperception that social protection is bad for business.

In order to formally assess policy priorities, policymakers can conduct a "Drivers of Change" study, which aims to illuminate how governments work to achieve their priorities. **Box 2.2** provides an overview of this methodology as applied to Zambia. Social expenditure reviews provide another avenue for understanding how governments allocate resources and who benefits from existing social programmes.

Aligning a social transfer programme with the political priorities of the country requires fine balancing. Success requires political leadership – visionaries and champions – backed by appropriate interest groups who are able to initiate, institutionalise and sustain the social transfer programme.[32] At the same time, political interference can undermine programmes, particularly with targeting and registration processes. Effective public information campaigns can consolidate political support while reducing negative political impacts – particularly when the publicity promotes transparency and is provided early in the process. Participation by local and institutional actors can provide vital support, particularly in the initial programme design.[33]

Clarity on the realistic achievability of public policy objectives also supports the development of an appropriately comprehensive social protection system. Presenting proposals with limited potential for success as panaceas tends to reduce the opportunities for alternative and/or complementary initiatives. For example, some economists and policy analysts in South Africa

32. See Holzmann and Rutkowski (2006), Samson et al. (2005), DFID (2005c), World Bank (2004).
33. Ayala Consulting (2003), page 33.

BOX 2.3: Measuring poverty – a simple numerical example

Suppose we want to compare two hypothetical countries – Lowinca and Baja Inga – both with the same per capita income. Each country has a population of four people, with incomes measured in comparable "units" as follows:

Lowinca		Baja Inga	
Person	**Income**	**Person**	**Income**
A	280	E	40
B	400	F	860
C	1 200	G	940
D	2 000	H	2 080
Average	970	Average	970

The per capita income of both countries is the same – 970 units. Which country has greater poverty? The answer depends on the definition of poverty, as well as for any given definition of poverty the methodology used to measure it.

For example, if we establish a poverty line of 500 units, and we use a poverty headcount measure, then half (50%) of Lowinca is poor (since the incomes of A and B fall below the poverty line) while only a quarter of Baja Inga is poor (only E's income falls below the poverty line).

If, however, a new study shows the more appropriate poverty line is 1 000 units, then the incidence of poverty using the headcount measure doesn't change for Lowinca – only the incomes of A and B fall below the higher level. For Baja Inga, however, the incomes of E, F and G fall below the new poverty line, and the poverty headcount rate is three-quarters (75%).

This demonstrates that the ranking of poverty across countries can change as the poverty line changes. Since the identification of a poverty line is subjective, somewhat arbitrary and often political, the fact that measured poverty can be reduced simply by lowering the poverty line is cause for some concern.

Suppose that we continue to define the poor as those with income less than 1 000 units, but we measure the extent of poverty using the poverty gap methodology. *In this case, the poverty gap measures the average additional amount of income each person requires to meet the poverty line, expressed as a percentage of the poverty line, where that amount for non-poor individuals is zero.* This indicator is more sensitive to changes below the poverty line. For example, if a social transfer improved the livelihoods of the poor but did not raise them above the poverty line, the poverty headcount measure would reflect no impact at all. The poverty gap measure, however, would reflect the associated reduction in poverty.

The poverty gaps for each person are calculated in the third column for each country opposite (labelled "Poverty Gap"). For example, for person A, with an income of 280 units, the gap to

have identified public works programmes as a key instrument for achieving infrastructure provision, economic growth, poverty reduction and employment creation. The perspective, however, that public works provide a magic bullet for addressing the diverse and complex social protection problems of South Africa's working-age poor, risks foreclosing on prospects for other essential innovative solutions.[34]

2.2.2 Poverty profile

While the objectives of policymakers may reflect the conditions of poverty in the country, concrete evidence is required to identify appropriate social transfer instruments. A thorough understanding of the nature of poverty, vulnerability and social backlogs (health, education, housing, vital services) in the country importantly informs policy choices.[35]

The starting point is a demographic and spatial picture of poverty, deprivation and vulnerability. Understanding the nature of poverty in the country is the first step in targeting effective programmes. What are the incidence, depth and intensity of poverty for children, older people, those with disabilities, and the unemployed? Is poverty disproportionately rural or urban? Are there racial, gender-based or other demographic features of poverty? The appropriate programme for a country with a 20% poverty rate is likely to be different from one with an 80% poverty rate.

34. See McCord (2004), page 11 for a more detailed discussion of this issue.
35. This discussion sidesteps the problem of defining poverty. The World Bank's (2001) definition as "unacceptable deprivation in well-being" in the 2000–2001 World Development Report implies an operationally political judgment.

the poverty line is 720 – or 72% when expressed as a percentage of the poverty line. The average poverty gap for Lowinca is 33%, while that for Baja Inga is 29%. Using the poverty gap in this example reverses the poverty ranking of the poverty headcount index, even using the same poverty line.

This demonstrates that the ranking of poverty across countries can change as the poverty indicator changes.

Lowinca			
Person	**Income**	**Poverty Gap**	**Squared Gap**
A	280	72%	52%
B	400	60%	36%
C	1 200	0	0
D	2 000	0	0
Average	970	33%	22%

Baja Inga			
Person	**Income**	**Poverty Gap**	**Squared Gap**
E	40	96%	92%
F	860	14%	2%
G	940	6%	1%
H	2 040	0	0
Average	970	29%	24%

Finally, consider a third measure – that emphasises the poverty of the very poorest relative to the poverty of the less poor. This "Squared Poverty Gap" measure squares the calculated poverty gap for each poor person – which increases the relative weight of poorer individuals compared to those less poor. This measure is appropriate when policies aim to target the very poorest in a country – since the impact of policy changes that benefit them will be weighted more heavily.

These calculations for each person are shown in the last column for both country tables, in the column labelled "Squared Gap". In all cases, the squared poverty gap measure is less than the poverty gap – but the measure shrinks more for people near the poverty line. For example, person E's poverty measure falls just slightly from 96% to 92%, while person F's measure nearly disappears – falling from 14% to just 2%. Once again, the ranking of poverty across countries reverses – compared to using the poverty gap measure. That is, using the poverty gap measure, Lowinca is poorer than Baja Inga. With the squared poverty gap measure, however, Baja Inga is poorer than Lowinca.

These examples demonstrate that poverty lines and measurement methodologies matter – both for comparisons across countries as well as for the appropriate assessment of policy impacts. ●

SOURCE: This example adapts and extends the framework developed by Duclos (2002), as well as illustrating techniques employed by Foster, Greer and Thorbecke (1984).

A poverty profile will quantify the incidence of poverty in the country. Various measurement techniques will provide different pictures of poverty. Two frequently used indicators are the "poverty headcount" and the "poverty gap", which are discussed below. A variant of the poverty gap – the "squared poverty gap" – provides a measure more sensitive to the very poorest. An example of the various measures is provided in **Box 2.3**.

The most common measure of poverty – often dangerously favoured by politicians and journalists for its simplicity – is the poverty headcount measure, which is generally reported as a percentage.[36] This indicator reflects the proportion of the population (either individuals or households) whose income or expenditure fall below a specified level, called the "poverty line". The poverty line varies depending on the size and structure of the household and the price level of goods purchased by the poor.[37] The main shortcoming of the poverty headcount measure is that it does not reflect changes in well-being that occur below the poverty line.[38] Given resource constraints and the policy priority of addressing the most severe poverty, social transfers frequently have their most important impact below the poverty line – improving the well-being of the poorest yet not necessarily freeing them from poverty. The poverty headcount measure does not reflect these benefits.

A more useful indicator in these cases is the "poverty gap".[39] The simplest form of poverty gap

36. The World Bank sometimes refers to this incidence of poverty indicator as the "P0" measure – the percentage of individuals below a given poverty line, relative to the population. [World Bank (1995), page 24.]
37. Ravallion (1996), page 2.
38. Sen (1976).
39. The World Bank sometimes refers to this depth of poverty indicator as the "P1" measure – the percentage of the poverty line income which is needed to bring everyone below the poverty line up to the poverty line. [World Bank (1995), page 24.]

BOX 2.4: Evidence for Policy: Zambia's Poverty and Vulnerability Assessment

The World Bank – partnered with Zambian researchers and development specialists, DFID/Lusaka and other international partners – prepared a Poverty and Vulnerability Assessment (PVA) for Zambia. Directed at informing debate about policy priorities for reducing poverty and vulnerability, the report emerged from new studies as well as pre-existing work on Zambian poverty and living conditions. The PVA process aims to be highly consultative – involving national non-governmental organisations and researchers, development community partners and government counterparts.

The PVA documents five dimensions of poverty: material deprivation, human deprivation, vulnerability, destitution, and social stigmatisation. Measured in terms of **material deprivation**, 62% of Zambia's rural population is poor, compared to 45% in urban areas. The people's perceptions of poverty appear rooted in the economic boom of the 1960s and 1970s – 95% of those interviewed in a 2002/3 living standards survey considered themselves very poor or poor – including many with secure jobs in the formal sector.

Human deprivation has worsened significantly over the past few decades. While average years of education are relatively high compared to other Southern African countries, Zambian men in their 20s have less education than men in their 40s. According to United Nations estimates (disputed by the Zambian government), the country has the lowest life expectancy in the world. The HIV/AIDS prevalence rate was estimated at 18% percent for women and 13% percent for men in 2001. Chronic malnutrition rates for children have risen from 40% in the early 1990s to 47% most recently. The under-five mortality rate (176 per 1 000 live births) is very high.

The **vulnerability** of the poor in Zambia stems from risks including droughts, commodity price shocks (primarily copper), health risks including HIV/AIDS, malaria, and other infectious diseases. The PVA process reports not only statistics but also evidence from rural participatory studies. For example, the report recounts the predicament of Godfrey,

measures the average additional amount of income (or expenditure) each person (or household) requires to meet the poverty line, expressed as a percentage of the poverty line, where that amount for non-poor individuals (or households) is zero.[40] For example, if the individual poverty line is 500, a person with an income of 200 faces an individual income poverty gap of 60% (since the difference of 300 is expressed as a percentage of the poverty line of 500). A person with an income of 500 would have a zero poverty gap. The average includes the gaps for the poor and the non-poor. (If these two people made up the entire population of a hypothetical country, the average poverty gap would be 30%.)

In order to evaluate policy and place a greater emphasis on the poorest, other indicators can be used, such as the squared poverty gap measure.[41] This measure multiplies the percentage poverty gap for each person by itself.[42] Since each person's poverty gap is less than or equal to one (100%), the square is also less than or equal to one – but the squared poverty gap shrinks more the smaller is the poverty gap. As a result, this measure weights the poverty of the poorest relatively more than that of those closer to the poverty line. In the example above, the person with the income of 200 has a poverty gap of 60% and a squared poverty gap of 36% (0.6 times 0.6 expressed as a percentage). The example in **Box 2.3** provides a more complete numerical example and demonstrates how different measures can provide very different analytical outcomes.

These conventional measures of poverty are all based on a measurable dimension of well-being – such as income or expenditure on consumption.[43] In practice, per person measures are usually calculated as a per capita of the household measure. An important issue arises in how the household resources are distributed among the members. Given difficulties in tracking how much is spent on each household member, an alternative approach tracks non-income measures of well-being, such as nutritional status, height-for-weight, school attendance and other broader indicators of household development. In addition, the consideration of qualitative assessments can improve the analysis.[44] This multi-dimensional information will provide greater insight into how household resources broadly affect all the members.

40. Duclos (2002), page 23, Foster, Greer and Thorbecke (1984).
41. Foster, Greer and Thorbecke (1984).
42. The World Bank sometimes refers to this severity of poverty indicator as the "P2" measure – it "weighs the shortfall of a household's income more heavily, the further it falls below the poverty line, suggesting the severity of poverty for the poorest of the poor." [World Bank (1995), page 20.]
43. Ravallion (1996), page 2.
44. Ravallion (1996), page 18.

a 67-year old man who is blind and has 12 children. Robbed of his assets by thieves two years ago, and coping with the death of two daughters who provided remittances, he has been unable to cope. Unable to provide sufficient food, he has been forced to remove some of his orphaned grandchildren from school. In the absence of adequate risk management institutions, multiple shocks lead to the most severe forms of destitution.

Destitution afflicts many in the most vulnerable groups, especially widows, those with disabilities and orphans. The most recent Zambian Demographic and Health Survey (conducted during the hungry season) shows that 47% of children under five years of age are stunted, 28% are underweight, and 5% suffer wasting.

Stigmatisation works hand-in-hand with poverty to reinforce vulnerability and destitution. The lack of resources afflicting many women-headed households is compounded by social stigmatisation as well as discrimination that undermine rights to property and inheritance – in spite of new laws that have yet to provide effective protection. The most extreme forms of stigmatisation and discrimination affect those with HIV/AIDS, including denial of treatment, name-calling and other forms of degrading treatment.

PVA reports go further than presenting the details of a country's poverty profile – they also assess the causes of poverty and identify key challenges for policymakers. The Zambian PVA process analyses alternative policies aimed at reducing poverty and identifies priority areas for promoting pro-poor growth, managing risk and vulnerability and improving strategies for poverty reduction. For example, the report provides evidence supporting social transfers as an efficient instrument for improving the nutritional status of the poorest and most malnourished children. ●

SOURCE: World Bank (2005b).

In addition, information on poverty dynamics is critical. Is poverty chronic or transitory? For example, public works more effectively address transitory shocks that increase unemployment than chronic poverty that disproportionately affects children and older people. Dynamic information is important at both an aggregate level (how does the country's poverty rate change over time?) and at an individual level (how many people move in and out of poverty each year?). The use of longitudinal studies – which track how households evolve over time – can provide important insight into different kinds of poverty traps that afflict the poor.[45]

An understanding of coping mechanisms is important to evaluate the feasibility of targeting. If individuals in a household pool most of their resources, directing grants to specific classes of the vulnerable (young children, older people, those with disabilities) will not effectively target them. For example, a social pension paid to a poor older person caring for seven grandchildren will benefit the whole household but might not lift the pensioner out of poverty. The same pension paid to a single older person living alone might raise the recipient well above the poverty line.

Concrete quantitative information is required for analysis and advocacy. These include headcount poverty measures, poverty gap measures, measures of the incidence of public expenditure, linkages between poverty and unemployment, HIV/AIDS, and other critical social conditions and a profile of the major sources of income for the poor.

A thorough understanding of the nature of poverty in the country will enable policymakers to better identify social needs and more accurately predict the likely impact of social transfer programmes. There are a number of structured options for harnessing the required information for policy analysis. Whether through Household Economy Assessments, Vulnerability and Risk Profiles[46], or less structured mechanisms, the information generated will illuminate the country's specific needs for social protection, and the potential role for social transfers. Key factors include assessments of the profile of poverty, major social risks (HIV/AIDS, natural disasters, unemployment), the demographic structure of the population (age and geographic distributions),

45. Ravallion (1996), page 20.
46. Asian Development Bank (2003), page 34.

BOX 2.5: Brazil consolidates existing programmes into *Bolsa Familia*

Since the mid-1990s Brazilian municipalities provided cash transfers to poor households on the condition that caregivers ensure children attend school. By 1998 60 local programmes covered approximately 200,000 families. In 2001, the Education Ministry consolidated the local projects into a national *Bolsa Escola* programme. The Health Ministry established a parallel programme – *Bolsa Alimentação* – targeting the same beneficiaries, but with separate administrative, delivery and reporting systems. Similar programmes were set up independently by the Zero Hunger initiative (*Cartão Alimentação)* and the Ministry of Mines and Energy (*Auxílio Gas*) with complementary social protection objectives – but with redundant administrations.

In 2003, the newly elected government of Luiz Ignacio Lula da Silva launched a comprehensive programme to stimulate rapid growth and social progress. On the social side, the centrepiece of this effort was known as ***Bolsa Familia***, a sweeping reform of Brazil's social safety nets that consolidated these four federal cash transfer schemes and co-ordinated them with other social programmes and policies.

As of January 2005, ***Bolsa Familia*** covered 6.6 million families and accounted for about a quarter of Brazil's social safety net spending. By the end of 2006, the consolidated *Bolsa Familia* proposes to cover 11.2 million families (about 44 million people).

economic factors (including both the formal and informal sectors), and existing social protection institutions (discussed further in the next section). Dynamic analysis can identify trends affecting social priorities – growing dependency ratios, a more rapidly aging population, increasing unemployment, intensifying vulnerability from HIV/AIDS – and model how policy responses can make an impact. Distributional analysis can identify who are most affected and where they are located. **Box 2.4** provides an overview of Zambia's Poverty and Vulnerability Assessment (PVA).

2.2.3 Information on existing programmes

Existing transfer programmes represent social contracts and frame the context into which new programmes must fit. In addition, they provide important information about public priorities for social protection (at the time of their implementation), government administrative capacity, the cost of implementation and potential pitfalls and bottlenecks that may be encountered. Nevertheless, existing programmes may lack adequate scale and require substantial expansion in order to meet the demands for social protection. Some types of programmes, however, may not be well-suited to scaling up. While policymakers must pay careful attention to the existing institutional environment, innovative approaches may more effectively provide social protection.

Understanding how existing programmes reduce social risks and vulnerabilities is the foundation for identifying the gaps that need to be addressed with reformed or new instruments.[47] Discussions with programme managers will usually illuminate the successes. Some of the potential shortcomings – information not often volunteered – include limited coverage (often excluding the informal sector and the poorest), inadequate and misallocated finance, unsuitable instruments (sometimes inappropriately imported from an upper income country), corruption, lack of capacity and barriers to access (including discrimination, statutory exclusions, bureaucratic impediments).[48]

Objective and rigorous programme evaluations can provide important insight and serve as leverage, particularly when country circumstances have changed significantly since the institutionalisation of the existing programmes. Evaluations of the regressive impact of general food subsidies in Mexico, for example, supported the mobilisation of political support for the implementation of *Progresa*.

The existence of established programmes generates benefits yet imposes costs. It is often easier to reform and extend an existing moderately successful programme than to build a new one from scratch. Ineffective programmes, however, often assume an inertia that makes reform difficult. The existing beneficiaries and bureaucrats can make formidable opponents, particularly if the

47. Shepherd, Marcus and Barrientos (2005).
48. Asian Development Bank (2003).

The social investment would represent an increase from 1.1% to 2.5% of total government expenditure, and an increase from 0.2% to 0.5% of Brazil's GDP. The ***Bolsa Familia*** programme was prioritised by the Lula administration as its flagship social programme. In terms of numbers of beneficiaries, the *Bolsa Familia* programme is by far the largest conditional cash transfer in the developing world.

Bolsa Familia integrated the four schemes into a single conditional cash transfer programme under the umbrella of a new Ministry of Social Development. Integration of the four interventions made better use of public resources by reducing administrative costs and improving the system for targeting the beneficiary population. The programme and methodology were extended vertically to integrate the federal programme with the state and municipal safety net programmes, further extending and consolidating (or co-ordinating) the overall safety net. By standardising results indicators and administrative procedures under a single programme (rather that four separate schemes), bureaucratic complexity was reduced. Finally, integration of the programme as a concept – that is, as a way of thinking about, discussing and planning, as well as administering – encouraged natural "synergy opportunities" for larger-scale actions related to education, health and nutrition for the poor. ●

SOURCE: Lindert (2005) and Britto (2005).

proposed programme reduces benefits to poor and near-poor groups (even if the purpose is to redistribute resources to the very poor).

Brazil's *Bolsa Familia* faced the logistical and political challenge of consolidating four different cash transfers. The new consolidated programme effectively addressed the weaknesses of the best features of intervention that it replaced.[49] (This example is discussed further in **Box 2.5**). Jamaica faced a similar challenge, seeking to unify inefficient and independently operating programmes that targeted different groups and incurred high administrative costs. The resulting Programme for Advancement through Health and Education (PATH) provides benefits to different family members through a unified administration.[50]

2.2.4 Government capacity

Government capacity consists of the institutions, human resources, leadership, experiences, systems and other public resources that support the delivery of policy objectives. Policies ideal in theory will nonetheless fail in practice if the government's ability to deliver is too weak. Some programmes (such as those that rely on verified means tests) require substantially greater bureaucratic resources per unit of benefit than do others (such as universal programmes). Government capacity is not static and the potential to build capacity is an important factor affecting the selection of the appropriate programme.

Conditional cash transfers and public works programmes require a much greater administrative capacity than unconditional programmes.[51] The more complex the programme – either through targeting or conditionalities – the greater the need to develop the necessary capacity if it does not already exist, or shift towards a simpler form of programme.

If existing government capacity is inadequate, policymakers face the choice of fortifying public institutions or relying on non-state actors, such as market-based agents or non-governmental organisations. Private sector companies often face disincentives to serve the poor effectively.[52] Private contractors implementing public works programmes may choose a profit-maximising capital intensive approach in preference to more labour intensive techniques that provide greater social protection but less profit. Contractors implementing private payment for social grants might not find it profitable to serve the most remote recipients of social transfers – even though the social cost of their exclusion exceeds the cost of servicing them. Careful attention must be paid

49. See Lindert (2005b).
50. Ayala Consulting (2003), page 6.
51. Sedlacek, Ilahi and Gustafsson-Wright (2000), page 22.
52. Asian Development Bank (2003), page 37.

BOX 2.6: How to deal with pre-existing social protection institutions

Many countries which require more effective social protection instruments already have existing schemes or institutions that address in part the objectives that social transfer programmes would achieve. For example, with the advent of democracy in South Africa, policymakers grappled with the expectations generated by relatively generous but racially skewed social grants. At the same time, the existence of these programmes provided management and implementation systems as well as experience in delivering unconditional grants. These factors influenced the country's choice of a social protection system. The Asian Development Bank's policy and strategy framework on social protection illuminates some of the main conceptual issues:

"Where social protection programmes already exist, conscious decisions will have to be made about whether reform efforts should build on the existing institutions or whether new institutions should be created. Societies almost always have at least some form of formal social protection institutions, but the institutions that exist may be very weak or cover only an extremely small fraction of the population. Where the existing institutions are neither very large nor very important, they may

to structuring contracts with the private sector to ensure there are appropriate incentives and penalties that guarantee effective delivery.

Non-governmental organisations can sometimes provide support that effectively supplements government capacity. International organisations are familiar with appropriate practices and bring important knowledge about programme delivery. Local organisations are familiar with the country context and often rooted in the political environment. Partnerships between international and local non-governmental organisations can provide an important complement to existing government capacity.

Different strategies for implementing programmes require varying levels of government capacity. Donor funding through general budget support requires greater government capacity than direct project finance – since project budgets often are associated with technical assistance.

Government capacity requirements also depend on financing arrangements, especially when donors are involved. Fragmented funding – particularly when recipients must comply with uncoordinated conditions – places a greater stress on administrative capacity, absorbing attention and resources from core government responsibilities.[53]

In these circumstances, investments in government capacity can have multiplier effects if donor requirements are sufficiently harmonised. They generate direct implementation benefits, but also encourage donors to shift towards greater reliance on sectoral and general budget support, which economises further on government capacity resources.

2.2.5 National and donor financial resources

Affordability is multi-dimensional. At one level, it is largely a matter of political will: South African politicians have expressed concern about the sustainability of social security spending even while unexpectedly collecting tax revenue exceeding the budget by 3% of national income. Meanwhile, neighbouring Lesotho has implemented a universal pension programme for its older people in spite of more pressing fiscal constraints. The attempts by economists to scientifically measure fiscal capacity have generally found that most of the differences across countries are explained by non-economic and largely political factors.[54]

Social transfer programmes are affordable in a broad range of low-income countries. Zambia's Kalomo pilot – which provides the equivalent of US$15 per month to 1 000 poor households could

53. Overseas Development Institute (2005), page 2.
54. See Tanzi (1992), Nelwyn (1985), van Niekerk (2002).

not impose serious constraints on the reform process. Where they are large, however, their influence cannot be ignored.

"Existing institutions influence policies about the structure and philosophy of social protection in several ways. They form a point of reference for comparing alternatives. Where the current approaches are generally viewed favourably among the population, the political path of least resistance will be to build on and extend them. The country's institutional history, including the relative credibility of the public and private sectors and the extent of previous government social protection commitments, inevitably affects the scope and character of any new intervention. Given that existing institutions have staff and stakeholders who are likely to protect themselves, large government bureaucracies are not dismantled easily and private concerns that are profiting from the existing arrangements will resist change.

"A good stakeholder analysis of old and new providers and recipients of social protection may facilitate discussions during country programming and project design, by making the trade-offs transparent. Reforming social protection policies is likely to be easier – and the odds of success are correspondingly higher – if the new approach preserves an important role for the existing institutions." ●

SOURCE: Asian Development Bank (2003), page 36.

be scaled up to the poorest 10% of the population for less than US$20 million (0.3% of national income and less than one percent of current government spending). **Box 2.7** compares the fiscal simulations from a study by the International Labour Office for seven low-income African countries. In most of these countries, the programmes could be funded for less than 5% of existing aid flows.[55]

At an economic level, however, many countries face real fiscal constraints in financing social transfers. Understanding affordability requires information about both the static and dynamic conditions of the national treasury, as well as the availability of international assistance and credit. Affordability is both a short-term and long-term question. Using both domestic and international sources, a country may be able to fund an ambitious social transfer programme. Is this sustainable in the long run? The answer depends on the dynamic impact of the programme on the economy. Effective social protection is often economically productive through a number of transmission mechanisms, thus increasing the resource base available to a country.[56] "Putting money in the hands of the poor can yield very high rates of return, partly because they use their assets so intensively and partly because the cost of falling below a critical consumption level is so great, small amounts can yield a high effective return."[57] Increasingly, the World Bank and the Inter-American Development Bank are making loans to finance social transfer strategies.[58]

Increasing evidence documents how social transfers promote economic growth (see **Box 2.8**). Productive returns from investing in social protection increase the longer term affordability of social transfers and promote sustainability.

Importantly, the political and economic decisions determining the amount of available resources may depend on the type of social protection system selected. A programme that effectively targets the poor may lack the broad political appeal required to mobilise adequate resources. A universal old-age pension or child benefit, for example, may be less progressive but generate sufficiently greater financial support since the poorest benefit more. In this sense, the resource cost of a targeted scheme is not simply comparable with that of a universal programme – some of the direct transfer costs of a universal programme almost pay for themselves. (The political economy dimensions of targeting are discussed further in chapter 3.)

Decentralised financing mechanisms may create spatial differences in affordability within a country. For example, a country with a provincial or state tax-collection system and significant

55. Pal et al. (2005), DFID (2006a).
56. See DFID (2005), Devereux et al. (2005), Samson et al. (2004).
57. Subbarao (2003), page 28.
58. Analysis of press releases on the websites of the World Bank and Inter-American Development Bank (IDB). October 27, 2005: "El Salvador: World Bank Approves $21 Million for Social Protection" (http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/ELSALVADOREXTN/0,,contentMDK:0700758~menuPK:295249~pagePK:141137~piPK:141127~theSitePK:295244,00.html); December 15, 2004: "IDB Approves $1 Billion Loan For Expansion And Consolidation Of Social Protection In Brazil Based On The Bolsa Familia Program" (http://www.iadb.org/NEWS/Display/PRView.cfm?PR_Num=281_04&Language= English), January 16, 2002: "IDB Approves Its Largest-Ever Loan For Mexico: $1 Billion For Expansion Of The Progresa Poverty-Reduction Program" (http://www.iadb.org/news/display/prprint.cfm?pr_num=10/02&language=english), etc.

BOX 2.7: Cost of a national social transfer programme (equivalent of US$0.50 per day to the poorest 10%)

A study by the International Labour Office (ILO) demonstrates that social protection is affordable in low income countries. The study examined a number of options, including a universal social pension for older people and those with disabilities set at a level of US$0.50 per day (based on purchasing power parity), a universal children's allowance and a social transfer to the poorest 10% of the population. All of the options proved affordable given the existing government and donor resources – assuming there was sufficient political will to allocate the necessary funding. In all the countries studied – Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal, and Tanzania – the cost of the programme targeted to the poorest 10% of the population fell below 1% of national income. In all the countries except Tanzania, the cost fell below 3% of current government expenditure. Given the demographic distribution of poverty, social pensions are less expensive than child benefits. With interim donor support, all countries could afford both the social pension and a programme of child benefits. The study showed that the national capacity to finance the programme would grow over time, which would enable the countries to reduce and eventually eliminate their reliance on external funding. The evidence supports the position that social transfers are not only desirable, effective and affordable but also administratively feasible. ●

regional income disparities will find it more difficult to finance social protection for the poorest. The provinces or states with the greatest poverty will also have access to the most limited tax resources, unless the national government provides federal grants.

The role of international donors will vary from country to country, and often depend on the type of programme being financed. Particularly in very low-income countries and fragile states, the role of donors may be very important, particularly in terms of predictability and co-ordination. In some countries, donor programmes lack the permanence, predictability and reliability necessary for effective social protection support. Frequent changes in aid programmes tax a country's administrative capacity, undermining the development of effective management systems. "Part of the solution is for donors to commit to long-term support for programmes and to maintain basic programme design – even if imperfect – unless there is an absolutely compelling reason to change it."[59]

Donor co-ordination can also increase the efficiency of a given level of aid resources.[60] For example, both the World Food Programme's Food-for-Work initiative and the Cash-For-Work component of Malawi's Social Action Fund included concentrations of activity in the same geographically targeted rural areas, enabling some communities to enjoy access to both projects while equally poor neighbouring areas were unsupported.[61] At one time in Malawi, different donors operated 15 various social protection projects – public works, feeding schemes and social transfer programmes.[62] Integration of aid initiatives can foster more comprehensive coverage, reduce duplication and lower administration costs.

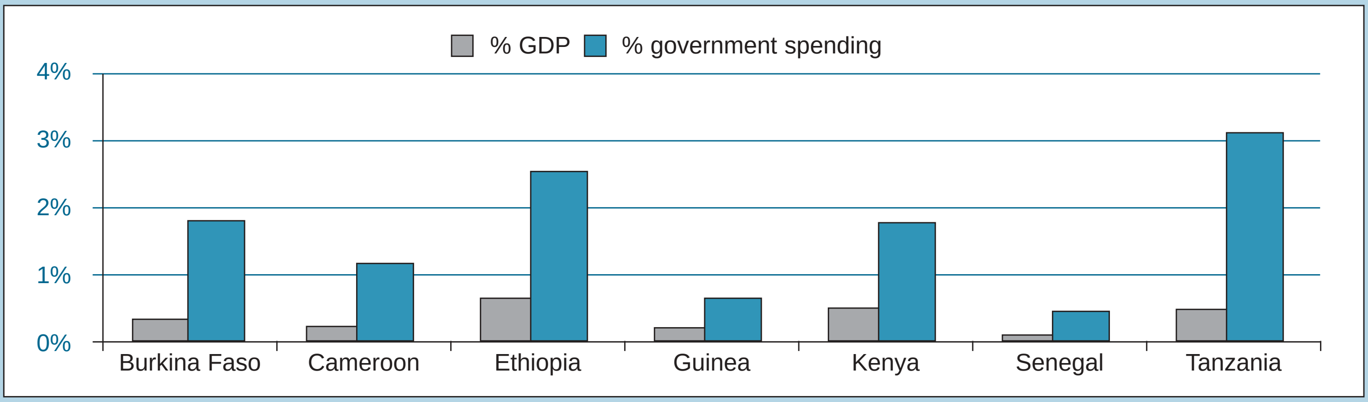
2.3 What are the appropriate social transfer instruments?

The information identified in the previous section – on political priorities, poverty profile, government capacity and available resources – provides the evidence base for selecting the appropriate set of social transfer instruments for the country. Four central decisions define the social transfer instruments:

- Who benefits from the social transfers?
- What size of a social transfer is provided to the beneficiaries?
- Are targeting mechanisms employed to reach the poor?
- What conditionalities (if any) are imposed for eligibility?

59. Subbarao (2003), page 28.
60. The need for greater donor co-ordination was a major theme of discussion at the UNICEF/Wilton Park conference, November 2005. See Wilton Park (2005) for greater details.
61. Devereux (2002), page 4.
62. Subbarao (2003), page 28.

Cost of a national social transfer programme (equivalent of US$0.50 per day to poorest 10%)



SOURCE: Pal et al. (2005), DFID (2006a).

The process of making these decisions may identify information gaps that require additional research. It may be useful to establish a consultative group of policymakers, social transfer champions and even those opposed to a more expansive strategy of social protection. This group might also include donors and civil society representatives. The following discussion provides a structured framework for understanding the key questions that must be answered in order to define an appropriate programme or set of programmes.

2.3.1 Who benefits from the social transfers?

Social transfer programmes generally target either household units or groups of vulnerable individuals. For example, the Zambian Kalomo pilot explicitly targets households rather than individuals and structures benefits accordingly. Most public works programmes target individuals who can supply labour, but with the expectation that the transferred resources will support the worker's household. Conditional cash transfer programmes focus primarily on children, with a broader inclusion of the family, but rarely include the more extended household. Brazil's *Bolsa Familia* is inclusive enough to protect poor households without children. Targeted unconditional programmes generally focus on the members of vulnerable groups – young children, people with disabilities, older people – without consideration of the needs of other household members. The issues pertaining to targeting are discussed in greater detail in chapter 3.

To protect vulnerable individuals requires the dispelling of a myth – that the benefits provided will exclusively support the targeted beneficiaries. Vulnerable individuals often live in poor households – so usually the resources from transfers are shared among all the members. As a result, even a perfect targeting mechanism that reaches poor children with complete accuracy will effectively provide some children with fewer resources than others. For example, a child grant recipient living in a large destitute household with no other grant beneficiaries will likely benefit less than a similar child living alone with her caregiver. This problem is referred to as "benefit dilution".

One can address the dilution problem by targeting households, such as Zambia's Kalomo pilot. When resources are limited, however, covering households may place greater stress on the targeting mechanism – since this approach does not limit the programme's scope solely to vulnerable groups. When poverty is widespread, the focus on households may require greater fiscal commitment – and provide a more comprehensive response.

BOX 2.8: Social protection and economic growth

An increasing body of evidence documents how social protection programmes contribute to economic growth – and increase the pool of resources available for financing social transfers. Policymakers do not face a trade-off pitting social protection against growth objectives – but rather have the opportunity to engineer a virtuous circle of increased equity promoting growth supporting further improvements in equity. There are at least seven paths through which social transfers promote growth:

1. Social protection promotes human capital development, improving worker health and education and raising labour productivity. Studies in South Africa and Latin America repeatedly document significant responses of health and education outcomes to both conditional and unconditional programmes.
2. Social protection enables the poor to protect themselves and their assets against shocks, enabling them to defend their long-term income-generating potential. Droughts in Ethiopia have significantly reduced household earning power as long as 15 years later. Social transfers enable households to resist desperate measures and reduce future vulnerability.
3. Social protection mitigates risk and encourages investment. The downside of the riskiest and yet most productive investments threatens the poor with destitution.

The practical implementation of targeting involves errors – some of the poor will be excluded and some of the non-poor will access benefits. The challenges of targeting multiply when one vulnerable group is targeted indirectly through another. For example, numerous studies of social pensions have documented their substantial positive impact on children's development.[63] The benefits to vulnerable children have been cited in support of Lesotho's recent implementation of a social pension.[64] However, the benefits to children from pensions can be haphazard. Children living with older people benefit, but those whose grandparents died too young are deprived.

The targeting process inevitably involves these types of errors and distortions, which can only be eliminated through universal provision of social transfers. When the lack of political will and resource constraints preclude universalism, policymakers must make compromises that take into consideration available resources, access to information and political concerns.

In practice, countries frequently adopt one of two basic approaches. (1) Many programmes identify vulnerable categories of individuals and introduce transfers into the household by targeting these groups – children, widows, people with disabilities and older people. These programmes can be universal or targeted to the poor. (2) Some programmes explicitly focus on households and aim to transfer resources for the benefit of all members. Since the scope of these programmes is not limited to vulnerable groups, they usually rely on more sophisticated targeting mechanisms to reach the poor.[65]

There is no consensus among policymakers or social policy analysts on how to address this issue. The problem is as much political as it is technical. Some policy analysts conclude that the best targeting relies on easily identified categories linked to poverty and vulnerability – such as age, location and degree of exclusion – and provides transfers universally to these targeted groups.[66] Others are confident that the challenges of more sophisticated targeting can be surmounted so that resources can be more efficiently allocated to the poor.[67]

The starting point for the selection of the appropriate social transfer instrument is the determination of the scope. Will the programme target older people, children, those with disabilities, and/or another vulnerable group? Alternatively, will the programme encompass all members of the household? Ideally, the answer to the question "Who benefits from the social transfers?" is "All those who are poor and vulnerable". Usually, however, resources are limited and it is difficult to identify this group. Sometimes there is greater political will to target specific

63. Barrientos and Lloyd-Sherlock (2002), Duflo (2003), Samson et al. (2004).
64. Devereux et al. (2005).
65. The alternative – embraced by civil society coalitions in Namibia, South Africa and other countries – involves a universal grant to everyone in the nation.
66. Shepherd, Marcus and Barrientos (2005), page 4.
67. Coady, Grosh and Hoddinott (2004).

Social transfers enable people to face these risks. For example, farmers protected by the Employment Guarantee Scheme in Maharashtra, India, invest in higher-yielding varieties than farmers in neighbouring states.

4. Social protection programmes combat discrimination and unlock economic potential. In Bangladesh, Brazil and South Africa, transfers provided to women have a greater positive impact on school attendance by girls compared to boys.

5. Social protection supports the participation of the poor in labour markets. Job search is often expensive and risky. In South Africa, workers receiving social transfers put more effort into finding work than those in comparable households not receiving grants – and they are more successful in finding employment.

6. Social protection stimulates demand for local goods and services. In Zambia 70 per cent of a social transfer is being spent on locally produced goods, stimulating enterprises in rural areas. In South Africa social grants shift the composition of national expenditure from imports to local goods, increasing savings and economic growth.

7. Social protection helps create an effective and secure state. It builds social cohesion and a sense of citizenship, and reduces conflict. A safe and predictable environment is essential to encourage individuals, including foreign investors, to work and invest. ●

SOURCE: DFID (2006b).

groups (which often coincide with the poorest and the most vulnerable). The answer to this question should reflect the policy and institutional context – the political objectives, the poverty profile and the other institutional factors affecting the decision-making process. **Box 2.9** summarises some of the key advantages and disadvantages of various approaches to answering this question.

2.3.2 What size of social transfer is provided?

Once the intended group of beneficiaries is identified, the second decision is to identify the size of the grant. This involves weighing the available resources against the range of possible benefits – from the minimum to the optimal level. When the programme includes multiple targeted beneficiaries – for example, children and older people, or primary and secondary school students – the size of the benefits for each may vary.

Determining the appropriate level of benefits similarly requires an understanding of the politics, the social profile of poverty, the socio-economic status of beneficiaries and their livelihood strategies, the capacity of government and the fiscal position of the country. The determination of the appropriate benefits level requires significant economic and political trade-offs, reflecting the priorities of policymakers and their political economy constraints.[68]

The minimum benefit level provides a floor beneath which social transfer programmes are unlikely to be effective. At the other end of the range, the optimal benefit level could be greater than the poverty gap because of targeting uncertainty, the expectation that the grant will in turn be redistributed within the household (or across households), or the desire to move further than just eliminating poverty. For example, South Africa's Older Person's Pension – at R840 (US$140) per month – is about twice the level of the most commonly used poverty lines.

Hypothetically, given the fundamental objective of eradicating poverty, a government with no constraints would set the minimum benefit level equal to each household's gap between their income and the level required for them to escape poverty. In practice, however, governments often face severe constraints – mobilising the resources necessary to finance the grant, identifying and reaching the poor and accurately calculating the poverty gap for each household.

When financial and information resources are scarce, the minimum benefit may fall below what

68. Barrientos and DeJong (2004), page 14.

BOX 2.9: Examples of answers to "Who benefits from the social transfers?"

Programme	Who benefits?	Main advantages	Main disadvantages
Zambia's Kalomo Pilot	The poorest households (lowest decile)	• Comprehensive approach to poverty affecting households • Effectively reaches the poorest	• Community targeting may be difficult to scale up nationally • Many very poor households are excluded
Nepal's social pension	Older people	• Benefits a vulnerable group with an effective instrument • The universal approach reaches the poor and keeps administrative expenses low	• Benefit amount is very low • No regular monitoring, evaluation or impact assessment
Brazil's *Bolsa Familia*	Poor families, particularly children	• Benefits a vulnerable group with an effective instrument • Gaps in coverage are offset by other instruments targeting vulnerable groups	• Take-up rates still relatively low • High cost to deliver benefits

is required to raise the incomes of the poorest to the poverty line, and a flat per capita transfer to the poor (or universally distributed) may be most feasible.

While fiscal constraints may prevent the implementation of an ideal social protection system, increasing evidence documents the affordability of basic social protection in most countries.[69] The position that "even a small amount of cash in the hands of a poor mother can do wonders" sets a minimum baseline as the unconditional transfer of the smallest affordable amount.[70] The very poorest even in middle-income countries may be subsisting on a fraction of a dollar per day – the poorest in some low-income countries are not even subsisting. The minimum benefit may be constrained by what can be cost-effectively transferred – but technology holds the potential to significantly reduce transaction costs, even in countries severely scarce on infrastructure.

A smaller transfer more broadly distributed may help children more than a larger grant with stricter targeting conditions. Evidence for South Africa documents that adults in poor households are more likely to face hunger than are children and grants are more likely to reduce child hunger than adult hunger.[71]

Minimum benefits set at very low levels may create political difficulties. While many countries have shown that very small benefits can nonetheless produce very significant results, the idea of a minimum level influences policymakers. Key policymakers in South Africa have expressed doubts about a universal income transfer proposal because of concerns that the small amount (US$20) would not make a sufficient impact on poverty.[72] In South Africa's case, this "minimum" benefit would more than double the average consumption of the poorest 20% of the population. The recognition of the intensity of poverty implicit in these minimum benefit determinations can intimidate policymakers.

Nevertheless, the social, economic and political impact of even minimum benefits can be significant. For instance, Kyrgyzstan's Unified Monthly Benefit delivers an average transfer equal to only about one-quarter the extreme poverty line. While small, the resulting 15% increase in the average recipient's income makes a material contribution to living standards.[73]

---

69. See section 2.2.
70. De Janvry and Sadoulet (2005), page 2.
71. Samson et al. (2004). Research for the United Kingdom documents a similar effect. Barrientos and DeJong (2004) cite a report by Banks and Brewer (2002) showing that caregivers appear to target a minimum consumption level – so children in low-income households and those in slightly higher income households receive similar levels of resources, even if parents in the lower income households must go without essentials – even regularly skipping meals. Money spent on extremely poor households will tend to go disproportionately to children – but once that minimum threshold is met, resources are more broadly shared.

Programme	Who benefits?	Main advantages	Main disadvantages
India's Employment Guarantee Scheme in Maharashtra	Households with unemployed workers	• Indirectly targets households • Gaps in coverage are offset by other instruments targeting vulnerable groups	• Low wage undermines social protection • High cost to deliver benefits
Mexico's *Oportunidades* conditional cash transfer	Children and their families	• Aims to support human capital development as a long-term poverty reduction strategy • Rigorous monitoring and evaluation provides a significant evidence base	• Penalties may unfairly disadvantage the poorest who face the highest costs of compliance • Prioritising education objectives over poverty reduction by paying younger children lower benefits may conflict with social protection goals
South Africa's social grants	Vulnerable groups: children, older people, those with disabilities	• Rights-based approach benefiting some of the most vulnerable groups in the country • Relatively high take-up rates	• Large gaps in coverage • Benefits to vulnerable individuals are diluted if households are large

Benefit levels set in a decentralised arrangement involve greater complexities – particularly when resources cannot be pooled nationally. Brazil's *Bolsa Escola* programme was implemented and funded at a municipal level. In poorer regions like Salvador, Fortaleza, Belém and Recife, demand for benefits was greater and fiscal receipts weaker than in cities like Brasilia and São Paulo. A lower but locally more affordable benefit level would jeopardise the poverty reduction objective.[74] *Bolsa Familia's* incorporation of *Bolsa Escola* at a national level addressed this problem and enabled benefit levels to rise significantly.

Benefit levels are not static – many countries adjust them for inflation on a regular basis, and sometimes other adjustments are made reflecting country circumstances.

When programmes impose labour supply or human capital investment conditionalities, the value of the benefit must be relatively greater – both to offset the cost of complying and to provide social protection. A programme that requires a child to attend school must take into account the age-specific direct and indirect costs of attendance – transportation, uniforms, supplies, school fees and any foregone labour income. A similar calculation applies to conditionalities involving health care.[75]

The existence of multiple objectives complicates the determination of the appropriate benefit level. Programmes aimed at poverty reduction require benefits that bring households up to the poverty line, while conditional transfers aimed at changing behaviour must focus on the opportunity cost of compliance, adjusted for the household's own preference for the imposed conditions.[76] For example, the cost of sending one's child to school (including foregone labour opportunities) might be the equivalent of US$30. If the household is willing and able to allocate US$10 to the child's education, a transfer of US$20 should be sufficient to sway the balance and achieve the educational outcome.

There is no necessary conflict between poverty reduction and human capital development. An acceptable level for the poverty line should provide households with adequate resources to meet the conditions imposed by a reasonable social protection strategy. Transfers that raise household income to this level eradicate poverty and support human capital development.

72. McCord (2004) demonstrates that a public works transfer amount that was less than the proposed Basic Income Grant amount provided a substantial positive impact on household well-being, challenging the assertion that a transfer of R100 would not be significant. She summarises relevant statements by key policymakers: "Following the July 2003 Lekgotla, President Mbeki was quoted as saying that 'if you give everybody a R100 a month it will not make a difference' (*Weekly Mail and Guardian*, 1st–7th August 2003:6), sentiments echoed by Minister Trevor Manuel who argued that 'someone had to explain how R100 a person would make a difference to the lives of the poor' (*Business Report*, 25th August 2003:12) and reiterated in July 2004, when Mbeki was quoted as arguing that a grant set at this level would not have a significant impact on poverty, in an article entitled 'Mbeki rejects "much vaunted" grant' (*This Day*, 13th July 2004).
73. Foundation for Assistance International and CASE (2003), pages 9–10, Barrientos and DeJong (2004), page 13.
74. Sedlacek, Ilahi and Gustafsson-Wright (2000), pages 18–19.
75. Barrientos and DeJong (2004), page 29.
76. Sedlacek, Ilahi and Gustafsson-Wright (2000), page 18.

BOX 2.10: Examples of answers to "What size of social transfer is provided?"

Programme	Benefits size (monthly)	How was the size determined?
Zambia's Kalomo Pilot	ZMK 30 000 (US$6), but ZMK 40 000 (US$8) for households with children	Originally estimated to cover the cost of a meal a day. ZMK 30 000 was sufficient to purchase one 50 kg bag of maize (the main cereal). Raised to ZMK 40 000 for households with children based on participant feedback.
Brazil's Old Age Pension	200 Reais (US$80) in 2002	Set equal to the Brazilian minimum wage. Brazil's 1988 Constitution guaranteed rural workers the right to social security – and the social pension was increased from 50% of the minimum wage to 100%.
India's Employment Guarantee Scheme in Maharashtra	Minimum agricultural wage in the area	The wage rate for a public works scheme is the nominal benefit level – in the Maharashtra Employment Guarantee Scheme this was set equal to the national minimum wage. When India doubled the minimum wage in 1988, the programme budget did not rise sufficiently to handle the increased demand and the number of workers protected actually fell.

In practice, countries demonstrate a broad range of methodologies and very different outcomes in setting benefit levels. The questions of "Who benefits?" and "What size of transfer is provided?" depend critically on each other, particularly when resources are limited. While social policy analysts pose rigorous methodologies for assessing basic needs, fiscal constraints and political considerations often render the analysis moot. Rarely are benefit levels sufficient to raise households to the poverty line – and when transfer amounts are substantial, they often attract new members to the household, exacerbating the problem of benefit dilution.

Given the beneficiary group and the size of the transfer, it is possible to estimate the maximum amount the programme will cost by assuming (for analytical simplicity) the universal provision of benefits to the intended group. The next steps involve the application of two tests relating to targeting and conditionality.

2.3.3 Should targeting mechanisms be used to reach the poor?

The main benefit of targeting the poor is that it potentially saves money by reducing the "inclusion error" of universal programmes – the distribution of transfers to people who are not poor. Effective targeting makes sure scarce resources go to those who need them most.[77] **Box 2.13** provides an example examining whether targeting reduces the total costs of a social transfer programme.

Universal programmes provide benefits to everyone within a certain category (older people, children, people with disabilities, all citizens), while targeted programmes aim to identify the poorest within these groups. Economists often argue that targeting should be evaluated relative to a comparably funded universal programme.[78] Which option will reduce poverty more, social transfers targeted to the poor or transfers provided universally? The answer depends on the cost of targeting, which in turn is determined by the political, social, administrative and economic factors discussed above. For example, the universal approach may be particularly relevant for low-income countries with high poverty rates. A recent study of fifteen African countries found little difference between universal provision and perfect targeting.[79] Another study of South Africa's job creation programmes found that untargeted social transfers may be more appropriate than targeted public works projects in areas with very high poverty rates.[80]

77. Devereux (2002), page 2.
78. For a thorough discussion of this framework, see Grosh (1994, pages 131-149). Ravallion (1999, pages 32–33), summarises the point: "One option that is probably feasible everywhere is a uniform distribution of the programme budget to every household (whether poor or not). If the transfer to the poor as a percentage of total spending on the programme is less than the percentage of households that are poor, then the uniform allocation is preferable."
79. Kakwani, Soares and Son (2005) find that "the values of PPP indices in conditions of perfect targeting show little difference from the values of indices resulted from universal transfers. This suggests that perfect targeting may not be necessary in cases such as these 15 African countries, where poverty is extremely high."
80. Haddad and Adato (2001), page 21.

Programme	Benefits size (monthly)	How was the size determined?
Lesotho's Old Age Pension	M150 (US$25)	The benefit was set equal to the official national poverty line for a single person. The amount is relatively low by the standards of non-contributory pensions in Southern African countries, but constrained by Lesotho's limited fiscal resources.
Nepal's Old Age Pension	150 Rupees (US$2)	150 Rupees can buy approximately 10 kg of wheat or rice in Nepal. 150 Rupees is equivalent to 11% of the average citizen's monthly income, or the wage for a little more than two days of agricultural labour. Adjustments are irregular and ad hoc.
South Africa's Child Support Grant	R180 (US$30)	A government-appointed commission recommended R75 per child per month – citing severe budget constraints. The Parliamentary committee responsible for social security overruled the recommendation and raised the initial amount to R100 (but the National Treasury did not increase the overall budget allocation). The grant was increased substantially in 2002 due to substantial food price inflation, and has been adjusted for inflation annually since then.

In addition to the potential fiscal savings offered by targeting, there are two other possible indirect benefits. First, the perceptions by policymakers and the public of the targeting mechanism may improve political acceptance of the programme. Second, the conditions used to target may be socially productive. For example, requiring that children attend school and that caregivers complete health visits may reduce the number of beneficiaries while potentially improving the human capital of the targeted group. Politically, the requirements that poor households ensure their children's school attendance feeds the mindset some policymakers hold of the "deserving poor". Economically, the improvements in education and health help break poverty traps. (However, it is important to note that even unconditional transfer programmes have been found to improve human capital accumulation.[81])

On the other hand, targeting involves direct and indirect costs, which vary from country to country and depend on the targeting method chosen. The direct cost is the administrative expense incurred in implementing and complying with the targeting mechanisms, both by the government, the beneficiaries and third parties. Indirect costs include political, economic and social losses. The following sections discuss the important costs of targeting.

Exclusion error

No targeting process is perfect – any attempt to direct social transfers to the poor will likely entail two types of error.[82] Inclusion error – as mentioned above – is the mistake of providing the social transfer to someone in a household that is not poor. Exclusion error is the failure to provide a transfer to a targeted household that is poor. The reduction of inclusion error is the potential benefit of targeting – exclusion error is part of the cost. Inclusion and exclusion errors are not easily comparable. An unwarranted social transfer (inclusion error) is at best an inadvertent tax rebate (with the associated costs[83]) and at worst a waste of money. On the other hand, depriving poor households of a source of social investment (exclusion error) can trap generations in poverty, with a social cost many times the unutilised fiscal expenditure. Some social policy analysts have suggested weighting exclusion errors several times that of inclusion errors.[84]

81. Barrientos and Lloyd-Sherlock (2002), Duflo (2003), Samson et al. (2004).
82. Ravallion points out that economists who have tested household surveys with far more information than can effectively be harnessed into a targeting mechanism have usually been able to explain at best only half the variability in consumption or income. [Ravallion (2003), page 17].
83. The economic cost of rebating to taxpayers a lump sum amount is usually less than the value of the transfer. The costs (referred to as deadweight losses) include the administration costs and any distortions created by the tax system.
84. Devereux (2002), page 4, Cornia and Stewart (1992).

BOX 2.11: Setting the size of the social transfer for public works projects in Malawi

A study commissioned by the Government of Malawi's National Safety Nets Unit together with the Malawi Social Action Fund (MASAF) analysed the wage-setting process for public works projects in the country. The study found that even very low wages were ineffective in rationing the limited number of public works jobs to the very poorest – and these low levels of transfers compromised the social protection offered by the programme. One rationale for the low wage argues that since workers labour only about half a day, the payment of a fraction of a living wage is justified. However, in the absence of other employment opportunities, the public works wage provides the only income available to the participating households.

The MASAF public works wage in 2004 was based on the minimum wage of MK37 which was set in 2001. From 2001 to 2004 rural inflation of 47% destroyed nearly a third of the purchasing power of the wage – and yet the public works wage was not adjusted. To maintain the 2001 purchasing power of the minimum wage, the public works programme would have to pay MK54 per day.

Inflation alone, however, does not provide an appropriate guide for setting a public works wage. The wage should reflect the objectives of the programme, including poverty reduction and support of sustainable livelihoods. The first step is the identification of the appropriate level of basic household

Exclusion error can nearly completely negate the potential social protection benefits of transfers. Only about six out of a hundred of the poorest (bottom fifth) eligible households in Bangladesh receive the government's social pension.[85] During the early years of South Africa's Child Support Grant, when targeting mechanisms were rigidly applied, only one out of ten poor households with qualifying children was able to access the transfer.[86]

More intensive targeting can actually backfire and increase exclusion error, particularly when it aims to ration diminishing resources. If non-poor but well-connected individuals can more easily defend their share of the benefits, the residual remaining for the poor will shrink. This happened when the Malawi Starter Pack programme (free seeds and fertiliser) introduced community-based targeting – the benefits to the poor eroded.[87]

Administrative costs

There are many ways of targeting benefits, but they all need people, skill, time and money. A means test, for example, will require the repeated verification of the income or assets of households in order to decide whether they should receive benefits.

The dynamics of poverty in many countries significantly increase the cost of targeting. When people move in and out of poverty frequently, appropriate targeting requires regular assessment of the targeting criteria. "Targeting 'the poor' is an attempt to hit a moving target."[88]

Private costs

Potential beneficiaries incur direct costs in order to demonstrate their eligibility. Private costs include expenses for transportation to apply for benefits, time expended in transit and in queues (with the associated loss of income or other foregone opportunities) and the fees for obtaining necessary documentation (including "informal" fees in some cases). Prospective workers in the Maharashtra Employment Guarantee Scheme sometimes need to provide cash payments for obtaining and filling in appropriate forms, submitting them to the correct officials and enlisting the attention of the social services committee.[89]

Indirect costs

Indirect costs may arise when beneficiaries change their behaviour in order to become eligible for the grant. Assessments that exclude beneficiaries that receive in excess of a specified income

85. Barrientos (2004), page 18.
86. Samson et al. (2006).
87. Levy and Barahona (2002), cited in Shepherd, Marcus and Barrientos (2005).
88. Devereux (2002), page 14.
89. Pellisery (2005).

subsistence, which may vary by as much as 200% from the lowest cost to highest cost areas of the country.

The existence of other programmes has an impact on the setting of the appropriate benefit level. The World Food Programme (WFP) runs public works programmes in Malawi and establishes compensation based on the requirement that 20 days of work a month will provide sufficient food for a family of five. With MASAF adopting a pro rata share based on the average half day of work, the effective WFP wage was approximately double the MASAF wage.

The study analysed the wage determinations in light of local labour market conditions, in order to avoid distorting the domestic labour market with the public works interventions. While drawing workers from high productivity employment is undesirable, providing alternatives to employment in very low return activities furthers the programme's social protection objectives.

Based on a costing of minimum subsistence requirements for both food and non-food items, the study recommended the payment of a wage between MK83 (food alone) and MK103 (food and non-food). In addition, the study recommended that the wage be reviewed and adjusted each year in line with rural inflation rates. Because the higher wage rate would increase the attractiveness of public works employment, the study recommended improvements in community targeting to ensure the programme reached the poorest. ●

SOURCE: Chirwa, McCord, Mvula and Pinder (2004).

can create disincentives to achieve increases in reportable income, particularly if the targeting test is blunt. If a person earning less than the equivalent of US$20 per month is entitled to a transfer of US$80, the individual is unlikely to face incentives that support increased work effort. Targeting transfers to those residing in specific areas may lead to increased migration – which can be costly for the beneficiary but nevertheless preferable to destitution.

Social costs

Social costs from targeting include stigma, the possible deterioration of community cohesiveness and the potential erosion of informal support networks. While the provision of transfers can improve economic independence and reduce the impact of stigma, policy stances that reinforce negative stereotypes can exacerbate the psychological costs of the programmes. Policymakers in Armenia, on the one hand, initiated a cash transfer programme by emphasising that it was only for the poor – aiming to employ stigma to promote self-targeting.[90] In Jamaica, on the other hand, officials launched social transfers with television spots picturing the pregnant spouse of a cabinet minister registering for the programme, conveying a positive message about participation.[91]

"Self-targeting mechanisms that rely on social stigma, thereby reinforcing the social marginalisation of transfer recipients, are incompatible with current definitions of development that emphasise social objectives (e.g. empowerment and dignity) as well as economic objectives."[92]

The poor often depend on social networks that change when a beneficiary receives transfers. In some cases the beneficiary shares the added income, in other cases remittances to the grant recipient decline.[93]

Political costs

Targeting the poor also imposes political costs – primarily by eliminating middle class beneficiaries who could lend their support to social transfers. The greater the degree of marginalisation of the poor, the more likely that effective poverty targeting will actually reduce the total transfer of resources to the poor.[94] When Sri Lanka began to more effectively target food subsidies using food stamps in the late 1970s, popular support for the social protection scheme deteriorated. In the face of steady inflation, policymakers neglected to adjust the nominal value of transfers for the relatively powerless poor beneficiaries. The resulting halving of the real value of the benefit increased poverty and malnutrition. The old subsidy scheme had allied the middle

90. Coady, Grosh and Hoddinott (2004).
91. Coady, Grosh and Hoddinott (2004), Grosh (1994).
92. Devereux (2002).
93. Bush et al. (2001), page 2.
94. Gelbach and Pritchett (1996).

BOX 2.12: Decision-making that defines social transfer instruments

This diagram illustrates some of the key decisions required to define social transfer instruments. The evidence base for the decisions is the institutional and policy context – the political priorities, the profile of poverty in the country and institutional factors such as existing programmes, government capacity and fiscal resources. These factors influence the decision of who benefits from the social transfers (arrow 1). These institutional and policy factors also influence the allocation of resources to social transfers (arrow 2). In addition, the choice of beneficiaries may influence the resources available – since policymakers and donors may be more likely to fund priority groups (arrow 3).

The institutional and policy context influences the size of the transfer – depending on the depth of poverty, policy objectives and the needs of different types of households in various circumstances (arrow 4). The choices of beneficiaries and resources allocated defines a budget constraint that influences the size of the transfer – the average size of transfer multiplied by the number of beneficiaries cannot exceed the resources allocated (arrow 5).

For example, a political commitment to social pensions combined with a poverty profile that identifies higher poverty rates for older people may influence the choice of transfers to this group (arrow 1). The government's taxable capacity (arrow 2) together with the political benefits of the universal benefit (arrow 3) determine the resources available, and the demographic analysis and needs assessment (arrow 4) together with the decision on the age limit (arrow 5) then determine the size of the benefit. ●

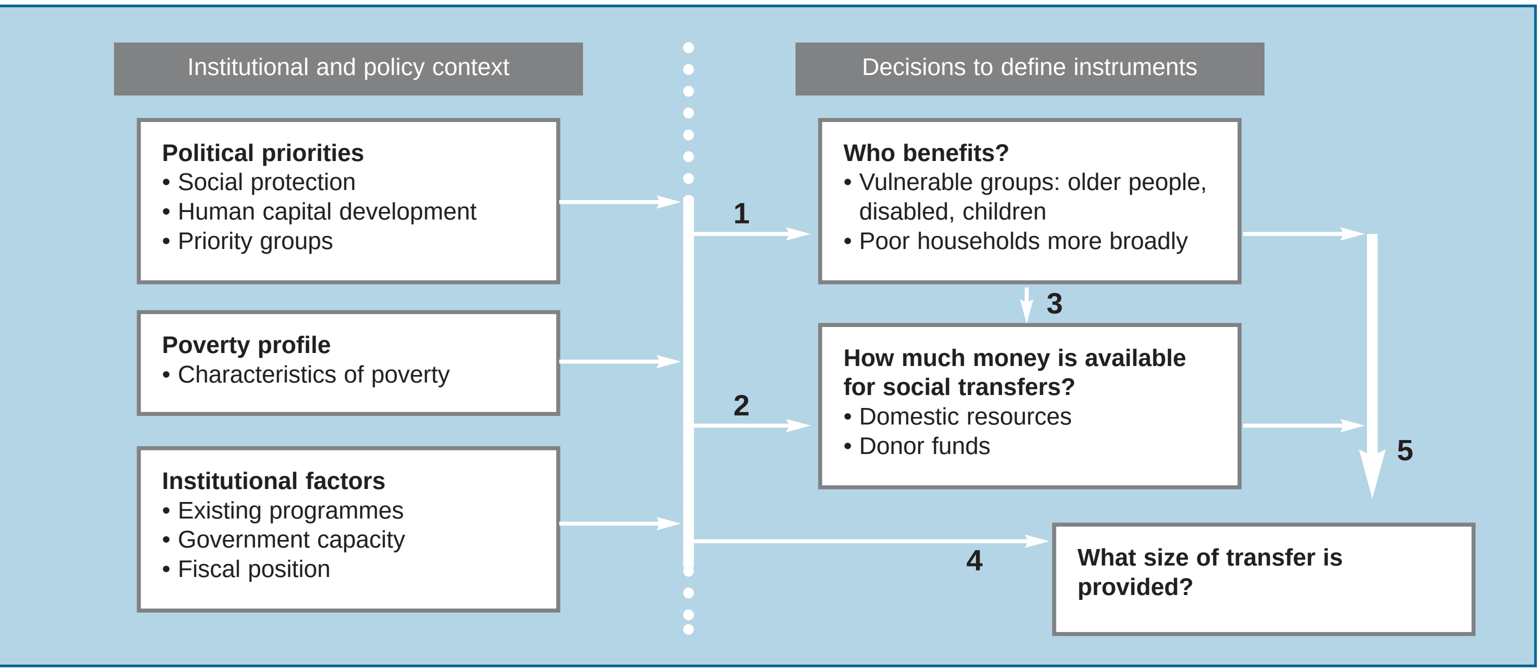
classes with the poor – and provided more substantial social protection.[95] Similarly, in Colombia, the shift of food subsidies to a poverty-targeted food stamp programme led to an erosion of political support and was eliminated.[96] As Sen has pointed out: "The beneficiaries of thoroughly targeted poverty-alleviation programmes are often quite weak politically and may lack the clout to sustain the programmes and maintain the quality of services offered. Benefits meant exclusively for the poor often end up being poor benefits."[97]

The political vulnerability of well-targeted programmes is greatest when the pressure to cut budgets is fiercest – particularly in times of economic crisis. Argentina's fiscal adjustment in the 1980s and 1990s placed pressure on all areas of the budget – but targeted social transfers and public works (Trabajar) were disproportionately hit. Expansions of the Trabajar programme more than proportionally benefited the poor, but contractions fell disproportionately on the most vulnerable while non-poor areas were protected. Targeting's greater allocation to the poor is a mixed blessing – particularly when benefits are cut just at the time they are needed the most.[98]

Particularly in very low-income countries, policymakers and their constituencies are reluctant to support programmes that target the poorest, lending support instead to universal programmes.[99] Namibia and Lesotho both operate universal pensions, with age as the only targeting mechanism. (However, Namibia has moved more towards a targeted approach in recent years.) In a Latin American poll that included upper income groups, more than 80% of the respondents supported increases in broadly targeted social transfer programmes.[100]

The substantial nature of these political costs suggests that social transfer inclusion errors are not entirely wasteful. First of all, they potentially generate important support for social transfers. Second, they cost significantly less than their face value. The real cost of inclusion errors for grants paid to taxpayers is not the value of the transfer, but rather the social costs of the taxation process employed to raise the necessary funds. For many inclusion errors, taxpayers give with one hand (through tax) and receive with the other (from the universal benefits). The social cost of the tax process is often significantly less than the value of the transfers.

95. Ravallion (1999), page 47, Anand and Kanbur (1987), Walle (1998), page 240, Besley and Kanbur (1990), page 6.
96. Gelbach and Pritchett (1996), page 32, Grosh (1994).
97. Sen (1995), page 14.
98. Ravallion (2002), pages 118–119.
99. Subbarao (2003).
100. Rodrick (1999).



The targeting test

To formally answer the question of whether or not to target the poor, it is necessary to compare the net costs and benefits of targeting with the reference point of universal provision to the identified group. For example, for a pension programme categorically targeted to those 70 years and older, the universal reference point is the calculated cost of providing the transfer amount to all people in this age group.

The next step is to assess the benefit of targeting under ideal and realistic scenarios. Perfect targeting means the cost of the transfer is the poverty rate among the target group, multiplied by the cost of the universal transfer. For example, if older people face an 80% poverty rate, and a universal pension costs US$20 million, a transfer perfectly targeted to the poor would cost only US$16 million. The savings of US$4 million represents the amount of pensions not paid to those who are not poor. The savings under the realistic scenario would be an amount less than the full US$4 million – perhaps estimated based on comparable international experiences or with the aid of a micro-simulation model. This analysis approximates the benefits of targeting.

The third step quantifies the costs of targeting. As discussed above, targeting imposes many costs on the government, the beneficiaries and society in general. Some of these can be relatively easily quantified – such as the direct administrative costs of implementing the targeting mechanism. Other costs can be estimated in theory – but precise measures are difficult in practice. For instance, the private costs of potential beneficiaries documenting their household income could be calculated with some accuracy, but in practice it is probably more appropriate to estimate this cost based on surveying a sample of older people and making a few reasonable assumptions. A third type of cost exists but might not be possible to estimate in a generally agreed manner. For example, targeting can produce social stigma which intensifies social exclusion. The cost is real, but quantifying it raises contentious issues that are difficult to resolve.

As a result, the application of the targeting test is subjective and normative, and requires policymaker participation. In spite of the complexities, thorough rigorous quantitative analysis of some costs, and objective qualitative analysis of other costs, the full information set can be provided

BOX 2.13: Does targeting reduce the cost of social transfers

Targeting's objective is to reduce the cost of the social transfer programme – or to provide greater benefits to the poor. Consider a programme that aims to deliver the equivalent of US$30 per month to each poor individual. In a population of 10 million people, of which 70% are poor, the cost of a transfer delivered to everyone (universalism) would be US$300 million dollars per month. If it were possible to exactly identify the poor and deliver the transfers only to them (perfect targeting), the amount of the transfers themselves would fall to $210 million dollars – a savings of US$90 million. What happens to the total cost of the programme?

The approximate gross savings from targeting are proportional to the percentage of the population that is not poor. In this example, with a 70% poverty rate, the savings equal 30% of the cost of a universal grant. This simple calculation, however, ignores the costs of targeting. Targeting saves on the cost of transfers but imposes other types of costs – administrative, economic, political, and social. The decision to target is informed by weighing the benefits against the costs.

to policymakers for application of the test. The result of the test is the policy decision of whether the benefits in terms of cost savings from targeting outweigh the net costs, or whether universal delivery would be a less expensive option. Key principles from the test are summarised in **Box 2.14**.

2.3.4 Conditions for eligibility and payment

An increasingly common feature of social transfer programmes is the imposition of conditionalities that must be satisfied for continued receipt of payments. Unlike targeting criteria – which are largely passive – the conditions of these programmes aim to actively encourage changes in behaviour. Most of these programmes – referred to as "conditional cash transfers" (CCTs) – are currently found in Latin America and the Caribbean, following Brazil's trailblazing *Bolsa Escola* initiative at a municipal level and Mexico's *Progresa* (now *Oportunidades*) – the first programme implemented at a national level.[101]

The stated objectives of these types are programmes are two-fold: (1) to reduce current poverty through the provision of the cash transfers, and (2) to leverage these transfers as incentives to promote human capital development, with resulting further reductions in future poverty. The central design element of conditional cash transfers is the targeted provision of social transfers to poor households, conditional on household members investing in education and often health and nutrition.[102]

These programmes are both targeted and conditional. The selection process often begins with geographic targeting followed by household assessment – using proxy means tests, social worker, teacher or community screening.[103]

Many programmes include two components of conditionalities – education and health/nutrition. The education grant generally targets primary school children, but encompasses secondary school students in Colombia, Mexico and Jamaica.[104] Additional conditionalities are often included to further change behaviour. Mexico's *Oportunidades* programme also utilises bonuses for school graduation and health seminar attendance.[105] Brazil's PETI programme required participation in an after-school programme in order to discourage child labour.[106]

The achievement of these conditions is supported by as many as three mechanisms: (1) the cash transfer increases the household's opportunities, making human capital development more attainable, (2) the programmes are accompanied by government initiatives to improve the supply of education, health and other inputs into human capital development, and (3) the linking of the transfers to the compliance with the conditions creates additional incentives for fulfilling

101. These programmes are currently operating in Argentina, Brazil, Colombia, Chile, Dominican Republic, Ecuador, Honduras, Jamaica, and Mexico. Programmes are being planned or implemented in Bangladesh, Burkina Faso, Cambodia, Ethiopia, Lesotho, Mozambique, Pakistan, Turkey, and the West Bank and Gaza. [Lindert, Skoufias and Shapiro (2005), page 16.]
102. Rawlings (2004), page 4.
103. Lindert, Skoufias and Shapiro (2005), page 16.
104. Rawlings (2004), page 4.
105. Lindert, Skoufias and Shapiro (2005), page 16.
106. Rawlings (2004), page 5.

If the combination of additional costs of targeting exceed the savings of US$90 million, then the universal distribution of benefits is preferable. Not all costs are easily quantified. It may be necessary to calculate the monetary costs and then make a qualitative judgement incorporating the other costs. In other cases the benefit-cost decision will be unambiguous.

For example, in the case above, consider estimates of quantifiable administrative, economic and political costs. Suppose the additional administrative costs of targeting in terms of government resources required to implement and monitor the means test amounted to US$30 million and the private costs of satisfying the means test added up to US$20 million. In addition, assume the disincentive effects of the means test reduced national income by US$40 million, because beneficiaries were unwilling to increase their income marginally above the threshold if that led to the termination of their benefits. Suppose the political costs of not providing benefits to taxpayers amounted to US$60 million. Without quantifying the social costs of disrupting community cohesion and exacerbating the stigma of poverty, it is clear that the total costs of targeting – US$150 million – exceed the benefits. While effective targeting usually reduces government's out-of-pocket costs for the benefits, it does not necessarily reduce the total cost of the programme. ●

programme objectives. In practice, it is difficult to identify how much of the observed benefit in human capital development is attributable to each of the three elements of the programme.

Providing both cash transfers and improving the supply of human capital inputs have demonstrated impacts on human capital development.[107] The conditionalities, however, may have two effects. First, as intended, they may help to achieve programme objectives. Second, they serve as a targeting mechanism. Poor households without children may be excluded. Households who fail to achieve the conditionalities may face cuts in benefits.

The conditionality test

The conditionality test evaluates whether the programme will provide more effective social protection by imposing conditionalities that individuals and households must satisfy in order to receive the social transfer. In principle, these conditionalities could be imposed for universal grants, although the authors are not aware of any actual example of this.[108] The discussion below develops versions of this test for application to a targeted transfer conditional on either human capital development activities or work requirements.

Ideally, the programme design includes conditionalities only when they improve the social protection capacity of the transfers. In practice, conditional cash transfers are sometimes attractive politically in part because they convey the impression that the poor must comply in order to receive support – the beneficiaries are not receiving "something for nothing". While this political mindset is inconsistent with a rights-based approach to social security, it is possible that conditionalities both improve social protection and support political factors that improve the likelihood of programme funding.

2.3.5 Human capital conditionalities

The test for human capital development conditionalities takes the unconditional but targeted grant as the baseline for comparison. For example, for a child support grant targeted to children under 14 years of age, and further targeted based on a household assessment, the baseline is the cost of providing the transfer to all children in the group which meets the targeting criteria.

The next step is to assess the impact of imposing conditionalities, such as requirements that children attend school regularly. This will potentially increase both costs and benefits, particularly if the government simultaneously supplies the additional investment in the educational system required to provide the same or higher quality schooling to the increased number of children demanding it.

107. See DFID (2005), Samson et al. (2004).
108. "Poverty targeting mechanisms can provide effective channels for reaching the poor, minimising errors of inclusion and exclusion, but these efficiencies must be balanced against increased administrative costs and other problems often associated with targeting, including opportunities for corrupt behaviour on the part of officials, and for beneficiaries, perverse incentives to remain part of the target population and social stigma. In assessing this balance, CCT programme designers have opted strongly in favour of targeting and most CCT programmes use both geographic and household level targeting to channel scarce resources to poor areas and households." [Rawlings (2004), page 7.]

BOX 2.14: The targeting test

The targeting test involves both subjective and political judgements and cannot be easily quantified. However, the framework provides some general principles for judging when targeting is more or less costly than universal provision. The following table discusses some of the main factors. ●

Country characteristic	Factors that suggest targeting will REDUCE the cost of social transfers	Factors that suggest targeting will INCREASE the cost of social transfers
Government administrative capacity	If **government capacity is strong**, then it is more likely to succeed in implementing targeting.	If **government capacity is weak**, then targeting may over-tax the government's limited administrative resources, and may potentially prove counter-productive.
Poverty profile	If **poverty rates are low**, then targeting can potentially generate significant savings, and is more likely to reduce the cost of social transfers.	If **poverty rates are high**, then targeting has little potential to generate significant savings, and is less likely to reduce the cost of social transfers.

NOTE: The term "government" is used in the table to denote the agent responsible for the programme. This is not necessarily the national government – it may even be a private agent, development institution or donor.

The conditionalities may also decrease the total cost of the cash transfers since some children may not be able to comply with the requirements and face benefit reductions. In many cases, the poorest and most vulnerable will find it more costly to comply with conditionalities and bear a disproportionate share of the cuts. For schemes whose objectives are social protection, frequent benefit reductions indicate programme failure.

The result is an array of intermediate outcomes – possibly lower fiscal costs of transfers, greater fiscal cost for education, higher administration costs due to the bureaucratic requirements of the conditionalities (including the time teachers must divert from teaching in order to monitor and comply with paperwork), possibly reduced social protection in the short run (as children who fail to comply are excluded) and potentially lower poverty in the long run (if the effect of the education response is greater than the long-run impact of the reduced short-run social protection).

The third step evaluates the hypothetical impact of the same cash transfer programme, but without the conditionalities. The government invests the same additional amount in the educational system. The same group of eligible children receive the transfers but are not required to satisfy the conditionalities. The result is a different array of intermediate outcomes. Compared to the conditionality scenario, the fiscal cost for transfers is expected to be greater, the fiscal cost for education is unchanged (by assumption), administrative costs are lower (because there is no need to monitor conditionalities), social protection in the short run is greater (since there is less exclusion), and the difference in the impact on poverty in the long run is uncertain.

In terms of fiscal impact and current social protection, there are two main possibilities:

- If conditionalities are very burdensome and exclusionary, so that the reduction in current transfers is greater than the additional administrative costs, the net fiscal burden of a conditional cash transfer scheme will be lower than an unconditional programme with the same level of investment in education. This savings, however, will be at the cost of a current reduction in social protection.

Country characteristic	Factors that suggest targeting will REDUCE the cost of social transfers	Factors that suggest targeting will INCREASE the cost of social transfers
Social solidarity	If **social solidarity is strong**, the middle class is more likely to accept the need to allocate resources to the poor, and targeting will incur lower political costs.	If **social solidarity is weak**, the middle class is more likely to resent their exclusion from social transfer programmes, and the political backlash may compromise the success of the programme.
Formalisation	If the **poor are well integrated into the formal economy**, their economic status will be easier to verify – targeting will be less costly and more likely to succeed. In addition, the costs of complying with documentation requests and other private costs will likely be lower.	If the **poor subsist in the informal economy**, their economic status will be difficult to verify – targeting will be more costly and less likely to succeed. In particular, documentation to meet targeting requirements will likely be costlier.
Stigma	If the **poor suffer little discrimination**, stigma created by overt targeting mechanisms is likely to be less costly and targeting is more likely to reduce the costs of transfers.	If the **poor suffer from significant social exclusion**, targeting may highlight their plight and increase the psychological costs of poverty.

- If conditionalities are not burdensome, so that the reduction in current transfers is less than the additional administrative costs, the net fiscal burden of a conditional cash transfer scheme will be greater than an unconditional programme with the same level of investment in education. The conditional cash transfer scheme will, in this case, provide less current social protection than the unconditional programme with the same level of investment in education.

The deciding factor may be the net impact on future social protection resulting from the combination of greater human capital investment and reduced short-run social protection. If government provides cash transfers to the poor and simultaneously improves the educational system, yet does not impose education conditionalities on the transfers, how much will human capital investment improve?

The conditionality test aims to answer this question. The answer may vary depending on the country context. In Latin American countries with flexible labour markets, child employment may be an attractive alternative to education. Conditionalities may yield significant improvements in educational outcomes.[109] In those African countries with relatively high enrolment rates, high unemployment rates and high costs to administration of the conditionalities, the net educational improvement may be small compared to the impact of crowding out current social protection. It is possible that the evidence for Latin America may be only weakly applicable to Africa and other regions.

Conditional cash transfer programmes are a relatively new instrument whose impacts on future poverty are a key distinguishing feature – it will take time to evaluate their long-term benefits. While many evaluation studies have been conducted on the health and education impact of these programmes, most of these studies are unable to explicitly separate the effect of the conditionalities themselves from the impact of the cash transfers and the investment in health and education. In practice, this test provides a framework for making policy judgments about the usefulness of imposing conditionalities. **Box 2.15** provides some general principles about when the conditionality test is likely to be satisfied – and when it is likely to fail.

109. "Because child labour participation is so much higher than the desired levels in Brazil, a programme of cash benefits that would reduce child labour to insignificant levels would likely be too costly: R$100 monthly only reduced boys' labour participation in four percentage points." [de Carvalho (2001), page 22.]

BOX 2.15: The human capital conditionality test

The rigorous implementation of the conditionality test presented in the text requires a solid evidence base which is lacking in most countries. However, the framework provides some general principles for judging when conditionalities are more likely to improve or reduce social protection. The following table discusses some of the main factors.

In using this table to assess the appropriateness of conditionalities for a given country, consider how each of the characteristics identified in the first column applies. How close is the country's situation to that described in the second column? To that in the third column? When a country's circumstances are well-described by the second column, conditionalities may be relatively more appropriate. However, if any of the descriptions in the third column describe the country's circumstances, conditionalities may prove counter-productive. ●

Country characteristic	Factors that suggest conditionalities will IMPROVE social protection	Factors that suggest conditionalities will REDUCE social protection
Current demand for human capital (for example, school attendance rates, immunisation rates)	If demand for human capital is low, there is greater room for conditionalities to improve. For example, conditional cash transfer programmes have led to significant secondary school attendance rates in Mexico – in large part because these were initially relatively low. When child labour is common, properly designed conditionalities may compensate for the loss of income households face when children attend school.	If demand for human capital is already high, the need for conditionalities is less, and they are less likely to improve social protection. For example, conditional cash transfer programmes improve primary school attendance in Mexico by only about 1%. When unemployment rates are high, child labour tends to be less of a problem and conditionalities are not as essential.
Government's delivery of health and education infrastructure (schools, quality education, clinics, necessary medical supplies)	If government is currently able to deliver the necessary health and education services, conditionalities are more likely to improve social protection. If current delivery is inadequate, but government has the will and resources to improve delivery prior to imposing conditionalities, the likelihood of improvement increases.	If government is unable to effectively deliver high quality health and education services, the conditionalities will drain household resources as they seek to comply, but receive little in return.

2.3.6 Public works conditionalities

The conditionality test for public works programmes can be structured more simply: "Does the government have the capacity to develop cost-effective labour-intensive projects and target them to the poorest?" This question comprises four concerns:

- "Government capacity": Public works are among the most administration-intensive of the social transfer options. When government does not possess the necessary capacity, donors and international organisations sometimes intervene, but this may lead to the fragmentation of social protection.

- "Cost-effective": Cost-effectiveness is a two-pronged concern – are the costs justified by the benefits? First, public works are particularly costly because they require the labour of the poor – time and energy that often critically supports the vital business of survival. Reducing the burden on the poor – by scheduling work flexibly so that interference with other obligations is minimised, or by employing household members with more discretionary time – contributes to cost-effectiveness. Second, public works can provide important benefits, both to the poor and

Country characteristic	Factors that suggest conditionalities will IMPROVE social protection	Factors that suggest conditionalities will REDUCE social protection
Government capacity for administration	If government possesses or can readily acquire the administrative capacity to implement and maintain the systems required for monitoring conditionalities, they are more likely to improve social protection.	If administrative capacity is weak, conditionalities may divert resources from the central objectives of delivering cash and health and education services. For example, payment delays due to system failures compromise the value of social protection.
Bottlenecks facing the poor	If the poor have the resources and circumstances to respond effectively to the incentives created by cash transfers, the conditionalities are more likely to improve social protection.	In Kenya, for example, three out of four poor individuals live more than 8 km from a clinic. Health conditionalities may screen out the poorest.
Government philosophy	A rights-based approach will increase the likelihood of improving social protection.	A mindset that views conditionalities as avoiding "something for nothing" is less likely to improve social protection.
Programme design	A well-designed system of conditionalities can increase the likelihood of improved social protection. For example, in Brazil's *Bolsa Familia*, failure to meet conditionalities triggers intermediation services that provide additional support. Households are not penalised but rather supported in achieving human capital investment – thus increasing the likelihood of breaking the poverty trap. Other design issues for conditional cash transfer programmes are discussed in chapter 4.	Rigidly imposed conditionalities are more likely to exclude the poorest and reduce social protection. For example, automatic cuts in benefits implemented without adequate warning and direct intervention risk compounding the shocks that may have led to the failure to comply. Design is linked to capacity – if the government lacks the capacity to accurately monitor compliance, provide verified warning and offer intermediation services, conditionalities are more likely to reduce social protection.

NOTE: The term "government" is used in the table to denote the agent responsible for the programme. This is not necessarily the national government – it may even be a private agent, development institution or donor.

to society more broadly. A public works programme in Arba Minch, Ethiopia supplied water to the community and improved the road to a nearby town.[110] The output the workers produce contributes to social protection. A cost-effective programme will provide the greatest value relative to the costs required.

- "Labour-intensive": Labour intensity refers to the proportion of the programme's total budget that is transferred to the targeted beneficiaries. In addition to these wages, public works incur administration costs and require other inputs into the production process – capital equipment, raw materials, supplies, and technical inputs (design and management). If these other costs are very substantial, the cost of delivering resources to the poor increases significantly. Labour intensity is distinct from and sometimes at odds with cost-effectiveness. A more labour intensive approach may be more expensive yet provide broader social protection.

- "Target them to the poorest": The poorest often live the farthest from locations where public works are most easily implemented, and may not have the labour required to participate in such programmes. Many in the most vulnerable groups – children, older people, those with

110. Benn (2006), page 9.

BOX 2.16: Revisiting Lesotho

Consider a hypothetical illustration of how the five-step process described in section 2.4 would apply to Lesotho's selection of a social pension.

1. Policymakers evaluate the profile of poverty in Lesotho and identify older people as the top priority, compared to other groups, as their poverty has increased significantly over the past decade due to eroding support networks and their increasing responsibility for orphans and vulnerable children. Politically, the recent election campaign focused on addressing poverty among older people, and the government appreciates its mandate. It would be possible to identify secondary priority groups, but even this modest proposal has earned dubious looks from international advisors, and the government prefers to proceed cautiously.

2. Perhaps due to multi-lateral organisation scepticism, no long-term substantial donor funding is forthcoming. Government estimates potential sustainable resources ranging between M100–M200 million (approximately 1–2% of national income, 5–10% of government spending). Proceeding cautiously, the government allocates an amount from the lower end of the range.

3. The minimum transfer threshold is estimated based on living standards analysis, and comparisons with social

disabilities – are unable to access typical public works programmes. Even those who are able and will readily accept work are not fully "unemployed" – in the sense that coping with chronic poverty drains their time and energy. Drawing on their human resources to supply labour to the public works programme comes at a cost – a cost which reduces the net benefit of the wage paid. Those who have the least valuable alternative uses for their time will face a relatively lower cost to participation in public works schemes.

2.4 Conclusions

This chapter has identified issues informing the selection of an appropriate social transfer programme for a country. The ultimate choice will be subjective, political and hopefully informed by the policy evidence. Each country's decision-making process will be different, and rarely will all the information identified in this chapter be available. How does a policymaker go about the process of choosing the most appropriate kind of programme to meet the needs of a particular group? The following five-step outline summarises the key issues raised in this chapter, providing a starting point for making the necessary decisions.

1. The first step is the identification priority groups of households or individuals that will participate in the programme. One option is to adopt a household focus that targets social transfers to the poorest in the country. Alternatively, one can identify priority groups based on poverty, vulnerability and policy objectives (for example, older people, young children, people with disabilities).

2. The second step is to quantify the available long-term sustainable funding, based on secure domestic resources (which may include raising taxes or permanently reallocating expenditure) and very long-term donor support. Keep in mind that available resources may depend on the type of programme being proposed, so this amount may be adjusted during the programme selection process.

3. The third step is to determine the sizes of the social transfers for each beneficiary. Estimate the range of possible transfer sizes – from the minimum to the optimal levels. The transfer amount would not necessarily be the same for every household or individual, but the rule needs to be clearly specified. Calculate the cost of the transfers in the absence of mechanisms to target the poor, and without conditionalities (human capital or labour supply).

pension systems in Namibia, Botswana and South Africa – with adjustments for differences in per capita incomes and living costs. The minimum is set at M150 (US$25). Debates over the optimal level languish in indecision until a policymaker's back-of-the-envelope calculations demonstrate that for now, the minimum threshold is the most they are willing to spend. The tentative allocation finances the extension of the minimum pension transfer to all people 70 years of age and older. The choice between 68 and 72 was fuzzy, but policymakers apparently found the round number appealing. The selection fully utilised the funding policymakers were willing to commit, but they discussed reconsidering extensions after two years of experience. A major priority was not over-committing in establishing this new social contract.

4. Policymakers and social policy analysts applied the targeting tests, but given the distribution of poverty in the country, the reduction of inclusion errors from even perfect targeting was relatively small. The costs of targeting, on the other hand, were very high – due to the difficulty in verifying the assessment information, the potential loss of political support and the unnecessary social exclusion created by the resulting stigma.

5. No conditionalities were relevant for the target group, so the conditionalities test was not applied.

Based on the application of the 5-step process, policymakers might reasonably have selected a universal pension targeted to people 70 years and older. ●

4. If funding is inadequate, apply the targeting test from section 2.3.3 to determine whether a targeted approach will generate the same social protection at a lower cost (or a better outcome for the same cost). If the test fails, no further targeting is applied.

5. Apply the conditionality tests from section 2.3.4–2.3.6 to determine whether conditionalities will provide a greater level of long-term social protection. If the test fails or is not applicable, then the programme is unconditional.

These five steps frame the decision-making process for identifying an appropriate social transfer programme for the country. **Box 2.16** applies these five steps to the case of Lesotho's adoption of a social pension. The subsequent chapters of the guide provide additional information further illuminating these considerations and informing this selection.

CHAPTER 3

Programme Design

The objective of this chapter is to discuss the major policy issues affecting the design of a social transfer programme. The main questions addressed include:

- *What institution should manage the programme?*
- *How are beneficiaries identified?*
- *How are payments made to the recipients?*
- *Under what circumstances do beneficiaries exit the programme?*
- *What steps must be taken in the design phase to ensure effective monitoring and evaluation?*

3.1 Overview

The design of a social transfer programme requires decisions on management, beneficiary selection, payment arrangements, exit policies and the foundation for monitoring and evaluation. Management decisions involve the identification of the agency, ministry or department responsible for the administration of the programme, as well as arrangements for organising and supervising implementation. Beneficiary selection depends on the social and political choices discussed in chapter 2, as well as the technical design of targeting and conditionalities. The type of benefit chosen may vary by method of distribution and other logistics. Exit policies range from life-long, rights-based models (e.g. social pensions) to ambitious programmes aimed at lifting people out of poverty (e.g. targeted child allowance). Effective monitoring, evaluation and impact assessment require careful planning and preparations that precede the distribution of the first transfer. This chapter builds on the choice of programme addressed in chapter 2, discussing the issues in a manner that frames the overall design of a social transfer programme. The discussion analyses the common issues relevant for most social transfer programmes, while chapter 4 covers specific design issues for conditional cash transfers and chapter 5 focuses on public works.

BOX 3.1: South Africa's Social Security Agency

South Africa's social security priority in the first 10 years of democracy was the deracialising of existing social grants. The government's initial strategy tasked provinces with the challenge of managing implementation, administering grant applications and making payments. With independently elected provincial governments overseeing this process, priorities and policies varied geographically and the national government did not have the control necessary to ensure efficient and equitable delivery. A government committee's review of the existing social security system and other evaluations identified a number of problems associated with provincial administration. Estimates of fraudulent grants reached R1.5 billion (on a base of R35 billion – approximately 4%). In addition, excessive delays in approving grant applications and difficulties in accessing payment once approved undermined the effectiveness of the system. The decentralised contracting system of private payment weakened opportunities to take advantage of economies of scale and government negotiating power. Furthermore, the decentralised systems undermined effective management of information.

The South African Social Security Agency (SASSA) Act of 2004 established a national government agency to implement the system of social grants. SASSA currently has a national office and the provincial structures are under development. While the national Department of Social Development remains accountable for social security, the agency becomes the implementing provider, managing and administering grant delivery, while the department acts as assuror. As assuror, the Department's main focus will be to develop and implement policies, norms and standards, and monitor and evaluate the impact and quality of the Agency's service delivery. The agency's plan is to work in co-operation with civil society structures (including non-governmental, community-based and faith-based organisations), organised labour and the private sector. This is consistent with the vision articulated in South Africa's White Paper on Social Development:

> *"Government will facilitate the development of an inclusive and effective partnership with all the role-players in civil society ... The resources and the unique characteristics of each of the partners will be harnessed to maximum effect. Underpinning the partnership is the recognition of the role of organisations of civil society as essentially developmental and as strengthening democracy."*

A high priority is the development of an effective national information management system and other essential infrastructure in order to improve effective delivery. The Department of Social Development projects that the resulting reduction in fraud together with pooling buying power to contract for the grant payments could save R1 billion per year. The most important benefits are two-fold: improved delivery to social grant recipients and a reduced administrative burden for provinces to enable them to focus on delivering social services. The first stage of the phased transition has shifted the funding of social grants to conditional block allocations managed by the national department. The second stage involves managing the payment process for three provinces (Gauteng, Northern Cape and Western Cape) in preparation for taking responsibility for the national grant payment process. ●

SOURCE: Samson et al. (2005).

3.2 Programme management

Positioning the programme in the appropriate institution

One of the first questions that must be addressed upon adoption of the identified programme is who, at an institutional level, will manage the design, implementation and ongoing operation of the social transfers. Countries adopt a diversity of models, with responsible institutions including the relevant social development ministry or the ministry responsible for finance. Alternatively, a separate agency may be used, which reports to a committee of related ministries. Each model has advantages and disadvantages, and the design of the appropriate management structure involves trading off key ingredients of successful programme management. In particular, the best arrangement will involve leadership with the following characteristics:

- a sincere and durable political commitment to social protection
- the political influence to secure resources and defend the programme's priority
- the institutional capacity to deliver an administration-intensive programme

Frequently, the managing institution has only one or two of these critical ingredients. Ministries of Finance have abundant authority and often some of the best institutional capacity in government,

BOX 3.2: Indonesia's labour-intensive public works programme and the issue of organisational fit

In the face of severe economic crisis in the late 1990s, Indonesia grappled with increasing poverty driven in large part by rising unemployment. Viewing job creation as a central priority, the government weighed alternative instruments and responsible institutions and tasked the Ministry of Public Works with responsibility for a labour-intensive employment programme in mid-1998. As the crisis unfolded, the ministry repeatedly tried but failed to roll out an effective programme.

In hindsight it appears that the required mission contradicted the ethos and culture of the organisation. The public works ministry was organised to mobilise staff and contractors in order to deliver high quality projects, as reflected by the organisational mantra: "We build stuff." The ethos of the organisation revolved around the pride of building the product. To subordinate this to the objective of employing low-wage unskilled labour clashed with the organisational culture. Planners feared that low wages aimed at self-targeting would fail to attract the skilled labour required for high-quality delivery. Labour-intensity conflicted with the engineering mentality prevalent in the organisation.

The economic crisis had nearly ended by the time the public works ministry had implemented a revised programme. In the face of ongoing disagreements between the ministry and the World Bank about the appropriate design elements, the government phased out the programme. The experience demonstrates the importance of identifying a responsible institution whose philosophy supports the programme's social protection objectives. ●

SOURCE: Pritchett (2005), page 30.

but the working culture in finance is often at odds with the priorities of social transfers. Ministries of social development (welfare) are often more politically committed, but may lack political influence and adequate resources to deliver the transfers. Failure in the early stages compounds start-up problems, and may lead to management reorganisations that further delay delivery.

The simpler the social transfer programme is, the less complicated the management process will be. Lesotho's universal non-contributory social pension for example, can be effectively managed by the Commissioner of Pensions. There is no means test or targeting mechanism to administer as the process is primarily one of registration and cash delivery. Broadly targeted but unconditional programmes can likewise be managed in a straightforward manner, but differ to the degree that a greater investment in bureaucratic resources is required in order to effectively apply the targeting mechanism. During South Africa's first 10 years of democracy, provincial governments played the central role in the management and implementation of the country's comprehensive system of social grants. Problems with fiduciary risk and management inefficiency led to responsibility being shifted to a national social security agency, with substantial expected savings and efficiencies. The centralisation of responsibility ensured more uniform protection of people's rights to social security. **Box 3.1** provides further information about South Africa's Social Security Agency.

Other countries have undergone similar reassignments of responsibility. Bangladesh's Widowed and Deserted Women Scheme was originally managed by the Ministry of Social Welfare, but responsibility shifted in 2003 to the Ministry of Women and Children Affairs.[111] Similarly, the Ministry of Labour recently assumed management of Namibia's social pensions from the Ministry of Health and Social Services. In other countries, responsibility is shared – oversight and implementation duties may be divided between various ministries. In India, for example, the Ministry of Labour supervises pensions and the National Family Benefit Scheme administers the grants.[112]

111. Centre for Policy Dialogue (2004), page 81.
112. Social Security Administration and International Social Security Administration (2004), page 75.

BOX 3.3: An example of division of responsibility across federal, state and local levels

First, the federal government determines whether targeting is desirable and, if so, designs the targeting system, if applicable. If the targeting mechanism involves proxy means testing, this will include a questionnaire, weightings for the appropriate variables and a manual of operations and procedures.

Second, municipalities collect the data for the initial registration process – using either an on-demand approach or a census-type survey (depending on policies established at a national level, and following the rules and procedures established in step 1 above). It is important that the process include appropriate financial provisions and technical assistance as required so that municipalities can effectively collect the required information.

Third, the state or provincial governments check the information and provide any required validation and reporting on irregularities, compiling a state or provincial level database that will be consolidated into the federal system.

Fourth, the federal government checks the database provided by the states or provinces and verifies this against any available databases. For example, tax registries, financial and property records can be used to construct a Single Registry. This is then encrypted for security and privacy purposes and transmitted to state or provincial and local governments for use in implementing the programme. The Single Registry can be shared with federal agencies and research institutions (with appropriate provisions to protect privacy) for regular evaluations.

Fifth, the federal government conducts random audits and quality control reviews in fulfilment of its federal oversight responsibilities for local data collection. ●

SOURCE: Castañeda et al. (2005).

Institutional arrangements for conditional transfers are more complex. For example, public works programmes in Ethiopia have a steering committee in every district that provides a multi-agency co-ordination structure, with representatives from appropriate departments and agencies. Responsibility for each local project is flexibly assigned depending on the nature of the project – responsibility may be given to the Office of Agriculture, the Rural Road Office, the Water Desk or others as relevant. The programme places a special emphasis on capacity building with regular assessments and human resource development initiatives.[113] Specific issues with management arrangements for public works are discussed in greater detail in chapter 5.

An operationally and financially independent agency implements Mexico's *Oportunidades* conditional cash transfer programme. The unit reports to the Ministry of Social Assistance with responsibility shared by the Ministry of Education and the Ministry of Health. In Colombia an executing office reporting to the Office of the President implements the programme, while in Paraguay the programme falls under the Ministry of Education. The Ministry of Labour and Social Security co-ordinates Jamaica's programme, with compliance responsibility shared by the Ministry of Education and the Health and Planning Institute.[114] Specific issues with management arrangements for conditional cash transfers are discussed in greater detail in chapter 4.

Organisational fit[115]

A key consideration in identifying the appropriate responsible institution is the question of organisational "fit". Does the mission of implementing a social transfer programme fit with the ethos and internal culture of the identified institution?[116] For example, if the Ministry of Finance expresses strong concerns about dependency and sees its mission as enforcing fiscal discipline, will it sincerely commit itself to investing substantial resources in rights-based social protection? **Box 3.2** provides an example of the importance of organisational fit.

Prior to the implementation of Lesotho's universal social pension in 2004, the Commissioner of Pensions shouldered the responsibility for managing government pensions. The roll-out of social pensions involved a similar mission to the distribution of the public pensions – both were rights-

113. Sandford (2005), page 10.
114. Ayala (2005), page 64.
115. This section draws heavily from the ideas in Pritchett (2005), pages 29–31.
116. Pritchett (2005), page 29.

BOX 3.4: Decentralised accountability in *Bolsa Escola*

Before the introduction of *Bolsa Familia*, beneficiaries in *Bolsa Escola* were selected on a decentralised or Municipal Government basis. In order to ensure that services were effectively provided, there needed to be a system put in place in which there was transparency surrounding the local service providers and a system of appeals for the stakeholders or potential beneficiaries of the *Bolsa Escola* programme.

In ensuring accountability two routes were formulated:
- A short (direct) route
- A long (indirect) route

The short or direct route created a direct link between clients (the potential beneficiaries of the scheme) and providers (the Municipal Bolsa Escola Social Council). The Municipal Bolsa Escola Social Council is the body to which stakeholders can appeal in claiming their rights.

The long or indirect route to social accountability is by means of the local electoral process. In this case, stakeholders can reward or punish incumbent mayorial candidates or incumbent parties in municipal elections.

The diagram opposite shows the linkages between the various levels of Government.

The design of the programme was carried out at a centralised or federal level. At this level the rules and budgets as well as the role of the Municipal Government and the Municipal Bolsa Escola Social Council were outlined.

At a decentralised or municipal level, the Municipal Bolsa Escola Social Council targeted the beneficiaries. The beneficiaries could then, depending on the effectiveness of the programme, appeal either to the Social Council (the direct or short route) or the Municipal Government (the indirect or long route).

In order to ensure that the direct route was effective, measures needed to be put in place. For example,
- There needed to be a mechanism that ensures that the Municipal Council actually does form a Municipal Bolsa Escola Social Council.
- Municipal Bolsa Escola Social Councils have to meet on a regular basis and must be fully aware of the nature of the scheme and who the potential beneficiaries are.

It was important to link the direct and the indirect routes and make them mutually reinforcing mechanisms to ensure higher levels of accountability to stakeholders. If the direct route were the only mechanism that ensured accountability then the long-term nature of the political cycle would mean that accountability mechanisms are diluted among many different political issues. Therefore, the effective implementation of the short route acts to reinforce this mechanism and overcome its shortcomings. ●

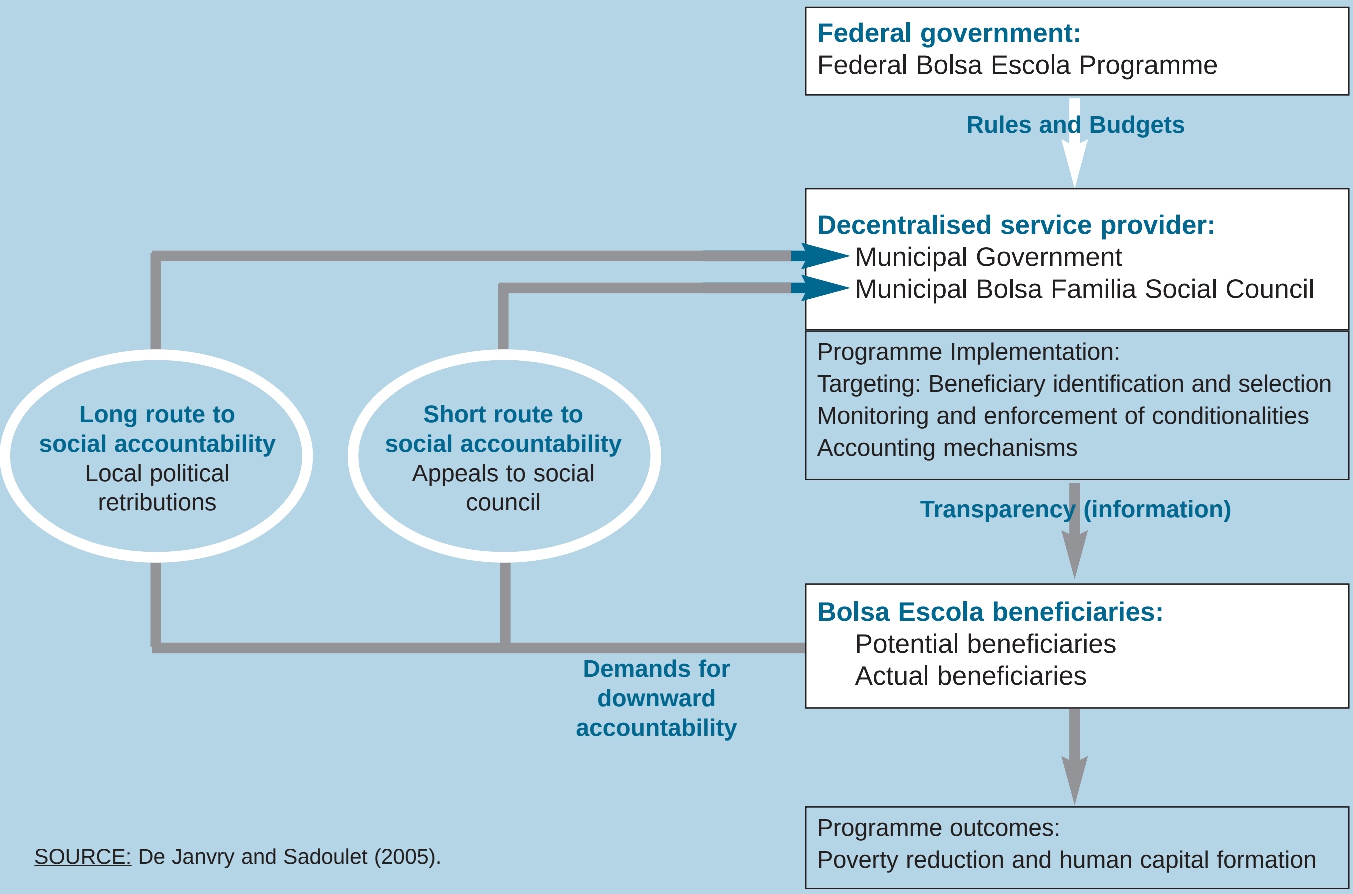
based and operations-intensive. The simplicity of the programme also contributed to its placement within an existing institution that provided a good organisational fit.

There are also issues with how politics across organisations affect the appropriate choice of an implementing agency. Locating the managing agency in the office within the Office of the Presidency can potentially elevate its influence and ability to overcome bureaucratic obstacles while placing the President in a position to realise maximum political benefits from the programme's impact.[117] Effective social transfers are a product of good governance and in turn support better governance – politicians need incentives to implement good policies and deserve the electoral rewards that result. Begrudging the positive impact on the careers of the political champions of social transfers who have the vision to comprehend this simply undermines the democratic process. Nevertheless, it is important to ensure the implementation of social transfers does not become unduly politicised.

Centralisation and decentralisation

An important dimension of management arrangements is the degree to which the programme will be managed in a centralised or decentralised manner. The trade-offs are substantial and vary with country context. The appropriate degree of decentralisation depends in part on the existing level of decentralisation of spending, finance, administration and political structures. It also depends on the capacity of central government – strong government structures in Latin America mean that programmes tend to be highly centralised. In parts of Africa, government is both weak

117. Pritchett (2005), page 31.



SOURCE: De Janvry and Sadoulet (2005).

and decentralised as well as being democratically linked to local political structures – this means that programmes may tend to be decentralised. Chile and Brazil both centralised the design of targeting rules and procedures and maintain a centralised database. Colombia has worked with a more decentralised system but aims to establish a central database. Costa Rica and Mexico have both implemented far more centralised systems.

Decentralisation of the design process allows greater involvement of local authorities in the formulation of social policy and therefore enables the system to reflect local preferences and circumstances. Centralisation can provide greater transparency and support a variety of efficiencies and economies based on common monitoring and evaluation, software and survey instruments.[118] **Box 3.3** outlines an example of the distribution of responsibilities across federal, state (or provincial) and local levels for a targeted programme.

It is important to recognise that centralisation at a national level does not rule out effective community participation. Many centralised administrations bypass state or provincial level administrations but nevertheless incorporate a vital role for community-level organisations. For example, beneficiaries of Mexico's centrally administered *Progresa* (now *Oportunidades*) programme elected a local *promotora* (community promoter) to serve as a liaison between beneficiaries and programme officials. The *promotora's* role included informing participants of their responsibilities and rights, arranging meetings with beneficiaries and facilitating lines of communication with programme officials. Similarly, in the RPS programme in Nicaragua and PRAF

118. Castañeda, Lindert, Brière, Fernandez, Hubert, Larrañaga, Orozco and Viquez (2005), pages 28–29.

BOX 3.5: Bolivia's decision not to employ poverty targeting with its social pension

Bolivia implemented the Bonosol in 1996 as a social pension payment to all those over the age of 65. The programme accompanied a broad shift from a defined benefit pension system to a privately managed defined contribution scheme. The government aimed to extend pension coverage to older people outside the contributory systems, distribute proceeds from the country's privatisation programme and reduce poverty. Not surprisingly, the programme made its first payments in mid-1997, immediately before the country's presidential elections.

The government financed the programme from the returns on its 50% shareholdings of five privatised public enterprises. Bolivian citizens who were resident in the country and at least 21 years of age at end of 1995 are eligible for the pension. This engineers a fixed life to the programme – only an estimated 3.5 million people will qualify in total. Eligible beneficiaries received an annual payment, fixed at US$248 for the first five years, with the aim of subsequent revisions every three years. The government determined the payment through an analysis of estimates of the inflation-adjusted share proceeds and population and life expectancy projections.

The designers of the Bonosol had to address the question of poverty targeting. Should the benefit be provided to all older

in Honduras, the central government works directly at the community level with beneficiary households. In Brazil, however, with a more decentralised political structure, large municipalities have greater direct control over the programme. In Bangladesh's Food For Education programme, community structures have greater flexibility regarding the determination of eligibility.[119]

A fundamental issue in determining the degree of decentralisation of social transfer programme management and implementation relates to financing. For example, Brazil's *Bolsa Escola* was not only implemented at a local level, the required financing was also raised from municipalities. This approach to decentralisation poses the risk that areas with the greatest need for social protection (due to high poverty rates) have the least capacity to afford them (due to low tax revenue).[120] There is some evidence that decentralisation that enhances the participation of municipalities can promote programme success.[121] In these circumstances, the national government can provide grants that help to equalise (or even make progressive) the fiscal burden. This is particularly important since conditional cash transfer programmes must improve the quality of health and education services delivered. It may be useful for local levels of government to pay a share of the costs in order to maintain participatory ownership.[122]

One strategy for balancing the advantages and disadvantages is to assign responsibilities based on relative strengths. The national (federal) level can take advantage of economies of scale in policy design and planning, and address externalities by mobilising finance. A national approach to policy design is more efficient and provides for more uniform standards of delivery, protecting marginalised groups from local elites. Central government responsibility for finance ensures equity across richer and poorer regions and reduces the risk of a "race to the bottom".[123]

Local governments can take advantage of their capacity to better mobilise local information. This gives them an edge with implementation responsibilities, since they will better reflect local needs and priorities. Shorter run monitoring and evaluation is tied to implementation at a decentralised level, while the national level assesses the longer term impact.

3.3 Targeting the beneficiary

3.3.1 Poverty targeting

In the cases that policymakers adopted a targeted approach in the programme identification phase, the technical design will require the specification of concrete targeting mechanisms. The

119. Morley and Coady (2003), page 3.
120. Sedlacek, Ilahi and Gustafsson-Wright (2000), page 4.
121. Ayala Consulting (2003), page 33.
122. Sedlacek, Ilahi and Gustafsson-Wright (2000), pages 19–20.
123. Pritchett (2005), page 27.

people, or only those that are poor? The country's relatively high poverty rate – estimated at 70% of the total population – supported the case for a universal pension. The progressivity of the programme depends in part on the differences in life expectancy between the poor and upper income individuals – data unavailable to programme designers at the time. Women, however, tend both to be poorer and face a longer life expectancy than men, which contributes to the progressivity of the system. The broadly universal nature of the programme also contributed to its political appeal, helping to protect the vesting of benefits for both the poor and non-poor. In addition, the straightforward categorical approach reduced the potential of corruption to misreporting of age or citizenship, which itself turned out to be a significant problem. Nearly 25% more people applied than expected. Attempts to verify poverty status would likely have created even greater opportunities for fraud.

The level of the Bonosol benefit in 1997 was equivalent to 27% of the country's per capita income, close to the level of Bolivia's extreme poverty line. Share proceeds financed less than half the 1997 payments, forcing the government to borrow to sustain the programme. In 1998 the government suspended the payments, leading to considerable public debate and political pressure. The fiscal problems underscore the importance of careful planning and actuarial analysis prior to programme implementation, and suggest the prudence of caution in setting initial benefits. ●

SOURCE: Leach (1998).

following discussion provides the background on some of the key options for targeting, with the associated benefits and costs.

Policymakers can target the poor individually or collectively or they can delegate the task to the poor themselves.[124] Individual or household assessments involve evaluating the incomes, expenditures, assets or personal characteristics. Categorical targeting involves identifying easily distinguishable attributes that characterise poor households and the provision of benefits to those who share those traits – such as children, older people or people who live in low-income areas. Some programmes attempt to target the poor by making the resource provided relatively unattractive – so that only the poorest will want it – but this mechanism (self-targeting) is often costly and inefficient. Community targeting can involve any of these other mechanisms, but the determinations are made at a community level.

3.3.2 Individual and household assessment

Individual or household assessment involves testing a person's or household's means for survival. This process is often referred to as means testing. Usually this involves interviewing an applicant for the social transfer, requesting information and sometimes documentation on income, assets and family relationships. Verifying this information is expensive, as is failure to do so. Unverified means testing is susceptible to substantial under-reporting of incomes and assets. Proxy means testing provides an alternative form of individual assessment, employing more easily observed indicators associated with poverty. Another type of individual (or household) assessment involves community participation in identifying beneficiaries, employing what may be seen as a more subjective approach that draws on the local knowledge harvested by community representatives.

Verified means testing provides a potentially accurate but often costly mechanism for targeting the poor. The prospective grant recipient must document individual or household income or assets, or any other variables the means test depends on to demonstrate livelihoods. The formal evidence can be costly for the beneficiary and can create significant costs for the government in verifying the information. In particular, when the poor rely heavily on informal sector sources of income, the practicalities of verifying livelihoods substantially increase the cost of the means test. This choice of targeting mechanism is rare in developing countries.[125]

In 2000, in South Africa – two years after the implementation of the Child Support Grant – only 10% of eligible households received the social transfer. In the poorest provinces of the country, the take-up rates were the lowest. The poorest households were unable to navigate the bureaucracy and

124. For a more detailed discussion, see Shepherd, Marcus and Barrientos (2005), Devereux (2002), pages 7–15, Grosh (1994) and Coady, Grosh and Hoddinott (2004). For more on community targeting, see Conning and Kevane (2000).
125. Coady, Grosh and Hoddinott (2004), page 13.

BOX 3.6: Individual assessment in South Africa's Child Support Grant

South Africa implemented the Child Support Grant (CSG) in 1998 in order to tackle the problem of child poverty. The social transfer constitutes a critical element in South Africa's evolving framework for comprehensive social security, which the government has consistently highlighted as its most successful programme in the campaign to eradicate poverty. The Child Support Grant replaced the racially skewed State Maintenance Grant.

When initially implemented, the Child Support Grant was categorically targeted to children under the age of seven. From 2003 to 2005 the government progressively extended this age limit to include all poor children under the age of 14. Until 2006 the government's Department of Social Development managed an individual assessment – in the form of a verified means test – for each applicant for the grant. (The South African Social Security Agency has now assumed responsibility for this function.) The criteria include the applicant's income and assets, including those of the spouse if the applicant is married, and the thresholds vary depending on geographic area and type of dwelling of the caregiver.

The individual assessment is based on the information related to the eligible children's primary caregiver, and her or his spouse if married. If the caregiver lives in a formal dwelling in an urban area, an income of R800 (approximately US$130) or greater disqualifies the applicant from receiving the grant. However, if the caregiver lives either in a rural area or in an informal dwelling, the income threshold is R1100 (approximately US$180). Regulations define income as that earned or received by the primary caregiver and her or his spouse after deducting permissible items including unemployment insurance, pension contributions, tax, medical aid and other items as provided by regulation.

In addition to the income assessments, until 2006 different provinces applied various administrative processes and documentation requirements. According to the Department of

successfully qualify for the grant. After the Department of Social Development effectively relaxed the means test and reduced the evidentiary burden five years later (effectively moving closer to an unverified means test), the take-up rate had increased by 500%. Take-up rates in the poorest provinces rose above the national average. Surprisingly, both inclusion and exclusion error rates fell.[126] Not surprisingly, unverified (simple) means tests are more common in developing countries.[127]

The choice of means testing involves a decision about how important it is to the success of the programme to target accurately. The costs of improving targeting increase rapidly as one aspires to greater and greater accuracy. A programme can reach a point where it spends more on the administrative costs of excluding a beneficiary than it would spend on the benefit itself.[128]

3.3.3 Proxy means tests

An alternative approach to directly evaluating the earnings or assets of the household involves the assessment of more easily observed indicators of well-being that serve as proxies for income or wealth. Chile pioneered proxy means testing in 1980 with its Ficha CAS programme, and Colombia and Mexico subsequently adopted the technique for programmes involving public works and conditional cash transfers (as well as health insurance and skills training). Various forms of proxy means tests operate (in programmes or pilots) in Argentina, Armenia, Costa Rica, Ecuador, Egypt, Indonesia, Jamaica, Honduras, Nicaragua, Russia, Sri Lanka, Turkey, the West Bank and Gaza and Zimbabwe.[129]

The design of a proxy means test requires the identification of a manageable number of easily observed or measured indicators associated with poverty, but which households cannot easily manipulate in order to qualify for the social transfer. Typical indicators include the location of the household's residence, the quality of its construction, ownership of other assets, household demographics, characteristics of labour force participation and even some measures of income.[130] For example, World Bank consultants designing the Social Safety Net Reform Project in the West Bank and Gaza statistically analysed data from the Palestinian Housing Expenditure and Consumption Survey (PHECS) in order to construct a proxy means test formula involving a limited number of variables. They then conducted a targeting pilot (initiated in January 2004) to

126. Samson, Mac Quene and van Niekerk (2005).
127. Coady, Grosh and Hoddinott (2004), page 13.
128. Besley and Kanbur (1993), page 71, and Coady, Grosh and Hoddinott (2004), page 7.
129. See Larrañaga (2003), Clert and Wodon (2000), Sancho (1992), Racynzski (1991), Castañeda (1990), Castañeda (2003), Skoufias et al. (2001), Coady (2001), cited in Coady, Grosh and Hoddinott (2004), page 52.
130. Coady, Grosh and Hoddinott (2004), page 52.

Social Development's Procedural Manual for Grants produced in 2005, applicants for the Child Support Grant must produce the following documents:

- marriage certificate (if married)
- divorce and settlement order (if divorced or legally separated)
- last will and testament
- written documentation of persons financially supporting the child and/or primary caregiver
- proof of the personal income of the primary caregiver and her or his spouse
- identity document of the primary caregiver
- birth certificate of the child
- proof of residency

The regulations also authorise caseworkers to accept alternative proof, including statements and affidavits provided under oath. The original regulations implemented in 1998 also required proof that the caregiver had not refused employment without cause and had made efforts to secure maintenance support from the parents or other parent, as well as proof of the child's immunisations. The Department of Social Development eliminated these requirements in 1999 because of the administrative burden and payment delays they unnecessarily imposed.

A study in one of South Africa's poorest areas (Mount Frere) in 2001 documented the severe impediments imposed by the means test and other administrative requirements. Only one out of 20 eligible children received the grant, in spite of the fact that some of the children in the household were hospitalised for severe malnutrition. A nationwide effort – led by the country's president and Social Development minister – dramatically improved take-up of the Child Support Grant. Surprisingly, a relaxation of the means test led to significant reductions in both errors of exclusion and inclusion. ●

SOURCE: Rosa, Leatt and Hall (2005); Goldblatt, Rosa and Hall (2006), Samson (2002), Samson et al. (2006).

fine-tune the targeting instrument, testing and revising the formula to achieve a balance of inclusion and exclusion errors.[131]

An increasingly common method for implementing proxy means tests involves constructing a statistical equation that estimates the probability that a household is poor – subject, of course, to margins of error.[132] In constructing these formulas, national surveys can provide the breadth of coverage, while pilots provide the in-depth information and dynamic feedback required to refine the formula in order to reduce inclusion and exclusion errors. However, when household incomes fluctuate a great deal over time, the proxy means test tends to target poorly because it relies on static indicators.[133] For any given targeting formula, the reduction of the inclusion error usually requires an increase in the exclusion error.

Proxy means tests pose some difficult practical challenges relating to the frequency of updating the formula, the degree of transparency, the requirements for strong administrative capacity and the importance of outreach. Updating the formula and re-testing the population (referred to as "recertifying") tends to be expensive, and is usually conducted on a three-year cycle or less frequently on an ad hoc basis.[134] Paradoxically, transparency can undermine a proxy means test – by making it easier for households to manipulate their circumstances in order to qualify for the programme.[135] By definition, the indicators are only proxies for living standards – so adequate knowledge of the formula can sometimes enable a household to make minor adjustments to qualify for the social transfer. Transparency can alternatively ensure that people are able to exercise their rights and provides a greater sense of equity. Proxy means testing requires considerable administrative capacity – both a technically proficient expert team to statistically determine the scoring formula, as well as a literate corps of enumerators who support the collection of data from poor applicants.[136] Effective outreach policies are critical to minimise exclusion errors – this management arrangement frequently fails to receive the necessary attention.[137]

Proxy means tests work best when the easily observed proxy variables predict living standards well. One measure of the efficiency of a proxy means test formula is the variability in household expenditure levels that the formula explains. In theory, a "perfect" formula would explain 100% of the

131. World Bank (2004b), pages 2–4.
132. See Coady, Grosh and Hoddinott (2004), page 14, for further discussion of proxy means tests.
133. Coady, Grosh, Hoddinott (2004), page 14.
134. Coady, Grosh and Hoddinott (2004), page 53.
135. Subbarao, Bonnerjee, Ezemenari, Braithwaite, Graham, Carvalho and Thompson (1997), pages 20–21.
136. Coady, Grosh and Hoddinott (2004), page 55.
137. Coady, Grosh and Hoddinott (2004), page 55.

BOX 3.7: Proxy means testing in Ecuador's *Bono de Desarrollo Humano*

Ecuador implemented the *Bono Solidario* in the late 1990s as an unconditional social transfer to vulnerable individuals – older people, caregivers with children, and people with disabilities.From 2003 the *Bono de Desarrollo Humano* (BDH) programme has aimed to change the *Bono Solidario* into a conditional cash transfer programme, using a proxy means test to retarget beneficiaries and trying to impose conditionalities on poor households that they must fulfil in order to qualify for the transfers.

The programme has a budget of approximately US$200 million (2006), representing 57% of the government's social assistance spending. This expenditure amounts to approximately 0.7% of national income (GDP), which is higher than any other conditional cash transfer programme in Latin America. The programme aims to reach the 40% poorest households in Ecuador, although the allocated budget has not been sufficient to reach all the intended beneficiaries. The programme has not actively monitored or enforced programme conditionalities, and yet the beneficiary households have significantly improved school attendance.

The programme employs a proxy means test targeting mechanism called SelBen, which constructs a welfare index for each household based on observable characteristics associated with poverty. While most of the population was surveyed in order to collect the necessary information for the targeting test, some parts of the country were poorly covered.

Studies in Ecuador have shown that measurements based on demographic and structural characteristics of household heads perform more poorly than do those that include all household

variability in expenditure across households, so that formula would accurately identify poor households. In practice, these formulas often perform very poorly. One formula used for a programme in Egypt explained only 43% of variability in consumption (compared to only 62% in the most data-intensive model tested), while proposed equations for a programme in Armenia only explained 25%. Frequently the formulae only explain about 50% of the variability in the identified measure of livelihoods.[138] While proxy means testing often leads to significant exclusion errors, they generally reduce inclusion errors, particularly when the costs of application are high.[139] This pattern lowers their fiscal cost but also substantially undermines their contribution to social protection.

3.3.4 Categorical targeting

Since obtaining information on income and assets can be costly, categorical targeting relies on easily observed traits that are associated with poverty. While this mechanism reduces the cost of implementing the targeting process, it can increase both inclusion and exclusion errors. Two kinds of traits are most common: geographic and demographic. Geographic indicators aim to target the poor of a particular region, and are commonly used with conditional cash transfer programmes and in response to national disasters. Demographic indicators, such as age, sex, marital status, or disability, are more common with unconditional transfers. For example, age may act as the basis for child allowances and pensions.

In order to identify appropriate categories, it is useful to construct a typology of households and quantify the intensity of poverty for each type. The construction of these typologies depends on household survey data representative of a country's entire population. Information collected on income, expenditure, other measures of well-being and household characteristics that identify the group categories. An example for 15 African countries is presented in **Box 3.8**. Households are categorised by whether they include older people, children or others – in various combinations. The reported statistics in the table reflect the relative poverty gap of each household type in each country – expressed as a percentage of the national poverty gap. For example, households in Burundi made up only of older persons have on average a poverty gap equal to 154% of the national average (that is, 54% higher than the national average).

Further analysis of the poverty profile is required to better understand the nature of poverty and effectively design appropriate policy responses. For example, the high degree of poverty in households made up only of older people and children may reflect the AIDS pandemic as

138. Ahmed and Bouis (2001), Grosh and Glinskaya (1998), cited in Coady, Grosh and Hoddinott (2004), page 54.
139. Klugman (1999), page 11.

members. Statistical analysis of poverty indicators in various countries have yielded mixed results in terms of the demonstrated effectiveness of proxy means tests.

In Ecuador the National Statistical Institute constructed a household-level basic needs measurement in 1994. It weighted indicators of access to water, sanitation and waste disposal as well as the household head's level of education and the amount of living space available to household members. The constructed proxy indicator performed relatively poorly in explaining poverty as measured by the level of spending on consumption. Less than half (41%) of the households ranked in the poorest fifth according to the proxy means test (basic needs criterion) were in the poorest fifth ranked according to spending on consumption. Approximately 10% of those identified in the poorest fifth according to the proxy means test ranked among the 40% top consumption spenders in the country.

In some cases proxy means tests may provide useful rankings of well-being for programmes that aim to target 40% of the population or more. However, these targeting mechanisms often provide poor measures of current consumption or income, since they usually do not reflect changes in household welfare in a timely manner. They are more effective in distinguishing the very poorest in a country from those in the highest income categories, but they do not successfully distinguish the poor from the near poor. Proxy means tests are usually not appropriate in low income countries when the scope of programme coverage is relatively limited. ●

SOURCE: Falkingham and Namazie (2002), World Bank (2004a).

grandparents and other older people have become primary caregivers, often after a household has become impoverished coping with AIDS.[140]

This type of data also enables one to calculate the cost of alternative social transfer programmes constructed on a categorical basis. For example, providing a pension equal to 70% of the poverty threshold to all individuals in Zambia aged 60 years and older would cost approximately 1.68% of national income, whereas perfectly targeting the benefit to the poor would cost 1.33% – a savings of only about 20%.[141] Does the cost of targeting the poorest rather than a category of individuals regardless of their poverty status – in terms of additional administration, incentive effects, private costs, stigmatisation, political and other costs – outweigh the fiscal savings from not paying the benefit to the non-poor? The cost-benefit calculation may vary from country to country. The policy implication may be different for a country like Ethiopia, where the cost of universal transfers is more than twice the value of benefits perfectly targeted to the poor. **Box 3.8** illustrates how this categorical analysis can provide insight into the social impact of transfers.

3.3.5 Targeting older people

Targeting older people through a non-contributory pension is an important social transfer instrument in many developing countries. While universal pensions often benefit a large proportion of non-poor individuals, they are often more effective at reaching the poor. **Box 3.8** shows that for a sample of 15 low-income African countries, households that include older people are usually poorer than those that do not.

A study of 12 social pension programmes around the world found they reached poor households on average significantly more than non-poor households, with some schemes performing extremely well but others yielding regressive outcomes.[142] Categorical targeting to older people can be combined with other mechanisms – Chile's CAS-PASIS achieves a high degree of progressive incidence using a proxy means test, while Costa Rica's non-contributory pension allows social workers wide discretion to make eligibility determinations during an office interview and effectively targets the poor.[143] However, these techniques undermine a rights-based approach and can erode transparency.

Universal pensions can appeal to taxpayers more than other approaches as most taxpayers will eventually receive the inter-generational transfer. When cash transfers benefit taxpayers as well

140. Subbarao and Coury (2004).
141. The poor are identified in terms of the national poverty line cited in Government of Uganda (2001), referenced by Kakwani and Subbarao (2005), page 22.
142. Coady, Grosh and Hoddinott (2004), page 32.
143. Coady, Grosh and Hoddinott (2004), pages 69–70.

BOX 3.8: Categorical targeting and the analysis of social impact

In a number of low-income countries in Africa, older people face an increasing burden due to the impact of HIV/AIDS and the erosion of traditional safety nets. With more caregivers dying of HIV/AIDS, older people are increasingly taking on responsibility for young children. The increased mortality of working age adults drains the resources that fund the informal safety nets.

The table on the opposite page summarises results from a study of 15 low-income African countries. It shows that households in these countries that include older people are usually poorer than households that do not include them, particularly when an older person is the household head. Households with only older people are even poorer on average, with the poorest households usually those that include just older people and children.

The differences in income poverty and other factors affect the long-term well-being of children in these households. For example, in some of the countries – including Burundi, Burkina Faso, Côte d'Ivoire, Ghana, and Guinea – the likelihood of female children failing to attend school increases when they move into households headed by older people. In other countries – including Cameroon, Nigeria, Uganda and Zambia – this effect is not apparent. Income alone does not explain this difference – in Burkina Faso, households with only older people and children are only 16% poorer than the average for all people, while in Zambia these households are 89% poorer. Yet the impact of low income is sufficient for the study to suggest that social pensions may improve access to education for female children. This type of demographic analysis provides insight into the appropriate form of categorical targeting and potentially yields evidence regarding the likely social impact. ●

SOURCE: Kakwani, Nanak and Subbarao (2005), pages 12 and 26.

as the poor, the cost calculations are not directly comparable with those programmes that are effectively targeted to the poor. Some countries – such as South Africa and Brazil – combine individual assessment with categorical targeting in the form of a means-tested social pension. This model may pose significant challenges in low-income countries as the added complications and costs of means testing risk overwhelming the government's administrative capacity. In addition to the public costs, the compliance requirements of means tests may be expensive for the targeted individuals and exclude many of the poor who cannot afford the private costs of qualifying for the pension.[144]

The need for proof of age complicates categorical targeting to older people. Given the poor registry systems in many developing countries (particularly decades ago), many older people do not possess formal documentation of their age. If the costs of obtaining the documentation are high, many of the poorest are likely to be excluded. Publicising information about how to obtain appropriate information – and streamlining document access – can help improve targeting to the poor. South Africa's experience documents the importance of government offices that respond to the needs of the poor. Particularly when transportation costs are high, poor service causing multiple visits to administrative offices can exclude the poorest.[145] The best practices balance flexibility with the need for fiduciary accountability. For example, Nepal allowed horoscopes and other widely held documents as substitutes for birth certificates.

3.3.6 Targeting children

Approximately half of the world's poor are children.[146] One form of categorical targeting is the provision of benefits to households with children, particularly when the children are orphaned or otherwise vulnerable. Many of the issues relevant to targeting older people are also pertinent to children – such as the inclusion of requirements for proof of age, the need for documentation that uniquely identifies the child, and motivations that stem from the demographic group's association with poverty. In some countries, older people are increasingly responsible for grandchildren,

144. Schwarz (2003), page 19.
145. Samson (2002), and Coady, Grosh and Hoddinott (2004), page 70.
146. UNICEF (2000), page 41.

	No older people	Older people only	Older people & children only	Not headed by older people	Headed by older people	All persons
Burundi	100	154	143	100	100	100
Burkina Faso	100	113	116	100	99	100
Côte d'Ivoire	93	213	224	95	121	100
Cameroon	99	151	107	97	112	100
Ethiopia	98	168	120	97	117	100
Ghana	92	119	155	95	123	100
Guinea	88	181	208	92	123	100
Gambia	87	163	59	93	118	100
Kenya	96	128	136	96	124	100
Madagascar	101	96	99	101	93	100
Mozambique	101	92	122	99	105	100
Malawi	98	131	131	98	115	100
Nigeria	96	57	97	98	112	100
Uganda	99	185	151	98	109	100
Zambia	95	171	189	95	135	100

especially in areas most affected by the HIV/AIDS pandemic. Other issues – such as linkages to education – are specific to targeting children – particularly for programmes that impose conditions to ensure that children benefit from investment in human capital.

Social transfer programmes identify children as a vulnerable group for a number of reasons. In many countries, the number of children in poor households significantly exceeds the number of children in non-poor households. For example, in Mexico, Brazil and several other Latin American countries, the average poor household includes four children, the average non-poor household has only one child. (**Box 3.9** compares the composition of poor and non-poor households for a sample of developing countries.) In Africa, the number of orphans has steadily increased from 1990 to present with forecasts projecting an increasing trend.[147] Politically, programmes that target children appeal to politicians and electorates because they support the principles of equal opportunity and support longer term development objectives through their impact on nutrition, health and education.[148]

Programmes categorically targeting children frequently employ secondary mechanisms to further reduce the number of eligible beneficiaries. On paper, South Africa applies a means test to its categorically targeted Child Support Grant programme, but in practice it takes a relaxed approach to implementing this since it found following the means test to the letter was a severe impediment to improving take-up rates.[149] A study of the United Kingdom's categorical programmes for children found the administrative costs of the means-tested "Family Credit" were more than twice as high as the universal child benefit.[150] The relative administrative costs in developing countries are likely to be much higher since reliable income documentation is more difficult to obtain. The International Labour Office has demonstrated the affordability of benefits universally targeted to children in low-income African countries. The cost of providing a benefit equal to approximately US$8 a month in purchasing power parity terms ranges from 2 to 5% of national income in most of the countries, and the estimated costs decline over time as the children's projected share of the population falls.[151]

147. Bellamy (2005), page 73.
148. Coady, Grosh and Hoddinott (2004), page 73.
149. Samson et al. (2006).
150. Atkinson (1995) and Coady, Grosh and Hoddinott (2004), page 80.
151. Pal, Behrendt, Leger, Cichon and Hagemejer (2005), pages 14–26.

BOX 3.9: Child poverty in developing countries

Robust research into the demographic dimensions of poverty can provide evidence informing more effective policy. For example, while many studies of poverty do not calculate adult headcount rates separately from rates for children, frequently these studies report demographic measures for both poor and non-poor households. The table opposite reports measures of the number of children in poor and non-poor families from studies of 22 countries. In every case, the number of children in poor households is greater than the number in non-poor households. This evidence suggests that children disproportionately fall into poor households.

Some studies have explicitly measured child poverty rates compared to adult poverty rates. A study of developing countries documents that child poverty rates range from 8% (Ghana) to 25% (Taiwan) higher than adult poverty rates. A study of transition economies finds even starker differences, with child poverty rates ranging from 9% (Bulgaria) to 115% (Kyrgyzstan) higher than adult poverty rates. This kind of evidence can motivate policymakers to implement social transfer programmes targeted to children.

Some studies, however, find it difficult to robustly compare adult and child poverty rates because households with children are usually larger than those without, and because children sometimes require lower levels of expenditure than adults do. Larger households enjoy certain economic benefits, because they can share certain kinds of goods and services across the whole household without diluting the benefit. For example, a flush toilet or a stove can serve six people about as well as a single person, but when the cost is spread across a larger number of people, these assets are more affordable. For this reason, a fixed amount of per capita income raises the living standards of a larger household higher than the living standards of a smaller household. The expression "two people can live as cheaply as one" might not hold, but two people living together usually need not spend twice as much as a single person to achieve the same living standards.

The difficulty lies in determining how much these economies and different expenditure requirements affect the measurement of poverty. There is no consensus among social policy analysts regarding how to adjust for household demographics and these economies that benefit larger households. Particularly when education and other vital services are not free, the assumption that children require significantly lower expenditure levels can lead to under-estimates of poverty. While more affluent households might afford the kinds of assets that generate the benefits of scale economies, the very poorest might barely afford the minimum amount of required food, for which the larger size of households provides little additional benefit.

While debates interrogate the methodological problems, concrete social transfer programmes demonstrate success in addressing the problem of child poverty. Family allowances in Eastern Europe significantly reduce poverty rates for children – in their absence the rate in Hungary would have been 85% higher in the mid-1990s and a third higher in Poland. Kyrgyzstan's social transfers prevented another 24% of households from falling into extreme poverty, many of them children. In Latin America, social transfer programmes effectively reduce poverty and promote human capital development for millions of children. In South Africa, the child support grant is the broadest based instrument for a social security system that halves the country's poverty gap. Robust research informs effective policies that tackle child poverty. ●

SOURCE: UNICEF (2000), Barrientos and DeJong (2004), Marcus (2004).

3.3.7 Targeting people with disabilities

"Disability is both a cause and consequence of poverty." People with disabilities frequently face greater limits on access to education and employment opportunities.[152] Only a small fraction of people with disabilities in developing countries have access to assistance, rehabilitation and other appropriate services.[153] People with disabilities often face a greater likelihood of poverty because they generally incur greater costs due to medical expenses and coping mechanisms, their caregivers frequently forego alternative earnings and sometimes face work limitations.[154] As a result, disability reinforces conditions of poverty, which in turn can exacerbate the debilitative impact of the disability and increase their incidence. For example, poverty fosters conditions like malnutrition, which increase the likelihood of disability, and lack of adequate income hampers access to rehabilitative goods and services that mitigate disability.[155] Social transfers can support part of a comprehensive approach to inclusion that addresses this vicious circle, potentially incorporating people with disabilities into mainstream social and economic activities and reducing the future incidence of disability. **Box 3.10** illustrates the forces that tend to perpetuate a vicious cycle of poverty, increased vulnerability and a greater likelihood and increased debilitative impact of disability, which in turn reinforces poverty.

152. DFID (2000), page 1.
153. Despouy (1993).
154. Mitra (2005), page 5, and Mitra (2004), page 4, and Elwan (1999), pages 21–24.
155. Mitra (2005), page 6, and Mitra (2004), page 4, and Elwan (1999), pages 24–25.

Country	Household/family characteristic	Poor	Non-poor	All households
Argentina	Number of children under 15	3.0	0.4	1.3
Bolivia	Number of children under 15	3.4	1.3	2.3
Brazil	Number of children under 15	3.6	0.8	1.8
Cameroon	% households with 6+ members	59	30	45
Chile	Number of children under 15	2.5	0.9	1.5
Costa Rica	Number of children under 15	3.3	1.0	2.0
Ecuador	Number of children under 15	3.4	1.4	2.9
El Salvador	Number of children under 15	3.7	1.1	2.4
Guyana	Number of children under 17	2.6	1.4	1.8
Honduras	Number of children under 15	4.2	1.7	3.1
Indonesia	Number of children under 9	1.7	N/A	1.2
Malawi	Household size	5.4	4.2	5.0
Mali	Household size	11.5	9.2	10.4
Mexico	Number of children under 15	4.0	1.1	2.3
Nepal	Number of children under 14	3.5	2.5	N/A
Nicaragua	Number of children under 15	4.9	1.8	3.3
Panama	Number of children under 15	3.2	0.8	1.9
Paraguay	Number of children under 15	4.3	1.3	2.8
Peru	Number of children under 15	3.7	1.1	2.4
Philippines	Household size	6.0	5.0	N/A
Tanzania	Household size	7.2	5.0	6.0
Uruguay	Number of children under 15	2.8	0.5	1.2

Different models of addressing disability yield alternative approaches to social protection.[156] The charity model sees people with disabilities as victims of circumstance who require welfare approaches. The medical model views disabilities as directly caused by diseases, injuries or other health impairments, requiring medical treatment and rehabilitation. The social model empowers people with disabilities in order to increase their social and economic participation and contribution, improving overall economic performance while reducing government spending on unnecessary care. This frees resources for custodial care approaches that focus better on the minority of people with disabilities who need these services.

A key challenge in the categorical targeting of people with disabilities is the identification of the eligible impairment, limitation or participatory restriction. Most programmes identify beneficiaries through information provided by public entities, from censuses and other search activities and through efforts to promote self-identification.[157] The typical screen is whether or not an individual faces a physical or mental impairment that leaves him or her unable to work. For example, in South Africa, "according to regulations issued by the national Minister of Social Development, a

156. This paragraph summarises key ideas from Mitra (2004), which provides greater detail on these issues.
157. Mitra (2004), page 17.

BOX 3.10: The Disability Pension in Namibia and the vicious circle of poverty, vulnerability and disability

The vicious cycle of poverty, vulnerability and disability is depicted in the figure on the opposite page. Disabilities and society's responses often deny people access to educational and employment opportunities, creating developmental gaps and limiting social and political participation. The resulting marginalisation, exclusion and stigma create increased vulnerability to deeper poverty and negative health impacts. This reduces the likelihood of rehabilitation and appropriate services and exacerbates the negative consequences of disability. The intensified poverty and vulnerability increase the likelihood of disabilities being perpetuated from generation to generation. Social transfers for people with disabilities aim to help break this vicious cycle.

Namibia is one of the few African countries to provide an extensive non-contributory pension to people with disabilities (together with Liberia, Mauritius, Mozambique and South Africa). Nevertheless, in 1995 only about a quarter of the estimated 44 000 people with disabilities received a social transfer – approximately 10 000 receiving a disability grant and 1 000 receiving a pension for the blind. The 2001 Namibian census estimated a much higher incidence of disability – with over 85 000 people affected. In particular, women and those residing in certain rural regions receive disproportionately fewer grants.

Many of the registered beneficiaries face difficulties in accessing the social transfer, particularly given the complexity of payment procedures. Many eligible people are unaware of registration and payment procedures. Registration procedures can be unduly burdensome for people with disabilities, requiring both birth and citizenship certificates which many Namibians do not possess. The travel required to obtain the documentation effectively excludes many of those with disabilities. The payment procedures require both an identification document and computer verification, and system failures periodically exclude eligible beneficiaries, who sometimes do not receive payments retroactively once the computer faults are corrected.

Since few rural Namibians have access to bank accounts, beneficiaries carry the pension home in the form of cash, creating vulnerability to theft and misappropriation. When the Department of Social Welfare privatised the pension payment service in the mid-1990s, the private contractor – Cashmaster Payment Services – reportedly reduced the number of distribution points, exacerbating the problem and increasing the transport costs incurred by people with disabilities. The privatisation also significantly increased administrative costs, with one estimate suggesting an increase of 400%.

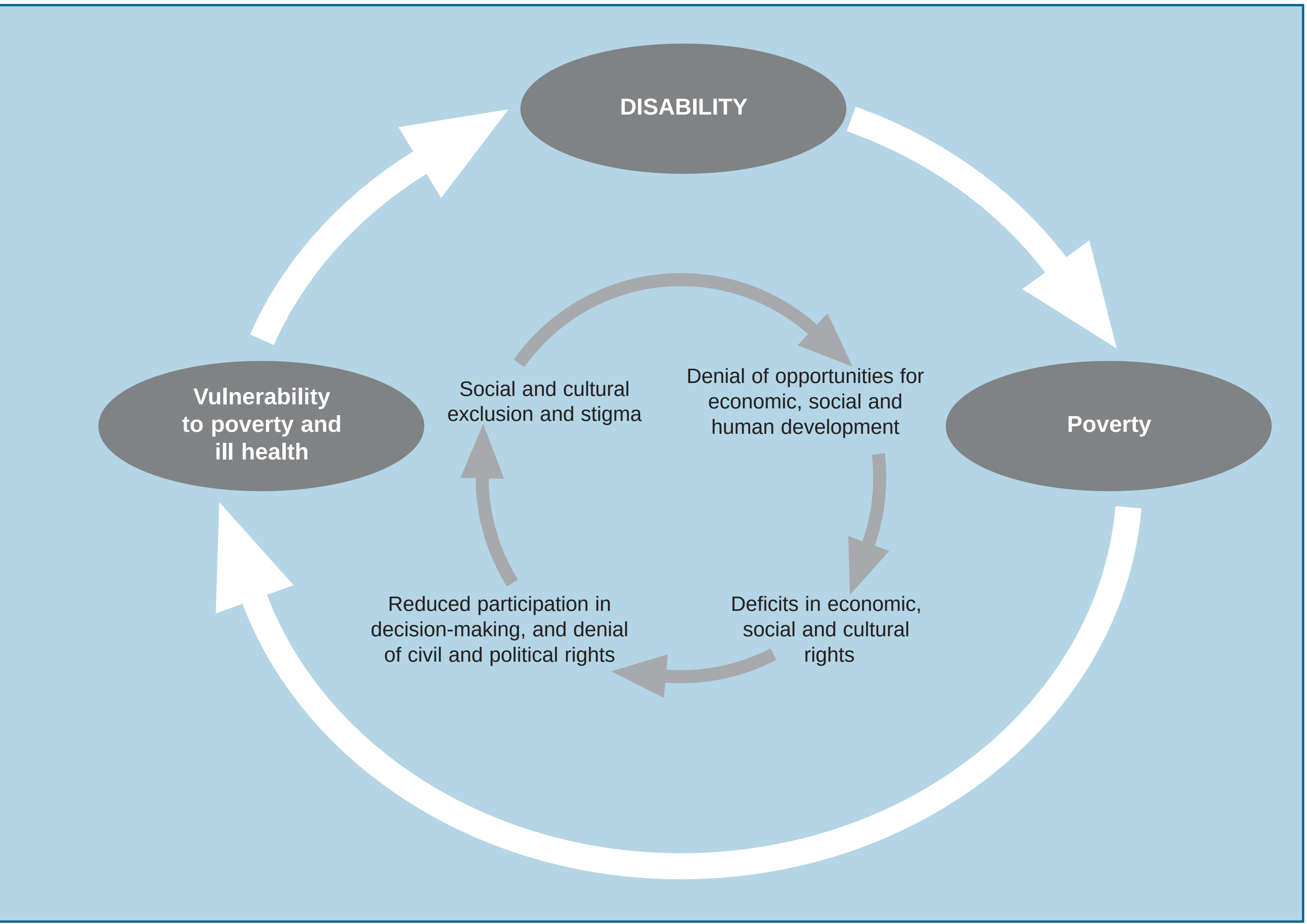
Disability grants hold enormous potential to break the bonds linking poverty, vulnerability and disability. Namibia's experience demonstrates considerable potential – and highlights key issues that must be addressed in order to implement an effective social transfer programme protecting and uplifting people with disabilities. ●

SOURCE: Subbarao (1998),
Bruhns et al. (1995) and DFID (2000), page 4.

person is only eligible if the degree of his or her disability makes him or her incapable of entering a labour market."[158] In Namibia, according to the Ministry of Health, a person with a 50 percent disability as determined by a medical doctor would be eligible for the disability grant. For example, "if an individual develops full-blown AIDS and is incapable of working, such a person would qualify for a disability grant by virtue of being incapable of adequately providing for their own maintenance, and not by virtue of being HIV-positive."[159] However, in practice the determination of a person's ability to work is difficult and subjective. Invisible and episodic impairments – such as severe lower back pain or certain mental illnesses – cannot be easily documented. The determination of disability is often a complex individual medical assessment, frequently requiring a visit to a health clinic or doctor. The subjectivity of the process inevitably gives rise to both inclusion and exclusion errors.[160]

Ensuring inclusive social transfers requires providing physically and socially accessible advice centres and delivery mechanisms.[161] Physical accessibility requires appropriate architectural features and adapted mechanisms in the transportation system, but can also include social worker visits to the homes of people with disabilities, as well as their right to a personal family representative for programme application and enrolment, and to receive the social transfer.[162] Namibia's privatisation of social pension payment processes led to the closure of pay points,

158. Nattrass (2006), page 3.
159. UN Integrated Regional Information Networks, July 27, 2005, Namibia, "Government reacts on AIDS disability grant reports", accessed 1 April 2006 at http://www.aegis.com/news/IRIN/2005/IR050772.html
160. Mitra (2004), page 9.
161. Mitra (2004), page 15.
162. Mitra (2005), page 10.



undermining physical accessibility for beneficiaries.[163] (**Box 3.10** provides more details on Namibia's disability pension.)

Social accessibility requires appropriate outreach channels, including Braille, media and community publicity, and the management of administrative staff to ensure their attitudes encourage and facilitate access to benefits for people with disabilities.[164] Appropriate programme design can foster the inclusion of people with disabilities.

Much of the debate over how to implement social transfers for people with disabilities revolves around the choice between mainstreaming and categorically targeting people with disabilities. "Mainstreaming" in this case refers to the policy of improving access for people with disabilities to the social transfers available within society. While targeting transfers to people with disabilities provides critical resources and can improve the individual's bargaining power within the household, the targeting process requires substantial administrative capacity and cost and may lead to segregation rather than inclusion.[165] Mainstreaming requires less administration, better promotes inclusion and more broadly reaches the poor, but may require a much longer term commitment to be effective.[166] In addition, mainstreaming social transfers for people with disabilities requires that the required resources are available to the broader population.

163. Subbarao (1996), page 16.
164. Mitra (2005), page 11.
165. Mitra (2005), page 15.
166. Mitra (2005), page 16.

BOX 3.11: The design of Nicaragua's Social Protection Safety Net

The *Red de Proteccion Social* or "Social Safety Net" was designed to address both current and future poverty via cash transfers by targeting households in the most disadvantaged regions of Nicaragua. The cash transfers were designed to break the intergenerational transmission of poverty and the inability of poor households to invest in the human capital of their children.

More specifically RPS's objectives are:

- supplementing household income for up to three years to increase expenditures on food
- increasing the health care and nutritional status of children under age five
- reducing school desertion during the first four years of primary school

Programme design prior to the pilot phase had to take into account the poverty profile and the objectives of reducing poverty on a short- and long-term basis. This entailed targeting that was carried out on both a geographic and proxy means tested basis.

The geographic targeting was carried out by identifying two rural areas that had experienced increasing levels of poverty while the rest of the country experienced a decrease in poverty levels. These areas were also chosen for the institutional capacity to implement the social safety net. Then, six out of 20 municipalities were chosen on the basis of already having taken part in a participatory programme as well as having particularly high levels of poverty.

The last stage of the targeting process involved the construction of a marginality index (based on the 1995 National Population and Housing Census). An index score was calculated for all 59 rural areas (comarcas) in the selected municipalities. The index reflected the following characteristics associated with poverty (with the indicated weights):

- Average family size (0.1)
- Percentage without piped water in the home or yard (0.5)
- Percentage without a latrine (0.1)
- Percentage of persons over age 5 who are illiterate (0.3)

The 59 comarcas were then grouped into four priority levels and the highest priorities (those with the highest level of poverty) were chosen for the pilot's first phase.

The design of the scheme then incorporated an impact evaluation in which one half of the 42 comarcas were randomly selected as intervention comarcas, leaving the remaining 21 for the control group.

3.3.8 Geographical targeting

Geographical targeting determines eligibility for benefits, at least in part, based on the location of the beneficiary's residence.[167] Disparities in living standards between regions and communities can be found in nearly every country.[168] Such differences may be caused by differences in climate, natural resources, geography and/or public policy. Social transfer programmes – particularly those with limited resources – frequently adopt mechanisms that restrict their scope to those areas with the highest concentration of poverty. Conditional cash transfer programmes frequently employ poverty maps, surveys and administrative data in order to supplement other mechanisms with geographical targeting. For example, Brazil's *Bolsa Familia* targets specific poor communities within municipalities whilst Jamaica's PATH programme relies on collections of annual consumption data so that targeting can occur at a parish level. Mexico's *Oportunidades* programmes employs a "marginality index" constructed from census data to identify poor communities and Honduras relies on the "Height Census of First Grade School Children" in order to target poor communities based on the prevalence of malnutrition.[169] Similarly, public works programmes frequently rely on geographical targeting to identify communities that will most benefit from projects. For example, Argentina's Trabajar programme targeted projects based on the geographic distribution of unemployment by province.[170] On the other hand, unconditional transfer programmes – with more of a rights-based orientation – less frequently rely on narrow geographical targeting. For example, social pensions in Botswana, Lesotho, Mauritius, Namibia, and South Africa are available to all who qualify. Brazil, however, has separate social pension programmes for rural and urban areas.

One of the key advantages of geographical targeting is its potential simplicity. Particularly in cases of acute emergency, geographical targeting provides a mechanism for immediate delivery

167. Coady, Grosh and Hoddinott (2004), page 47.
168. Bigman, and Fofack (2002), page 129.
169. Rawlings and Rubio (2003), page 3.
170. Coady, Grosh and Hoddinott (2004), pages 22–23.

The pilot phase was implemented in two stages. In the first stage, RPS benefited nearly all of the approximately 6 000 households in the 21 intervention comarcas. In the second stage, approximately 4 000 additional beneficiary households from the remaining 17 non-control comarcas in these same municipalities were selected via household-level targeting mechanisms.

A model was then constructed that predicted per capita expenditures based on easily measured household characteristics. In comarcas with household-level targeting, only those households with predicted per capita expenditures below the national poverty line were selected as beneficiaries. About 20% of all households in the 17 second-stage comarcas were excluded.

Each eligible household with a child under the age of five then received a cash "food security transfer" every other month, contingent on attendance at educational workshops and on bringing their child for preventive health care appointments. Furthermore, each eligible household with a child aged 7–13 who had not completed fourth grade of primary school received a cash transfer every other month, contingent on enrolment and regular school attendance. In addition, for each eligible child, the household received an annual cash transfer intended for school supplies, which again was dependent on enrolment.

In order to ensure compliance with the conditionalities a monitoring system was built into the programme design. Monitoring is done via a management information system (MIS) and is comprised of a continuously updated relational database of beneficiaries, healthcare providers, and schools. The MIS was used to select beneficiaries and invite them to programme incorporation assemblies, calculate transfer amounts, determine requests to the Ministry of Health for vaccines and other materials and monitor whether beneficiaries and service providers were meeting their responsibilities. Decisional rules that captured the programme requirements were programmed directly into the MIS. Substantial effort was dedicated to designing data forms for the various programme participants that fed into this system, including household census, school and health care provider forms.

Strict monitoring enabled the penalising of beneficiaries that did not comply with the conditionalities – during the first two years approximately 10% of beneficiaries were penalised at least once. It was also possible for households to be expelled from the programme for repeated infractions – but only 1% of households were expelled from the programme during the first two years. ●

SOURCE: Maluccio and Flores (2005) and Caldes and Maluccio (2004).

to the hardest hit areas. However, geographical targeting alone risks generating large errors of both exclusion and inclusion if poverty is not spatially concentrated. Particularly at a regional level where income disparities are usually large, geographical targeting includes many non-poor households while excluding regions which nonetheless contain many of the poor.[171]

In both Nicaragua and Peru, social funds employing geographical mechanisms achieved relative success in identifying extremely poor communities but proved less successful in targeting the poorest households.[172] A recent study of targeting identified 52 programmes that employed geographical targeting in which all but one of these utilised an additional mechanism to further improve the identification of poor households.[173]

The size of the geographically targeted area, however, can influence exclusion error, particularly in rural areas, where smaller target areas are more likely to host people of a similar poverty level. In many villages, the size of landholdings determines income differences between households but people share agro-climatic and spatial conditions and off-farm employment opportunities. At higher geographical levels, differences in distances to markets, road conditions, access to vital services and other factors usually contribute to much greater levels of variability. If detailed socio-economic information at a village level is available, targeting small areas can significantly improve the effectiveness of the geographic approach.[174] However, targeting small areas on a national level requires reliable information in order to assess the prevalence of poverty at a disaggregated level. Many national household surveys include sample sizes large enough to distinguish poverty rates regionally, but lack the number of observations at a sub-regional level to allow significant inferences about differences in living standards at the level of finer geographical areas.[175]

171. Bigman and Fofack (2002), page 136.
172. Coady (2004), page 29, Paxson and Schady (2002).
173. Coady, Grosh and Hoddinott (2004), page 62.
174. Bigman and Srinivasan (2001), page 3.
175. Bigman and Fofack (2002), page 136.

BOX 3.12: Community targeting in Bangladesh

In 1997 Bangladesh introduced an Old Age Allowance Scheme (OAAS) that forms part of the Social Safety Net Programme (SSNP). The SSNP includes those programmes whose actions and policies are concerned with the reduction of poverty through direct transfers of resources to the poor. The OAAS is therefore mainly aimed at providing permanent life-long relief to those that are incapable of taking care of themselves and covers all rural and municipal areas.

Eligibility for the scheme is determined on a community or ward level. The ward is the lowest level district in Bangladesh. There are 40 311 such wards in the country and OAAS covers them all.

Ward committees select the 10 poorest people in each ward. Of those 10 people, five are to be men and five women. Ward committees include public officials, elected representatives, local elites and at least one social welfare officer. Selection of the five men and five women is made on the basis of age, economic and health status as well as the potential beneficiary being landless and having an annual income of less than US$50. The recipient must furthermore be over 65 (previously 60) years of age. The ward aims to target the most destitute in its community.

Early evaluations have concluded that the OAAS has been well received by local communities and that targeting is efficient. Indeed, unlike such schemes in other countries, inclusion errors are very low and there are low levels of leakages. Despite the programme being reasonably well targeted, certain problems do exist. One such problem is that

3.3.9 Self-targeting

Self-targeting relies on a characteristic of a universal transfer programme that is designed to be attractive primarily to the poor. The non-poor are supposed to voluntarily choose to forego the potential benefit – either because of the costs of participating, the resulting stigma, or the associated conditionalities (work requirements, access costs, or fulfilment of designated activities such as children attending school, household members visiting clinics or other conditionality requirements). Self-targeting was once considered less expensive than other mechanisms because the psycho-social costs of stigma were generally ignored.[176]

But in reality self-targeting also involves significant inclusion and exclusion errors. For example, public works programmes often employ the combination of work requirements and low wages to promote self-targeting by the poor. In some very poor countries, however, members of less poor households may still seek employment at wages that are too low to even provide the very poorest with adequate social protection.[177] At the same time, the work requirement excludes those who are unable to supply labour to the programme – often the most vulnerable in the society.[178] In countries with the most severe poverty, the wage rate necessary to effectively self-target the poor is so low, the programme could not honestly claim to be offering significant levels of social protection.[179] These issues are discussed in greater detail in chapter 5.

3.3.10 Community-based targeting

Community-based targeting is a relative newcomer to the tracts of social policy analysts, but its essential principles have supported informal mechanisms of social protection for centuries. Community-based targeting can be defined as "a state policy of contracting with community groups or intermediary agents to have them carry out one or more of the following activities: 1) identify recipients for cash or in-kind benefits, 2) monitor the delivery of those benefits, and/or 3) engage in some part of the delivery process."[180] Community representatives are able to define poverty more appropriately in a local context, and they can more efficiently harvest information about individuals with whom they have personal connections. Community responsibility for targeting also creates a participatory stake in the programme, providing a role for local ownership and control.[181] This model can also facilitate community mobilisation, empowering disadvantaged groups and legitimising the social transfers programme with positive political consequences.[182]

176. Stigma can be defined as "the feeling of shame that may come from an open admission that one is poor and in need of help". [Grosh (1994).] Stigma can also be externally reinforced, increasing the social costs for those affected.
177. Chirwa, McCord, Mvula and Pinder (2004).
178. Devereux (2002), pages 8–9, Gebre-Medhin and Swinton (2001).
179. Devereux (2002), pages 9–10.
180. Conning and Kevane (2000), page 2.
181. Devereux (2002), pages 9–10.
182. Conning and Kevane (2000), pages 2–3.

the programme is insufficient to cover all the targeted groups – selection of beneficiaries is necessary because the ceiling number of allowances is insufficient to cover all poor older people. Since there are 40 311 wards in the entire country, when the programme is fully operational, the number of beneficiaries should be 403 110. The scheme leaves out around 50% of the eligible poor as roughly one million poor older people fulfill the targeting requirements.

As well as there being under coverage, the amount that a beneficiary receives is insufficient in value to pull him or her above the poverty line. This is still the case even though the government has increased the transfer amount from Tk100 to Tk165 a month. The Government of Bangladesh is aware that OAAS needs to be widened and possibly extended to all people in the category of impoverished older people. Surveys show that an old poor person needs at least an amount of Tk300 per month to meet basic food and health requirements – an amount just under double of that which the beneficiary presently receives. Furthermore, improvements could be made if the programme was to be part of an integrated national policy as well as being funded by regular and sustainable sources of income.

However, despite these shortcomings, it has been shown that recipients often use part of their grant in order to purchase assets, such as poultry or livestock that will provide a return. The budgetary allocation to the OAAS has been increasing every year from 2001 even though budgets for other SSNP schemes have declined as a proportion of the overall budget allocation. ●

SOURCE: International Monetary Fund (2005).

Community targeting, however, faces its own risks. Local elites may distribute resources in ways that deviate from targeting guidelines. Even when the process follows the recommended procedures, the close proximity of beneficiaries (the included), near beneficiaries (the excluded) and the judges (community representatives) can foster costly social tension and resentment.[183] More frequently, decisions taken within the community tend to benefit as many people as possible, including the non-poor, regardless of targeting guidelines. Employing teachers to target poor children for a social transfer programme may seem technically efficient, but mandating teachers with this additional role may undermine their teaching effectiveness. Will a poor student excluded from a social transfer by a teacher's decision feel resentment, and will this affect the student's success in school?

In addition, since community-based targeting decentralises important policy elements of targeting, it may lead to varying benefit levels for the same groups in different regions. This undermines the objective of horizontal equity and in some cases may induce inefficient population movements. The costs may undermine political support for the programme.[184]

The empirical evidence on community targeting is mixed – the mechanism often yields very attractive outcomes, yet in other cases the performance is poor. Ethiopia's experience with community targeting yielded both positive and negative results varying from region to region, apparently depending on the socio-economic and cultural circumstances of each locality.[185] Evidence from Bangladesh suggests that the average impact is to improve targeting to the poor, but with a great degree of variability across communities. In particular, in communities with the worst distributions of income, the poorest were the most excluded, probably because of the lack of political power of these groups. Interestingly, as coverage increased, the proportion of benefits reaching the poor increased, suggesting the wider coverage will be more inclusive of the poor.[186] Malawi's efforts to employ community targeting in its 'Starter Packs' programme in 2000 failed when community representatives refused to categorise the finer layers of poverty, replying instead: "We are all poor."[187]

There is no consensus on how to best design a community targeting approach. One alternative provides a hybrid mechanism, with the central authority defining and monitoring the targeting categories, and community representatives implementing the regulated process but with

183. Devereux (2002), page 10.
184. Conning and Kevane (2000), page 3.
185. Devereux (2002), page 10.
186. Subbarao (2003) page 25, Galasso and Ravallion (1999), see also Conning and Kevane (2000).
187. Devereux (2002), page 11.

BOX 3.13: Main options for targeting the beneficiary

The decision on targeting is one of the most complex issues that programme designers must address. Badly designed or implemented targeting mechanisms can create distortions and perverse incentives, with potentially crippling consequences for the programme. The major choices for targeting usually involve one or more of the following options.

■ **Individual or household assessment**
Individual or household assessments involve testing a person's or household's means for survival, usually with a procedure which verifies an individual's or household's assets. Thorough means tests are in theory relatively accurate but usually very expensive.

■ **Proxy means tests**
Proxy means tests employ easily observed indicators that are highly correlated with poverty and yet which are not easily manipulated by individuals or households. For example, a proxy means test might target households without piped water. More sophisticated versions require statistical analysis of large numbers of indicators in order to identify a formula for determining eligibility.

■ **Categorical targeting**
Categorical targeting relies on easily observed traits — usually demographic or geographic — that are associated with a higher incidence of poverty. For example, social pensions and child support grants are examples of categorically targeted programmes.

significant discretion. Public meetings, elected community representatives and external audits can improve transparency and accountability.[188]

A similar approach identifies four ingredients that contribute to the effectiveness of community targeting:[189]

1. Members of the community should understand the targeting process;
2. Information about rules and allocations should be available to the community;
3. Community representatives should be accountable, and those denied benefits should have recourse to appeal;
4. An impartial outside authority should audit the process.

3.3.11 Combinations of targeting mechanisms

Each of the mechanisms for poverty targeting has strengths and weaknesses. Appropriate combinations of instruments can provide complementarity, with the different strengths effectively offsetting the weaknesses. For example, Mexico's *Oportunidades* conditional cash transfer programme combines geographic targeting, proxy means tests, and community participation. Brazil's *Bolsa Escola* employed a poverty line approach together with elements of community control. Many old-age pensions – such as those in Brazil, India and South Africa – employ categorical targeting (age and sometimes gender) together with means testing. Other pension programmes, however, such as those in Lesotho, Namibia, and Nepal, are universal within their categorical age targets.

3.3.12 The gender of the beneficiary: addressing gender inequality

Women in developing countries often confront severe disadvantages in terms of education, health, nutrition, and labour force participation, facing "all manner of cultural, social, legal and economic obstacles that men, even poor men, do not. They typically work longer hours and, when they are paid at all, receive lower wages."[190] Discrimination often makes it difficult for women to channel their capabilities into higher income or improved well-being, and households often skew the allocations of resources against girls and women.[191] Recognising this, many social transfer programmes include specific provisions to address gender inequality.

In South Africa women qualify for the social pension at the age of 60 years, five years earlier than men. The motivation for this provision stems from women's greater reliance on informal sector

188. Conning and Kevane (2000), page 27.
189. Sharp (1997), page 92, in Devereux (2002), page 11.
190. Kabeer (2003).
191. Cagatay (1998), page 8.

■ **Geographical targeting**
Geographical targeting is a form of categorical targeting that determines eligibility for benefits, at least in part, based on the location of the beneficiary's residence. One of the key advantages of geographical targeting is its potential simplicity. Particularly in cases of acute emergency, geographical targeting provides a mechanism for immediate delivery to the hardest hit areas.

■ **Self-targeting**
Self-targeting results when one of the characteristics of the benefit is sufficiently unattractive to the non-poor that they voluntarily choose not to receive it. These traits sometimes include the costs of participating (queues, documentation requirements, travel costs), the stigma society creates, or the conditionalities imposed by the programme (work or other requirements). Many of the costs of self-targeting – particularly the psycho-social impact of stigma – are invisible to policy-makers but nevertheless erode the effectiveness of the mechanism.

■ **Community based targeting**
Community-based targeting is the delegation of responsibility for the identification of beneficiaries to community groups or agents. Community representatives are frequently in a better position to assess poverty more appropriately in their local context, and they frequently have access to better information about the poor with whom they live. Community targeting also involves greater local participation in the process, potentially strengthening a sense of programme ownership. However, local elites is some cases may skew the allocation of transfers away from the poorest. ●

employment – with its lower pay and usual failure to provide retirement benefits, women's greater role in raising children and providing unpaid care for families, women's earlier average retirement age, and in general the average lower wages women receive due to discrimination.[192] In addition, impact assessments of South Africa's social pension have found that female pensioners are more likely to allocate transfer resources to basic household needs, particularly nutrition and education for girls. (See section 3.4 of this chapter for further discussion of this point.) Since women on average live longer than men in most countries, social pensions help to redress income inequalities resulting from gender discrimination.[193]

In Bangladesh, the Old Age Allowance Scheme (OAAS) sets quotas of five men and five women – the oldest and poorest residents of each ward. Gender equity is further addressed by the Assistance Program for Widowed and Destitute Women (APWDW), which provides an additional five pensions in each ward for poor widows and destitute women.[194] Bangladesh's Cash for Education programme and the Girls' Stipend programme have contributed to substantial reductions in the country's gender gap in education.[195] Mexico's *Progresa* programme provided higher secondary school grants to girls, aiming to address various forms of discrimination while compensating households for the public benefits that result from investment in higher education for girls.[196]

Many programmes that target children adopt a policy of paying the mother, grandmother or other female caregiver. This helps to address problems with the intra-household resource allocation. Progresa was designed to give control of the social transfer to women, increasing their power over decision-making while improving self-confidence and awareness.[197] **Box 3.14** discusses the survey results from an evaluation of *Progresa's* impact on gender relations.

Means tests that link a women's eligibility to a spouse's income can exacerbate potential vulnerability to abuse or economic disadvantage. For example, South Africa's means test is based on the combined income for married people. Women are deprived a pension because of the husband's income more frequently than men are because of a wife's income. The rule creates circumstances under which men's income security can directly undermine women's social protection, depending on the intra-household resource allocation. Women may have to forfeit

192. Williams, Suraya, Manjoo, Mashao, Siqwana-Ndulo and Maitse (2003), pages 11–13.
193. Tabor (2002), page 23.
194. Barrientos and Smith (2005), page 12.
195. DFID (2005), page 16, citing Rubalcava et al. (2002).
196. Skoufias (2001), page 3.
197. DFID (2005), page 16, Skoufias and McClafferty (2001).

BOX 3.14: The impact of Mexico's *Progresa* on gender relations

Mexico's conditional cash transfer programme *Progresa* was designed to give control of the social transfer to women. Quantitative and qualitative surveys over two years provide the basis for an evaluation of the programme's impact on household relationships and women's positions, as well as attitudes regarding education for girls and women.

Participation in the programme increases the likelihood that women will be more involved in household decision-making, particularly with decisions affecting the children. Over time, women's control of *Progresa* transfers increases, improving their status within the household and community. Men generally value the women's participation in the programme, particularly given the low levels of salaries in participating households. There is little evidence of men misappropriating the transfers or reducing their contributions to household expenses.

Women in the programme are more likely to spend time taking children to school and clinics, but leisure time for men and women does not change significantly. Household work effort does not change – there is no evidence of increased dependency from reduced work incentives. Women articulate an increase in self-confidence, awareness and other dimensions of empowerment. While participating households express an appreciation for the value of educating girls, women nevertheless resolve a hypothetical dilemma between sending a boy or girl to school in favour of the boy. ●

SOURCE: Skoufias (2001), pages 66–68.

their social pension because of their husbands' income, perpetuating financial dependency. In the case of abusive spouses, this undermines opportunities to end abusive relationships.[198]

Public works programmes often demonstrate a bias against women, unless they are designed to accommodate their domestic and subsistence responsibilities. South Africa's Zibambele programme provides a successful example that addresses gender bias; a survey in 2003 demonstrated that 93% of the participants were female. Gender-equitable features of this programme include: providing employment contracts to the household rather than the individual – enabling job-sharing, focusing recruitment efforts on female household heads, locating work sites close to the homes of women, and facilitating the integration of childcare and other domestic responsibilities with work responsibilities.[199] India's national Employment Guarantee Scheme also incorporates gender-equitable features – including non-discrimination provisions, access to on-site childcare, work sites close to the homes of workers, and others.[200] However, the Maharashtra Employment Guarantee Scheme – upon which the national programme is based – only achieved 30–39% female participation from 1991 to 1996, in spite of considerably higher rates of women's registration. For example, in Pune district more females registered for the scheme than males, but women's share of employment was much lower.[201]

Measures that can improve the gender equity performance of social transfers include:[202]

- Ensuring that programme-enacting legislation includes anti-discrimination provisions;
- Providing family allowances to the primary caregiver for children;
- Making available to women benefits for maternity, parental and educational leave;
- Providing benefits to caregivers for people with disabilities and others requiring care;
- Including provisions for home care services in calculating social pension benefits;
- Providing benefits for child care.

3.4 Payment arrangements

Payment arrangements involve designing mechanisms that ensure that regular delivery of the most appropriate resource is made to the recipient within the household who will most effectively allocate it in line with the social protection objectives. Effective payment arrangements depend

198. Williams, Manjoo, Mashao, Siqwana-Ndulo and Maitse (2003), pages 11–12.
199. McCord (2004).
200. Right to Food Campaign (2005).
201. Gaiha and Imai (2005, page 10) elaborate: "In 1995, for example, the share of females among the persons registered for the EGS was 57 per cent while their share in total person days of employment was about 37 per cent."
202. Tabor (2002), page 34, OECD (1999), Luckhaus, (2000), pages 149–77.

BOX 3.15: Focusing on gender issues

"Special consideration should be paid to gender issues. Although half of the population are women, they receive much less assistance and opportunities than do men. Many poverty reduction and social development programmes are focused on households and do not consider intra-household differences. Assets and labour are normally distributed in a different and unequal manner between men and women, boys and girls within a same household. Unless particular attention is paid to women's unique problems and life patterns when social protection policies and programmes are developed, approaches that might appear to be gender-neutral may actually disadvantage women. Positive discrimination may be needed to ensure women's development in Asia and the Pacific. For example, labour market reforms must go beyond a purely traditional agenda to adequately address such special concerns of women as a higher incidence of home work, competing demands from household responsibilities, and the particular needs surrounding child bearing. In child protection, the benefits of investing in the girl child are large – educated girls become more responsible and better informed mothers. Social insurance programmes need to be designed to take into account the longer life expectancies of women in most societies; the additional implications for women of the risk of loss of support due to death, abandonment, or divorce; and the less stable earning patterns commonly found among women." ●

SOURCE: Asian Development Bank (2003), pages 41–42.

on the sufficiency of the benefit level to achieve meaningful poverty reduction. Issues relating to the determination of the appropriate benefit levels were discussed in chapter 2. Regularity and reliability maximise the value of the payment by providing greater security, supporting long-term developmental choices. Payment arrangements also involve deciding whom to pay, and in what form (cash or in-kind benefits) to make the payment. This section discusses key concerns in addressing these issues.

Benefit regularity and duration

Regular and reliable payments provide recipients with the security and choice that provide the greatest flexibility and developmental impact, maximising benefits and value to the beneficiaries.[203] Regularity facilitates more effective planning.[204] Late or irregular payments can foster a reliance on informal credit, often at high interest rates which erode benefits and can create debt traps.[205] Unconditional programmes usually target individuals in vulnerable groups, as social transfers are often the only regular sources of income for these beneficiaries. The regularity of payments provides a critical element of the social protection delivered by the transfers.

The appropriate duration of the social transfer depends on the circumstances of the beneficiary. Social protection implies a duration that extends as long as the underlying condition that justifies the cash transfer. The appropriate duration of a social pension is for a lifetime, for a disability grant the duration of the disability. The implementation of a social transfer programme can change the power dynamics and dependency relationships within a community. Temporary social transfer programmes may operate just long enough to disrupt the established relationships that enable the poor to cope, but not long enough to achieve longer term developmental objectives. The most effective social transfer programmes will endure as long as the conditions of poverty they address. Section 3.5 addresses some of these issues in the context of programme exit. Chapters 4 and 5 discuss the importance of regularity and duration with respect to specific types of conditional programmes.

Who should receive the social transfer?

Much of the analysis of economists and social policy researchers assumes that it does not matter which beneficiary in the household is paid the transfers. Tests of this assumption raise critical questions about the importance of carefully identifying the best person with whom to entrust

203. Devereux (2002), page 29.
204. Jenden (2002), page 4.
205. Gorman (2004), page 43.

BOX 3.16: Frequency of social transfer payments

While regularity is the most important feature of payment arrangements, the frequency of payment can have an important impact on the value of social transfers. Most social transfer programmes around the world pay on a monthly basis, following the typical cash requirements cycle of developed countries. In many developing countries, however, major expenses do not follow a monthly cycle – they are either continuous (food) or follow the productive cycle, which is often seasonal or annual.

In determining the best frequency to adopt for payments, programme designers should consider several issues:

- What frequency will stabilise consumption and ensure the needs of the household are met?
- What frequency will support the productive capacity of the household?
- How can transaction costs be balanced against the other considerations?
- How securely and efficiently can households maintain cash balances over time, in order to meet their regular subsistence requirements?

Monthly payments provide a steady regularity that ensures households replenish their cash stocks on a relatively frequent basis. Older people receiving social pensions in South Africa often report that the periods at the end of the month – before the next pension payment is made – often include a few hungry days. Particularly when social transfer recipients support an extensive group of dependents and lack access to savings vehicles, longer frequencies may involve stretches of time when households have exhausted the money provided by social transfers.

these household resources. Should the social transfer be paid to a caregiver, a head-of-household or directly to the targeted individuals? Does the gender of the recipient matter for social outcomes?

A substantial body of evidence documents the importance of paying attention to who in the household receives the grants. While some research has shown that the gender of the grant recipient does not affect the distribution of resources within the household,[206] increasingly more refined studies are finding significant differences when women receive the transfers. In South Africa, households that receive social grants spend more on education and food than households with comparable living standards but a different composition of income.[207] Children, particularly girls, in households with grandmothers (and other female caregivers) receiving social pensions are more likely to be healthier and to attend school than if a male receives the grant.[208]

Evidence for conditional cash transfer programmes in Brazil, Honduras, Mexico and Nicaragua documents how increasing cash resources to women leads to greater improvements in the well-being of children, largely due to mothers' preferences for investing in children: "Children thrive with empowered mothers."[209] In Brazil, while school enrolments for both boys and girls has improved significantly with the extension and increase of the social pension, the impact has been more significant for girls. Analysis suggests a more striking gender disparity – when the pensioner is a male, school enrolments for boys increase more. When a female receives the pension, enrolments for girls rise more.[210]

Requirements that beneficiaries be adults may seem like a logical condition for ensuring prudent utilisation of the social transfer. However, the HIV/AIDS pandemic has created a wave of child-headed households struggling with chronic destitution. Existing institutions in many countries are unable to cope and the presumption of institutional arrangements for orphans is giving way to a recognition that grants can assist community-supported child-headed households. In cases where orphans are living with adults, administrative requirements that compel the new caregiver to reapply every time the child relocates to a different household (as is the case with South Africa's Child Support Grant) deprives the most vulnerable of critical resources.

---

206. See Case and Deaton (1998), for example, which finds that "a rand is a rand" for the South African social pension, regardless of who in the household receives it. The impact on the composition of household expenditure does not significantly change.
207. Maitra and Ray (2003), Samson et al. (2004).
208. Duflo (2000), Samson et al. (2004).
209. Inter-American Development Bank (2003b), page 10.
210. Carvalho (2000) cited in Barrientos and DeJong (2004), pages 15–16.

Many conditional cash transfer programmes in Latin America opt for bi-monthly payments in order to reduce transaction costs. In Columbia, payments are made through the banking system every two months. A monitoring report indicated that 4.7% of the beneficiaries – primarily those in remote rural areas far from bank branches – were unable to access the transfer because they could not afford transportation costs. The choice of bi-monthly payments in Colombia as well as Jamaica and Nicaragua aims to lower operational costs by reducing payment frequency, and it also reduces the travel and child care burden on beneficiaries.

In Nepal, pensioners collect their social transfer every four months from the Village Development Committee Office. The pensions reach their intended beneficiaries very effectively, with occasional reports of minor corruption. More significantly, problems with payment regularity imposed costs on beneficiaries who sometimes have to travel long distances to find the pension is not available. There is no provision for recipients to appoint deputies to collect the transfer on their behalf, but in some cases Village Development Committee representatives will deliver the cash directly to bedridden beneficiaries. Nepal's reduced frequency lowers the transaction costs – for both the beneficiary and the government.

With Zambia's Kalomo cash pilot, beneficiaries receive payment either through their bank accounts or from local pay points. People with accounts at the Finance Bank in Kalomo Town receive the transfers automatically on the first weekday of the month, with no fees charged. People living more than 15 km from the town can access one of 19 pay points located in schools and health centres. Beneficiaries can nominate deputies to collect the transfers on their behalf. The success of Zambia's programme shows that even for low-income countries monthly payments can provide cost-effective social protection. ●

SOURCE: Devereux (2002), Gorman (2004), Jenden (2002), Rajan (2002).

When is cash not the best option?

International experience demonstrates that cash (or in some cases electronic money) is in most instances the best way to deliver social transfers, so long as markets are functioning normally and essential commodities are available. Cash is usually less expensive to transfer than physical commodities, and programme designers can take advantage of electronic transactions that reduce both costs and opportunities for corruption. Physical control over food is more expensive and more difficult to audit, so corruption and leakage problems tend to be greater. In Bangladesh's Food-for-Education Programme, teachers were required to physically distribute the food commodities, distracting them from pedagogical responsibilities.[211] The multiple levels of physical transfer required for food distribution increase the opportunities for misappropriation. The switch from food to cash in Ethiopia was associated with a decline in corruption, theft and wastage.[212]

Poor households have better information about what they need than policymakers, and cash payments harness that information more effectively than in-kind transfers. Cash provides a greater degree of flexibility, enabling the household to allocate the resources to the most critical needs. In Bangladesh, for instance, households receiving commodities through the Food-for-Education programme often sold the goods at below-market prices in order to raise needed cash.[213] Policy researchers frequently encounter active secondary markets in the commodities provided through in-kind transfer programmes, documenting the deadweight losses caused by providing poor households with goods that do not meet their most basic needs.

In-kind delivery of food may also destabilise local markets, particularly when the transfers are international donations. Frequently, local economies can provide food and other necessities, but the poor lack the income necessary to access these resources. Providing cash stimulates local economies and provides a multiplier impact with broader benefits. Providing food directly, however, can serve as a form of predatory competition that undermines local supply channels.

However, under some circumstances, when food is not readily available in the local market, cash might not be the best option. If a country faces severe market failures, due for example to conflict,

211. Tietjen (2003), page 9.
212. Wilding and Ayalew (2001).
213. Tietjen (2003), page 9.

BOX 3.17: Anti-retroviral treatment as an exit strategy for the disability grant

South Africa provides about 10 million social transfers per month through several programmes targeting vulnerable groups, and the disability grant has been one of the fast-growing components, increasing from about 600 000 grants in 2000 to almost 1.3 million in 2004. With one of the world's highest rates of HIV infection, the disability grant provides one of the government's most important coping mechanisms for the half a million South Africans who develop AIDS each year. Unemployment is the main driver of poverty and inequality in South Africa, and the country's dual crisis of unemployment and AIDS largely explains the dramatic increase in disability grants over the past five years.

The government sees providing anti-retroviral (ARV) treatment as providing an exit strategy for reducing the number of disability grant beneficiaries. Government policy regarding eligibility for the grant increasingly restricts payment to those in the final stages of the illness – usually when a patient's CD4 cell count drops below 200 cells per millilitre of blood. ARV treatment restores the beneficiary's immune system and increases the CD4 cell count, leading to an improvement in health and exit from the disability grant programme. As South Africa extends access to ARVs throughout the country, increasing numbers of people will benefit from treatment but lose their disability grants. By

drought, or some other disruption of the market, in particular with respect to food, in-kind transfers may be preferable.[214] Particularly under circumstances of hyperinflation and food shortages, direct delivery of food may provide more reliable social protection.[215] In addition, in some limited circumstances, food may be more gender-equitable, as women may have greater control over its distribution.[216] Paying half the programme wage in food in Lesotho and Zambia succeeded in attracting more women than men.[217] It is not clear whether this demonstrates the benefits of in-kind payments, the stigmatisation of food as a means of payment, or gender bias in other programmes (which often attract only a small percentage of women). In Malawi, for instance, men dominate the Social Action Fund's cash-for-work programme, while women predominate in the World Food Programme's Food-for-Work initiative.[218] In general, the circumstances under which in-kind delivery of food is superior to cash are conditions which require reform more far-reaching than what social transfers alone can deliver.

In most cases, the benefits of cash over food are compelling. The preference for food is often a symptom of greater socio-economic problems or market failures that need to be addressed as part of a broader social protection or economic development programme.

3.5 How can exit policies improve the developmental impact of social transfers?

Social transfer strategies require mechanisms that identify whether and how participants exit the programme. In some cases – such as with a universal social pension – this is simply recognition that beneficiaries will participate for life. In cases of targeted programmes, exit policies may involve involuntary termination of benefits – because an individual or household no longer conforms to the eligibility criteria. The consequences of involuntary termination can undermine the social protection provided by the transfer programme. In other cases, the participant may attain an independent means of livelihood and no longer need the social transfer, and exits the programme voluntarily.

Some programmes impose "hard" exit policies, such as time limits on the receipt of benefits, programmed reductions in benefit levels over time or formulas that reduce benefits as households increase their earned income. Practical issues complicate the imposition of "hard" exit policies. Enforcement is often difficult and equitable and efficient implementation policies require an information base that is often unattainable.[219] Arbitrary exit policies can undermine the social protection objectives of transfer programmes. Incentive-distorting mechanisms – such as income-based formulas – can create poverty traps by reducing the benefits from engaging in

214. DFID (2005), page 9.
215. McCord (2005d), pages 50–51.
216. Harvey (2005).
217. Subbarao (2003), Subbarao et al. (1997).
218. Devereux (2002), page 6.
219. See Lindert (2005), for further elaboration on these issues.

2010, the number of disability grants paid may actually start to fall as more people lose their eligibility through restored health compared to those who become eligible.

This exit strategy can lead to perverse incentives. A member of the National Association of People with Aids (NAPWA) reported that some HIV-positive people would start 'neglecting themselves' in order to 'qualify for government grants to put bread on the table'. Evidence indicates that some AIDS-sick patients are refusing ARV treatment – at least temporarily – in order to reduce their CD4 cell counts and re-qualify for the disability grant. A recent AIDS Consortium meeting in South Africa confirmed that patients were refusing treatment "because they are scared that their CD4 count will improve and they will lose the grant". The medical model of disability in this case fails to recognise the social reality of crushing poverty – and undermines its own effectiveness, since ARV medication taken on an empty stomach leads to adverse side effects, and malnutrition undermines the health benefits. ●

SOURCE: Nattrass (2006).

productive activities. **Box 3.17** discusses the perverse incentives that can arise from a "hard" exit strategy – the linking of successful anti-retroviral treatment to the loss of a disability grant.

Increasingly, social protection strategies aim to address the possibility that household reliance on social transfers is not permanent and that developmental social security may be able to provide a ladder out of poverty and chronic food insecurity, improving livelihoods independently of the social protection system. Programmes that aspire to include these strategies include Mexico's *Oportunidades* (previously *Progresa*), the Ethiopian Productive Safety Net Programme, Afghanistan's Livelihoods and Social Protection Public Investment Programme, Malawi's Joint Integrated Safety Net Programme, and Ecuador's social protection strategy.[220]

Few programmes have yet formulated developmental exit strategies as these require the realisation of successful long-term impacts that depend on the cumulative effects of sufficiently high transfer levels that address immediate poverty while allowing accumulation and productive investment. This developmental impact often requires supplemental interventions outside of the social protection sphere – for example, agricultural extension, micro-credit, infrastructure investment, human capital services, and other productive inputs. Direct support to households that exit social transfer schemes – including eligibility for other developmental programmes – is rare, but greater attention to this design feature may improve the long-term social protection impact.[221]

Zambia's Kalomo cash pilot scheme recognises the low likelihood that many of the poorest households in one of the world's poorest countries will improve their livelihoods to such an extent that they would no longer benefit from a social transfer programme. However, over the medium term, children attending school acquire human capital and at some point will enter the labour market free from poverty. Successful social protection breaks the intergenerational transmission of deprivation – although a decade or two may be required. More immediately, working adults join households, or incapacitated adults recover and are able to find employment.[222] While certain individuals or households may voluntarily exit as household circumstances improve, the programme will have a purpose as long as there are destitute people in the country.

The Ethiopian Productive Safety Net Programme more explicitly aims to raise people up the ladder of productivity, while recognising that people with disabilities, widow-headed and orphan-headed households and other most vulnerable groups may require permanent social protection. For those who can participate in income-generating activities, the safety net aims to promote the

220. Gentilini (2005), page 22.
221. Lindert (2005).
222. http://www.socialcashtransfers-zambia.org/pageID_2680193.html, referenced 27 January 2006.

BOX 3.18: Holistic approaches to programme design

Since the 1990s, views of social protection have shifted in a more holistic direction, moving beyond safety nets and integrating programmes within a more comprehensive framework for social security. Particular emphasis has been placed on the link between social transfers and broader objectives, including reducing vulnerability, promoting growth and protecting human rights.

Social policy analysts increasingly aim to design cash transfer programmes in order to uplift the livelihoods of the poor in a secure and sustained manner, enabling them to undertake riskier but more rewarding activities. Social protection provides greater impact if it intervenes before shocks occur, providing security that mitigates risk while supporting more productive decision-making. Countries like Ethiopia and Kenya are actively moving away from dependence on repetitive emergency food relief operations and towards the longer term and more developmental protection of guaranteed social transfers.

Social protection frameworks that include social transfers can also provide other mechanisms for livelihood support. Humanitarian assistance programmes usually respond to a specific crisis striking a country or region. While these emergency responses provide critical support, more developmental measures may improve their protective value and productive impact. Resources otherwise channelled into

kind of asset accumulation that reduces vulnerability. Predictable transfers and access to economic opportunities – such as improved technologies and farming practices, loans for livestock, beekeeping, off-farm income-generation skills, and household micro-ponds for rainwater harvesting – are central to this objective of permanently lifting participants out of poverty.[223] **Chapter 5** discusses additional exit strategies particularly relevant to public works.

3.6 Design issues for monitoring and evaluation

The political sustainability of social transfer programmes often depends on how the impacts are monitored and evaluated. Programmes with demonstrable positive impacts are frequently scaled up and even replicated in other countries. Rigorously proving a positive impact, however, is often difficult – particularly when monitoring and evaluation provisions were not incorporated into the design phase of the programme. Once households begin to receive social transfers, it is difficult to determine whether any measurable improvements in well-being are due to the benefits or to other policies, changes in the economy or external forces. More fundamentally, improvements cannot be measured unless the initial circumstances of the beneficiary households have been documented. This section outlines some of the key considerations for the design phase that will support effective monitoring and evaluation. Chapter 7 provides a more detailed exposition of these issues.

It is important to design monitoring and evaluation frameworks in advance of implementation of social transfer programmes. This allows for the collection of baseline data as well as the application of more sophisticated evaluation techniques. Evidence of impact assessment is best achieved by selecting a control group (households and individuals) who do not receive benefits and a treatment group (households and individuals) who do, from the pre-implementation phase through to programme maturity.

The starting point for quantifying programme impacts is a baseline survey of the target population prior to the delivery of social transfers. Usually, the primary instrument for collecting baseline information is a household survey with questions that capture information about household income, expenditure, education, employment, health and nutrition measures and other dimensions of welfare. In addition, a community questionnaire may efficiently provide information about relevant factors affecting an entire area. Surveys should cover the actual beneficiaries, the control group and the broader communities.

223. Joanne Raisin, DFID (personal communication), reported in Shepherd, Marcus and Barrientos (2005), page 42.

predictable and repeated emergency appeals provide higher returns when invested in long-term social protection. Unconditional social transfers in Brazil, India, Mexico, Namibia, Mauritius, and South Africa provide evidence of the potential impact in terms of supporting individuals, households and communities to achieve more secure livelihoods.

Comprehensive programmes that guarantee long-term social protection create implicitly a productive exit strategy. Without regulating behaviour or imposing arbitrary limits, developmental social transfers protect society's most vulnerable while creating opportunities to move out of poverty. Over time, the costs of social protection relative to the growing economy become more and more affordable.

A number of key lessons identified in this chapter underpin the implementation of developmental social transfers with a holistic framework:

- Regular and dependable payments with a duration that lasts as long as the conditions of poverty provide the most effective social protection.
- Women caregivers often allocate social transfer resources in a more developmental manner.
- Cash is the preferred vehicle for social transfers – it is cost effective, provides developmental choice and supports local economies. ●

SOURCE: Gentilini (2005).

It is difficult to measure the impact of potentially important but unobservable factors that may affect whether some households participate in the programme while others do not. In order to address this problem, social policy analysts are often attracted to a design methodology that incorporates a randomising process that determines whether a household participates in the programme (the "treatment group") or is denied the social transfer but nevertheless included in the study (the "control group"). Randomly assigning households into treatment and control groups, combined with the collection of baseline and follow-up data, allows sophisticated statistical estimation that improves the measurement of programme impact.[224] However, the process of constructing a control group may involve denying people their rights to social protection, which raises important ethical issues.[225] **Box 3.19** discusses some of these issues in the context of Nicaragua's Red de Protección Social programme.

Random experiments of this type can also produce practical problems. Changes in the operation of the social transfer programme due to the requirements of the random experiment can lead to "randomisation bias". This bias makes it difficult to draw conclusions about the impact of a full-scale non-experimental programme.[226] For example, if some participants are told – as in the case of Mexico's *Progresa* – that the selection process is a lottery, then risk-averse individuals may be less likely to participate.[227] The concept of a lottery may be useful in explaining the apparent randomness of selection, but if the poorest are least able to afford risk, the "randomisation bias" may tend to exclude those who need the programme the most.

"Contamination bias" occurs when members of the control group are able to access other programmes that provide social transfers. In this case, the comparison of the treatment group to the control group does not reflect the pure impact of the social transfer programme, but rather the impact of the evaluated social transfer relative to other alternatives.[228] Preserving the control group from "contamination bias" is tantamount to denying them their rights to social protection, and raises critical ethical issues.

"Quasi-experimental" methods use non-random techniques to evaluate a programme's impact without the need for a pre-selected control group. These methodologies are appropriate when ethical issues preclude an experimental design, or when the evaluation process begins after the social transfer programme has been implemented. The "quasi-experimental" methodology employs econometric techniques to construct a "control" group that possesses as closely as

224. Rawlings and Rubio (2003), pages 8–9.
225. Maluccio and Flores (2004), page 17.
226. Behrman and Todd (1999), page 2.
227. Adato, Coady and Ruel (2000), page 19.
228. Behrman and Todd (1999), page 3.

BOX 3.19: Randomised experiments and Nicaragua's Red de Protección Social

Nicaragua's Red de Protección Social (RPS) provides social transfers aimed at reducing current and future poverty in rural households. The transfers are conditional on school attendance and preventive health-care visits. In implementing the programme, the designers randomly selected the communities who would benefit, while randomly selecting other similar communities to not participate in the programme but rather serve as a comparison group in order to more effectively evaluate the impact of the conditionalities.

The programme's design involved a combination of geographic targeting and proxy means testing. Nicaragua's 1995 National Population and Housing Census provided the basis for the construction of a "marginality index" reflecting proxies for poverty – household size, illiteracy, access to safe water and sanitation. The index indicated the intensity of poverty of rural areas (comarcas) – with the highest priority comarcas (group 1) associated with a score between 85 and 100, and the second highest priority comarcas (group 2) with

possible the same observable characteristics as the programme beneficiaries. It is also possible to apply this technique prior to the implementation of the programme, better supporting the collection of baseline information on both the "treatment" and the "control" groups. Chapter 7 discusses these methodologies in greater detail.

3.7 Conclusions

The appropriate design of social transfer programmes grapples with political and technical issues. The choice of the responsible institution both reflects and governs the political priorities of the programme. The managing institution can be a government ministry, department or an autonomous agency, but it must demonstrate sincere commitment, possess substantial capacity and wield the political authority required to implement and sustain the programme. Effective and equitable social transfer systems usually require a balance between centralised policy development and decentralised implementation mechanisms.

The design of targeting mechanisms determines who benefits and influences the scale of the programme. Some targeting errors are inevitable, and ideology can affect the trade-off between errors of inclusion and exclusion. Fiscally conservative stakeholders will focus on minimising the erroneous payment of social transfers to people who do not qualify, while the socially progressive will emphasise the importance of reaching all of the poorest. Many of the major challenges of social transfer programmes – administration problems, affordability, perverse incentives, fiduciary risk and low take-up – are largely rooted in problems with inappropriately designed targeting. In many cases, a more universal approach is affordable and effectively addresses the pitfalls of targeting. Often a categorical mechanism – targeting older people, children, people with disabilities and other vulnerable groups – can most efficiently reach the poorest. In all cases a careful and evidence-based approach to the problem of targeting provides a vital contribution to programme design.

The effective design of social transfer programmes requires particular attention to technical factors. Payment arrangements influence the regularity and reliability of the transfers – a critical element of social protection. The frequency of transfers affects their usefulness in stabilising consumption and producing developmental outcomes. Money payments rather than in-kind transfers usually provide the most cost-effective and socially protective benefits. Developmental exit strategies can be designed to provide complementary support so that participants leave the programme when they no longer need it – rather than facing cuts in benefits while they are still vulnerable. Appropriate design also requires preparation for monitoring and evaluation scores between 70 and 85. The programme selected the 42 comarcas falling into these two highest priority groups.

Once these poorest and next poorest groups of communities were identified, 21 comarcas were randomly selected to receive benefits (the “treatment group”), and the other 21 were relegated to the “control group”. “Including a control was ethical because the effectiveness of the intervention was unknown. In addition, there was not sufficient capacity to implement the intervention everywhere.” (page 12).

“There are important ethical concerns about withholding treatment from the control group of an intervention known to have positive effects. In RPS, the randomised design was justified because it had not been shown to have positive effects and because of the infeasibility, given the fixed budget, of extending the program to all potential beneficiaries in a short period of time. In this case, random selection would appear to be as fair as any other arbitrary criterion for selecting the first set of beneficiaries.” (page 17).

SOURCE: Maluccio and Flores (2004).

mechanisms prior to the implementation of the programme. Programmes that can rigorously document their positive impacts achieve greater scale and sustainability.

CHAPTER 4

Designing Conditional Cash Transfer Schemes

Chapter objectives:

- *Introduce the rationale for and debates concerning conditional cash transfers*
- *Discuss key issues in designing and managing conditionalities that characterise these programmes*

4.1 Introduction

Chapter 1 defines "conditional cash transfers" (CCTs) as regular payments of money (or in some cases in-kind benefits) by government or non-governmental organisations to individuals or households in exchange for active compliance with human capital conditionalities, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability, while at the same time also promoting human capital development. The role of human capital conditionalities – which can include such requirements as school attendance or academic achievement by children, clinic visits, meeting nutritional objectives, adult education programmes, etc. – raises specific issues which are not a concern for other types of social transfers. This chapter addresses these matters.

Conditional cash transfer programmes originated as municipal government experiments in Brazil, funded from domestic sources. After Mexico's successful implementation of *Progresa*, international development banks and United Nations agencies heralded the innovation as one of social protection's "best practices", providing important sources of international finance and technical assistance that have supported their expansion and replication.[229] Most of the programmes have been implemented in middle-income Latin American countries. The administrative requirements and health and education delivery prerequisites pose greater challenges in low-income countries, particularly those with weak or fragile states.

Much of the debate between conditional and unconditional transfers originates in the question as to whether or not poor households know how best to employ resources for household well-being and whether they act accordingly. The design of programme conditionalities must balance the appropriate role for household autonomy with the common interest in ensuring that households engage in the development of largely public and inter-generational benefits, such as education, health and employment.

The evidence concerning conditional cash transfers argues that higher money incomes for households, public funding to improve the delivery of human capital services and conditionalities

229. Britto (2005), page 3.
230. De Janvry and Sadoulet (2004), quoted in the *New York Times* on January 3, 2004.
231. Quoted in the Foreword to DFID's (2005b) policy paper on international aid conditionality.
232. Tutu (2006).

"I think these programmes [conditional cash transfers] are as close as you can come to a magic bullet in development. They are creating an incentive for families to invest in their own children's futures. Every decade or so, we see something that can really make a difference, and this is one of those things."[230]

Dr Nancy Birdsall

"Development cannot be imposed. It can only be facilitated. It requires ownership, participation and empowerment, not harangues and dictates."[231]

President Benjamin Mkapa

"Conditionalities attached to social transfers tend to prevent the poorest families – the very people who most desperately need income support – from accessing grants."[232]

Most Reverend Desmond Tutu, Archbishop Emeritus of Cape Town

requiring school attendance and other forms of compliance jointly improve social well-being and reduce poverty. However, the studies completed to date do not rigorously document the need for the third leg – the conditionalities.[233] This chapter discusses the complete package – with a particular focus on the issue of active conditions imposed for the receipt of social transfers.

In theory, there are several reasons why the government might have an interest in providing incentives for caregivers to change their choices about investing in health and education. Sometimes caregivers do not have adequate information to make the most appropriate decisions, and other times they might not act in the best interests of their children, trading off the future returns to human capital investment for the current benefits from the proceeds of child labour. The conditions in these programmes create costs for caregivers but long-term gains for children and society.[234] Even when caregivers act in their children's best interests, greater investments in health and education create important spill-over benefits for the rest of society.

However, the implicit assumption that households would not make the same investment in health and education in the absence of imposed conditions has not been fully tested and cannot be taken as given. Would the combination of unconditional social transfers and substantial investment in health and education deliver the same results without resorting to conditionalities?[235] Evidence from Brazil, Namibia and South Africa documents how old-age pensions without education conditionalities significantly increase children's schooling, with a particularly strong benefit for girls.[236] Critical to the imposition of conditionalities is the question of whether the same impact can be achieved through unconditional transfers and improvements in the delivery of education and health services.[237]

Conditional cash transfer schemes often face a trade-off between poverty reduction and human capital development. If low education enrolments are the targeting mechanism, the education impact will be greater but the poverty effects will be compromised by severe under-coverage. As the scope is broadened to more effectively target poverty, the inclusion of households with high enrolment rates will reduce the educational effectiveness.[238] More severe penalties may improve educational outcomes but deprive households of resources vital to poverty reduction. When the

233. For example, the Honduran PRAF-BID II has one of the most sophisticated treatment-control group structures – with three treatment groups in addition to the control. This enables the evaluation study to evaluate the impact of supply side and demand side interventions both separately and jointly compared to the group receiving no benefits. However, the design makes no provision for assessing the impact of the conditionalities themselves. Sedlacek, Ilahi, and Gustafsson-Wright (2000), page 20.
234. Regalia (2005), page 3.
235. Britto (2004), page 37. "Behrman and Knowles (1999) examine the large body of work on the income elasticity of schooling. The schooling outcomes used in the studies include attendance, enrolment, and completed schooling. In the 42 studies they review, covering 21 countries, three-fifths of the schooling indicators have significant positive associations with household income." [Demombynes (2002), pages 8–9.]
236. DFID (2005), page 14, Barrientos and Lloyd-Sherlock (2002), page 12, citing De Carvalho Filho (2000), Devereux (2001), page 44, Samson et al. (2004).
237. Specifically, the World Bank 2002 conference on CCT asks: "Can we obtain same impact through unconditional transfer and improvement in service quality?" [Ayala Consulting (2003), page 60.]
238. Britto 2004, page 37.

BOX 4.1: Examples of objectives and managing institutions

Country / Programme name	Programme objectives	Managing institutions
Brazil / *Bolsa Familia*	To fight hunger and poverty, both in the short term (through social transfers) and in the long term (through human development)	Ministry of Social Development and Hunger Eradication (MDS) with the Council for Management of Bolsa Família (Conselho Gestor do Bolsa Família), including the MDS and Ministries of Health, Education, Finance, Planning, Presidency (Casa Civil), and the Caixa Economica Federal guidelines for the implementation of the program.
Ecuador / *Bono de Desarrollo Humano*	Develop human capital and prevent inter-generational transmission of poverty through social transfers and incentives for education and health care	Social Protection Programme (PPS) under the Ministry of Social Welfare (MBS)
Kenya / Cash Transfer Programme for Orphans and Vulnerable Children	To reduce severe poverty and to encourage fostering and retention of OVCs within their families and communities	Central Programme Unit (CPU) within the Ministry of Home Affairs (MOHA)

objective is reducing poverty, conditionalities may backfire by depriving the poorest households who face severe constraints to complying with the education and health requirements.[239]

In some cases this perverse effect is reduced because conditions are not actively enforced. But interestingly when programmes mature and become well-established with beneficiaries fully informed about responsibilities and entitlements, compliance rates are high.[240] These high compliance rates raise the question of whether the additional benefits associated with conditionalities warrant their costs. The benefits of these programmes may largely rest in the provision of cash to households and the public support for developing health and education institutions – certainly the imposition of conditionalities is not necessary to reduce current poverty and may not always be necessary to reduce future poverty.[241]

Even in the absence of sound social and economic evidence of the need for conditionalities, political factors may weigh in favour of their inclusion.[242] Conditionalities may facilitate political support for cash transfers in several ways. Policymakers view conditional cash transfers as more politically acceptable to voters and tax-payers.[243] The conditionalities dilute the negative (and often misguided) perceptions of dependence with the positive sentiments of the responsibility beneficiaries exercise in promoting human capital investment.[244] The association of social assistance – not always the most popular political agenda – with the more broadly accepted deliverables of health and education enhances the political attractiveness of the programme.[245] The investment nature of human capital development enables policymakers to help the "deserving poor" free themselves from poverty even while promoting economic growth – a deadlock-busting combination that transcends politics.[246] Conditional cash transfer strategies align the interests of critical social Ministries – education, health and social development – helping to reconcile the inter-ministerial rivalries that make social spending vulnerable to budget cuts. The political benefits of conditionalities weigh heavily in their favour.

239. Barrientos and DeJong (2004), page 28.
240. Barrientos and DeJong (2004), page 28.
241. The World Bank's 2002 conference on conditional cash transfers left unanswered the question of whether the conditionality was necessary to achieve the observed outcomes. [Ayala Consulting (2003), page 60, see also Barrientos and DeJong (2004), page 28.]
242. De Janvry and Sadoulet (2005), page 2.
243. Britto 2005, page 20.
244. Coady (2003), Grosh (2005), Britto (2005), page 14.
245. Graham (2002), Britto (2005), pages 14–15.

Country / Programme name	Programme objectives	Managing institutions
Mexico / *Programa de Desarrollo Humano Oportunidades*	To support families in extreme poverty to develop the potential of household members through improved education, health and nutrition	National Co-ordination of Opportunities
Nicaragua / *Red de Protección Social*	To improve the welfare of the poorest by supporting development of their human capital	Ministry of the Family
Pakistan / Child Support Program	To support poor families with children and improve primary school attendance	A steering committee including the Pakistan Bait-ul Mal programme, the Department of Education, the Post Office, the State Bank of Pakistan (SBP), and others
Turkey / Conditional Cash Transfer Programme	To promote basic health care and education for poor households	Project Co-ordination Unit of the Directorate General of Social Assistance and Solidarity of the Turkish Prime Ministry

SOURCE: IWorld Bank (2006b).

4.2 The managing institutions

The executing institution for a conditional cash transfer programme is generally public, although the responsible government unit varies. Social security or education ministries (or secretariats) manage the programmes in Brazil, Jamaica and Mexico. Social investment funds are responsible in Costa Rica, Nicaragua and Turkey; and the Presidency directly oversees the initiatives in Colombia and Honduras. The advantage of autonomy lies in the administrative and financial dimensions of independence, while line ministries provide the advantage of institutionalisation and longer run sustainability.[247] **Section 3.2** discusses the general points to consider when selecting managing institutions, and includes boxes with a number of examples. **Box 4.1** compares the decisions on managing institutions for several conditional cash transfer programmes.

The choice of managing institutions for conditional cash transfer schemes is more complicated than for unconditional transfers because of the complexity of their administration and the more pressing need to co-ordinate multiple ministries and government departments. Conditional programmes require not only registration and payment processes (similar to the requirements for unconditional programmes), but also monitoring, verification and dispute mechanisms that are heavily dependent on administrative resources.[248] In addition, since conditional cash transfers work hand-in-hand with education and often health service delivery, these social sectors play a critical role in the success of the programme.

Mexico's *Progresa* (now *Oportunidades*) and Brazil's *Bolsa Escola* (now *Bolsa Familia*) were legislated programmes well-integrated with the regular operations of line ministries, particularly education and health.[249] In Mexico, the federal government – through the Federal Executive Office – establishes the ground rules for Oportunidades, and the Secretariat for Social Development (SEDESOL) co-ordinates the programmes through an operational agency.[250] The coordinating agency designs and implements all aspects of the programme, determining

246. Britto (2005), pages 14–15.
247. Ayala Consulting (2003), page 15.
248. Workshop participants in the World Bank's conference on conditional cash transfers in Puebla, Mexico identified one of the biggest challenges as "the high amount of effort that is necessary to accurately verify the compliance of the beneficiaries' conditions." [Ayala Consulting (2003), page 7.]
249. Britto (2005), page 18.
250. Ismail et al. (2003), page 268.

BOX 4.2: Examples of the choice of conditionalities

Country / Programme name	Conditionalities
Brazil / *Bolsa Familia*	■ Children up to 5 years old – immunisations and nutritional development ■ Children 6 to 15 years old – school enrolment and at least 85% attendance ■ Pregnant women – pre-natal medical visits
Ecuador / *Bono de Desarrollo Humano*	■ Children up to 5 years old – immunisations and clinic visits ■ Children 6 to 16 years old – school enrolment and at least 80% attendance, with justified absences regarded as unjustified
Honduras / *Programa de Asignación Familiar*	■ Children up to 2 years old – monthly child clinic visits and maternal care ■ Children 2 to 5 years old – quarterly clinic visits ■ Children 6 to 15 years old – school enrolment and at least 85% attendance ■ Adult beneficiary – quarterly training
Kenya / Cash Transfer Programme for Orphans and Vulnerable Children	■ Infants up to 1 year old – immunisations and clinic visits ■ Children 1 to 5 years old – health clinic visits and vitamin supplements ■ Children 6 to 17 years old – school attendance ■ Adult beneficiary – awareness sessions

benefits, conditionalities, beneficiary selection, payments and day-to-day logistics.[251] SEDESOL works closely with the Ministries of Education and Health.[252]

Brazil's Ministry for Social Development manages the *Bolsa Familia* programme, with responsibility centred in the Secretaria Nacional de Renda de Cidadania (SENARC).[253] The Interministerial Action Council – including the Minister of Finance, the Minister of Planning, the Minister-Manager of the Civil House and ministers of social areas – co-ordinates inter ministerial functions.[254] The programme's ability to co-ordinate horizontally across Ministries, and vertically at national and local levels, and with civil society – reinforced by the national secretariat's direct link to the Presidency – supports successful delivery.[255]

If the line ministries are committed to the programme and possess the necessary capacity, they may provide the best seat for these programmes. The success of the Mexican and Brazilian programmes documents the advantages of line ministry integration. However, when resources are particularly scarce – particularly bureaucratic capacity – an agency linked to the Presidency may offer the better chance of keeping resources channelled to the programme and implementing it successfully. In lower income countries, there's a greater tendency to assign primary responsibility outside the line ministries – in social investment funds and the Presidency.[256] For example, Honduras has assigned management responsibility for its Family Allowances Program (PRAF) to the Technical Analysis Unit (UNAT) in the Office of the President.[257] In particular, given the high start-up costs of these programmes – in terms of developing targeting mechanisms and delivery logistics – a specialised agency with strong political backing may mobilise the necessary capacity faster than line ministries in countries with fewer administrative resources.[258]

In other cases, hybrid management arrangements that link top executive authority to line ministries may work best. For example, the Programme Executing Unit within the Ministry of Family

251. See Coady (2003), page 5, and Government of Mexico (1997) for details on the 2002 government decree that renamed the programme and operational agency.
252. http://www.presidencia.gob.mx/buenasnoticias/?contenido=24496 April 29, 2006.
253. http://www.mds.gov.br/secretarias/secretaria04.asp states: "É objetivo da Secretaria Nacional de Renda de Cidadania (SENARC) do Ministério do Desenvolvimento Social e Combate à Fome implementar a Política Nacional de Renda de Cidadania no país. Para garantir a eficácia desta política, a secretaria, comandada por Rosani Cunha, faz a gestão do Programa Bolsa Família e do Cadastramento Único, além de articular ações específicas nos programas de transferência de renda Federal, estaduais e municipais, estabelecendo a soma de esforços entre os entes federados e as demais ações sociais em curso." April 28, 2006.
254. World Bank (2004a), page 6.
255. World Bank (2004c), page 250.
256. See Britto (2005), page 18–19, and Ayala Consulting (2003).

Country / Programme name	Conditionalities
Mexico / *Programa de Desarrollo Humano Oportunidades*	■ Education – enrolment and 85% attendance or more ■ Health – scheduled health check-ups and training sessions ■ Nutrition – attend sessions
Nicaragua / *Red de Protección Social*	■ Education – enrolment and school attendance ■ Health – scheduled health check-ups and training sessions
Pakistan / Child Support Program	■ At least 80% school attendance ■ Passing the final examination
Turkey / Conditional Cash Transfer	■ Children – enrolment and 80% attendance or more, and passing each grade, as well as health clinic visits following the Ministry of Health schedule ■ Pregnant women – health clinic visits following the Ministry of Health schedule

SOURCE: IWorld Bank (2006b).

administers and implements Nicaragua's *Red de Protección Social* (Social Protection Network), a conditional cash transfer programme initiated in 2000 and benefiting 30 000 households. A co-ordinating Council, however, led by the Secretariat of Strategy and Co-ordination from the Office of the Presidency, and including representatives from line ministries, manages responsibility for policy strategy. Likewise, at the community level, local committees composed of representatives from the health and education ministries, local government, civil society and the local programme executing unit work to promote better co-ordination, co-operation and communication.[259]

4.3 Designing conditionalities

The distinction between conditional and unconditional transfers lies primarily in the conditionalities imposed for receipt of benefits. Since conditionalities impose costs on both the participants and the public agency, it is important to identify conditions that will generate substantial benefits to both the participants and possibly the public at large. As documented in **Box 4.2**, conditionalities in most existing programmes are based on education, health and nutrition – goods most societies believe everyone should be able to access (merit goods), and that involve important spill-over benefits to the broader society (public goods).

The selection of conditionalities involves trading off simplicity against impact. The simplest conditionalities involve discrete choices – such as school enrolment. Using school enrolment registries as the verification mechanism is relatively easy and inexpensive – however a household will not necessarily be required to follow through with the activity that generates the social gain – school attendance. More effective conditionalities require monitoring of continuous decisions over time – such as school attendance. The most demanding and potentially troublesome conditionalities evaluate outcomes – educational performance or nutrition's impact on health (Bangladesh's PESP and Honduras' PRAF). In evaluating the appropriateness of these

257. Inter-American Development Bank (undated), page 3.
258. See Morley and Coady (2003).
259. "The RPS is a conditional cash transfer programme. A pilot phase was introduced in 2000, and an expansion phase began in 2003. It provides grants of up to approximately US$240 per year to poor households with young children and/or pregnant women, for up to five years. All grants are paid to the female head of household, and are subject to the conditions that all children between 7 and 13 years of age are enrolled in school, with adequate attendance and performance, and that all children under 5 years of age, and pregnant women, attend health check-ups. The RPS is currently providing benefits to around 30 000 households, amounting to around 3% of the country's population. The total financing available to the programme since its creation has been approximately US$40 million, most of which has been made up of external financing from the Inter-American Development Bank." [Lacayo (2006).]

BOX 4.3: Examples of compliance procedures in conditional cash transfer programmes

Country / Programme name	Monitoring of compliance with conditionalities
Brazil / *Bolsa Familia*	The Ministries of Education and Health monitor conditionalities as reported by the municipalities. Each municipal manager working with counterparts in the departments of health and education oversee an electronic monitoring system. Families are notified of compliance failures and the benefit is cancelled only after five warnings and a visit by the programme official.
Honduras / *Programa de Asignación Familiar*	Community organisations affiliated with the PRAF programme verify compliance criteria.
Kenya / Cash Transfer Programme for Orphans and Vulnerable Children	Currently conditionalities are not enforced, although the programme aims to test the impact of both unconditional and conditional transfers, with the Ministry of Home Affairs (MOHA) establishing a system to monitor the conditionalities with the help of the District Children Offices (DCOs) in those areas where conditionalities are enforced.

types of outcome-based conditionalities, it is important to consider the impact of penalising a household by reducing cash benefits when a child is malnourished or performs poorly in school.

To what extent should the conditions be enforced?
One of the key choices in designing conditionalities is determining how they will be enforced. “Hard” conditionalities create rigid penalties – non-compliance leads to immediate benefit cuts. “Developmental” conditionalities aim to protect rights to human capital while recognising access to social security as a human right.[260] For example, in implementing *Bolsa Familia*, the Ministry of Social Development made the delivery of social security as a citizen’s right the priority – monitoring of conditionalities was aimed at reinforcing constitutional rights to education and health care, not at denying the poor their cash benefits.[261] This position is consistent with Brazilian legislation passed in 2004, which aims to gradually introduce universal basic income guarantees, with *Bolsa Familia* providing an important step in this direction.[262] **Box 4.3** provides examples of compliance procedures in conditional cash transfer programmes.

Will conditions improve the success of the programme?
Conditional cash transfer schemes aim to increase the demand by poor households for public services deemed critical to human capital accumulation – usually related to education and health care. There are several reasons why poor households may have insufficient demand for these services:

- Households may simply lack the resources necessary to pay the direct and indirect costs associated with accessing the services. These can include user costs (school fees and charges for health care visits), transportation costs, and the cost of goods essential for making the public service beneficial (supplies and possibly school uniforms for education, medicine for health care).
- Households may lack the information about the benefits of some types of public service – caregivers may not recognise the returns to educating girls in some communities, or not see in advance the advantages of preventive health care, nutrition and sanitation.

260. The distinction is sometimes made between “hard” and “soft” conditionalities. “Hard” conditionalities can be defined as conditionalities that have rigid and often severe penalties for non-compliance – such as the reduction of benefits or the termination of a beneficiary’s participation in the programme. Programmes with “soft” conditionalities provide warnings, sometimes repeatedly, before imposing penalties. Programmes with “developmental” conditionalities respond to non-compliance with social worker interventions aimed at remedying the underlying problem. For example, a social worker will visit the home of a child who is failing to attend school in order to identify and address the underlying problem.
261. Britto (2005), page 15.
262. Suplicy (2004), cited in Britto (2005), page 15.

Country / Programme name	Monitoring of compliance with conditionalities
Mexico / *Programa de Desarrollo Humano Oportunidades*	State programme co-ordinators certify compliance with conditionalities and provide bi-monthly verification reports to relevant education and health authorities. Some states have electronic verification and certification systems in place.
Pakistan / Child Support Program	School teachers manually record school attendance, which is reported to the Executive District Officer/District Education Officer who compiles the list of children to be penalised. This is forwarded to the Pakistan Bait-ul Mal District Office, which is responsible for terminating payments.
Turkey / Conditional Cash Transfer	Schools and clinics complete paper forms and send them to local offices for data entry, based on agreements with the Ministries of Health and Education. Disqualified and penalised beneficiaries have recourse to an appeal mechanism.

SOURCE: World Bank (2006b).

- Public services may be non-existent, inaccessible or suffer from such poor quality that poor households rationally choose not to use them. Discrimination and cultural insensitivity in the supply of public services can adversely affect their demand and availability.
- Household decision-makers might not always act in the long-term best interests of certain members – particularly children – where basic survival is a priority. For example, some parents or guardians might depend on the short-term income gains from child labour even while recognising the longer term benefits the child will receive from education.

Conditional cash transfer schemes can work to address all of these factors. By directly providing income, households can better afford the costs associated with the public services. For the chronically poor, having some income can increase the likelihood of investing time in health care and education rather than income generating activities. The incentives provided by cash transfers can change the calculation of costs and benefits – and sway the decision-makers towards greater demand for the public services. By linking the transfers to compliance with the conditionalities, the schemes highlight the importance of the public services and signal their value. In addition, the information campaigns associated with these programmes usually inform participants of the longer term value of the public services. In addition, some conditional schemes also include “supply side” components (see the next section) which aim to improve the accessibility and quality of the public services.

However, the imposition of “hard” conditionalities can generate perverse effects. For example, an analysis by Mexico’s Ministry of Social Development (SEDESOL) warns that without appropriate “exit” options, the benefits from conditional cash transfers might induce students to unnecessarily repeat their final year of secondary school, solely in order to continue to qualify for the cash grant.[263] In the absence of effective and appropriate controls, the incentive effects of conditionalities may encourage parents or guardians to send ill children to school, or otherwise make decisions that, in the absence of the cash transfer, would have negative consequences for the child, the household and the community. It is critical to carefully evaluate the possible unintended consequences and

263. http://www.iadb.org/res/publications/pubfiles/pubP-243.ppt#7, accessed 29 April 2006, Hernandez, Gonzalo, Merino, Santiago and Szekely (undated).

Box 4.4: Child targeting and programme design in Honduras

The first Family Allowance Programme (PRAF) had been in operation in Honduras since 1990. This programme was intended to ease the burden of macroeconomic adjustment and to compensate families for the reduction in income that they faced during this period. Yet, once it was realised that such high levels of poverty were more than correlated with transient macroeconomic factors, the government was forced to revise its approach to poverty alleviation and to create an effective instrument that would break the vicious cycle of poverty in which so many were trapped.The revised PRAF had its basis in the accumulation of human capital amongst children of the very poorest families and the eradication of the root causes of poverty. More specifically and as distinct to the previous programme, the new PRAF aimed to pursue the following objectives:

- Increase the effective demand for education services
- Encourage community participation in the development of children's learning
- Instruct mothers in feeding and hygiene practices
- Ensure that sufficient money is available for a proper diet
- Promote demand for and access to health services for pregnant women and nursing mothers and children under age three
- Ensure timely and suitable health care for PRAF beneficiaries

In order to move from a simple model, which was based on compensating for lost income to one that was based on the accumulation of human capital, new facets were incorporated. The programme was therefore designed in such a way as to remove impediments to the access of proper nutrition, health and education services, as well as promoting greater use of available services and encouraging local participation in its activities. The new programme was structured with four components and two types of incentive payments:

- A new targeting system for selecting beneficiaries
- Interventions to stimulate demand for and supply of education, nutrition and health services
- A baseline information survey and annual panels on beneficiaries to measure outcomes and progress under the programme
- Assessment of the programme based on randomized treatment and control groups.

The programme was designed in such a way that 70 of the poorest municipalities in Honduras were chosen for the pilot

increase the chances that the conditionality will provide benefits that outweigh the associated costs. Several criteria[264] provide a guide for the consideration of a conditionality, which are rooted in the specific reasons poor households lack sufficient demand for the human capital services:

- Is the problem of low human capital due to a lack of demand by households or poor conditions of public service provision? If the former, do household decision-makers lack information about the positive impact of the public services, or do policymakers and social policy analysts lack information about inaccessibility and poor quality? Does the conditionality work to correct the problem of imperfect information more effectively than a direct information campaign? If the latter, will investment in public services alongside unconditional transfers be sufficient to increase demand?
- Is there a conflict between choices that are best for the caregiver or other household decision-makers and choices that are best for the children, and is there evidence that caregivers act against the long-term best interests of their children?
- Are there broader public benefits that result from poor households increasing their demand for these public services?

If the problem is rooted in households' lack of information about the benefits of the high-quality and accessible public services available, imposing conditionalities may benefit both households and the broader society – by encouraging the household behaviour that would follow from better information. However, if the problem results from poor quality or inaccessibility, the incentives can produce skewed results. The benefits to the households and broader community may be less than the gains from unconditional transfers. For example, a conditional cash transfer that just compensates for the time and travel costs of a required health seminar conveying knowledge the participants already possess is worth less than an unconditional transfer. The poorest may be

264. The identification of these three criteria and the subsequent discussion are substantially informed by the analysis in De Janvry, and Sadoulet (2005), pages 2–5, as well as in Regalia (2005).

scheme. From the outset, an evaluation procedure was incorporated into the design process in which the 70 selected municipalities were randomly assigned to four different groups, each one of which differed in being either a demand or supply side intervention, both or neither. Twenty municipalities were assigned to demand, and demand and supply side interventions. Ten municipalities were assigned to the supply side intervention category and 20 municipalities were assigned as the control group and therefore without any form of intervention.

Whilst this approach may have begged questions regarding the equity of the impact of the poverty reduction aspects of the scheme, this design allowed for the measurement and evaluation of the impact of demand and supply side interventions.

The demand side intervention involved cash transfers that were conditional upon school attendance and frequent attendance at health clinics. The supply side interventions involved investments aimed at improving the quality of schooling and health services supplied in rural areas.

Demand side interventions in the health side consisted of money transfers to pregnant women and mothers of children under the age of three dependant upon monthly visits to the clinic. The supply side intervention in school consisted of monetary transfers to primary health care teams. This was dependant upon the preparation of a plan with specific tasks and budgets specifying what equipment and medicine will be purchased for the health centre. The size of the transfer was dependent upon the size of the population served by the health centre.

The demand side intervention in education involved the use of monetary payments that are received only if the child aged between 6 and 12 is enrolled in the first four years of primary school and is actually attending school.

The supply side intervention in education is a payment made to Parent Teacher Associations in each primary school. This transfer is dependent upon the association obtaining legal status and preparing a plan that details how the quality of education will be improved in the school. ●

SOURCE: Glewwe et al. (2003), World Bank (2004f).

penalised the most if they face the greatest access costs and the lowest quality of services. If problems with service provision are mistaken for low demand, the scheme may be skewed against the poorest. Even if the problem is low demand because of imperfect information, it is important to weigh the costs and benefits of a direct information campaign against those of imposing conditionalities.

High child labour force participation rates and low school attendance rates may indicate that caregivers and other household decision-makers are failing to act in the best long-term interests of their children, or that conditions of poverty are so severe, the household cannot afford to forego income from child labour in order to invest in children's education. Unconditional cash transfers directly tackle the problem of poverty and may be sufficient to increase the demand for education – particularly when combined with improved quality for schools and a direct information campaign. If, however, the problem lies in the household decision-makers undervaluing children's education, the incentive effect of the conditionalities may provide a win-win solution – providing households with the needed resources while increasing demand for children's education (or other services linked to the conditionalities).

One must carefully evaluate the justification for constraining a poor mother's use of cash resources for her children. Generally, one of three arguments must hold: (1) the parents do not have sufficient information to make the best decisions on using the cash to improve household well-being; (2) parents are not acting in the best interests of their children; or (3) the government is willing to compensate households for investments that generate much of their returns to the broader society rather than the household paying the cost. When any combination of these three effects is sufficiently significant, it may be appropriate to impose conditionalities.[265]

265. De Janvry and Sadoulet; (2005), page 5. More technically: "Imposing a constraint on behaviour in using scarce cash in the hands of a poor mother thus requires careful consideration. The conditionality needs to be justifiable on the basis of one of these three arguments: imperfect information by parents, discrepancy between parent and child optima, and market failures due to the positive spillovers created by investments in child human capital. When these effects are expected to be large, a CCT approach is justified."

BOX 4.5: Conditionalities for Nicaragua's RPS by household type

Programme requirement	Households with no targeted children (A)	Households with children ages 0–5 (B)	Households with children ages 7–13 who have not completed fourth grade (C)	(B) + (C)
Attend health education workshops every 2 months	✓	✓	✓	✓
Bring children to prescheduled health care appointments		✓		✓
Monthly (0–2 years)				
Every 2 months (2–5 years)				
Adequate weight gain for children younger than 5 years		✓		✓
Enrolment in grades 1–4 of all targeted children in the household			✓	✓
Regular attendance (85%, i.e. no more than 5 absences every 2 months without valid excuse) of all targeted children in the household			✓	✓
Promotion at end of school year			✓	✓
Deliver teacher transfer to teacher			✓	✓
Up-to-date vaccination for all children under 5 years		✓		✓

SOURCE: Maluccio and Flores (2005), page 9.

Who should the conditions apply to?
An important question in designing conditionalities is how to assign different conditionalities to different members of the household. Because of differences in opportunities and circumstances, conditionalities usually vary by age and sometimes by gender. Children below school age face predominantly health-related conditionalities, while school-aged children might expect both health and education requirements. Pregnant women and girls might receive additional benefits in order to improve pre-natal care and address gender discrimination. **Box 4.5** shows the differences in conditionalities across household types in Nicaragua's social protection network (RPS).

The focus of conditional cash transfers on human capital investment makes children and youth a logical target as the benefits of the transfers to the recipients and society span over their lifetime (and potentially across generations). Nicaragua's RPS and Brazil's *Bolsa Familia*, however, also provide benefits to very poor households without children. Many conditional cash transfer programmes target certain groups of children – for instance, those old enough to go to school. This raises a potential conflict between the objective of poverty reduction and that of educational attainment – since there will be some untargeted children below school age who are poorer than the targeted school-age beneficiaries.

Programmes may impose conditionalities in order to benefit the broader society rather than an individual or household. Education and health services potentially yield both private gains to the individual consumers as well as benefit the public's well-being. For example, immunisations provide

Box 4.6: Conditionalities in Mexico's *Oportunidades* vary by type of participant

	Type of participant			
	Heads of households and spouses	**Children up to 5 years old**	**Children from 6 to 16 years old**	**All members of households**
Conditionality (required activity)	Training sessions	Health clinic visits for preventative care	School enrolment and at least 85% attendance	Obtain identity documents for all household members (birth certificates and/or identification cards)
Frequency of required activity	3 times a year	According to the medically recommended schedule	Throughout the academic year	Once per household member per identity document
Frequency of programme monitoring	3 times a year	3 times a year	Annually	3 times a year

SOURCE: World Bank (2006b).

both private health benefits as well as broader social gains by reducing the risk of epidemics. For other types of conditionalities – such as civil registration – the public benefits may be greater than the private gains, and the poorest may receive a relatively small share of the programme's value.

Similarly, some programmes only target children in areas where educational and health infrastructures are adequate to support the increased demand for human capital created by the transfers. For example, Mexico's *Oportunidades* programme excluded communities that lacked a minimum level of health and educational resources.[266] Since the poorest are likely to live in areas where health and education facilities are the worst, this strategy for maximising the health and education performance of the programme may fail to serve the poorest. This may pose a fundamental problem in some low-income countries or fragile states where social service infrastructure is weak or has been devastated by war. In these countries resources may be better spent on building this infrastructure and delivering simple cash transfers, rather than using resources on administratively complex conditionalities. **Box 4.6** compares conditionalities across different types of participants in Mexico's *Oportunidades* programme.

Lessons learnt on balancing poverty reduction with long-term development goals

A number of general lessons can be drawn for balancing immediate poverty reduction with the longer term developmental impact:

- Careful analysis and design is required to ensure that the selected conditionalities include the poorest, even if this requires substantial additional investment in health and education infrastructure. Some programmes impose minimum residency requirements

266. De Janvry and Sadoulet (2005), page 9.

BOX 4.7: Examples of supply side interventions in conditional cash transfer

Country / Programme name	Interventions to expand the supply of health, education and other social services
Brazil / *Bolsa Familia*	The Ministry of Social Development informs social sector ministries of the targeted beneficiaries so that they can extend more focused programmes in these areas.
Ecuador / *Bono de Desarrollo Humano*	CCT programme officials work jointly with the Ministries of Education and Health in order to promote access to social services.
El Salvador / *Red Solidaria*	The Ministry of Education implements the Escolares Efectivas Redes programme in municipalities targeted by the CCT programme in order to improve provision of basic education services. The Ministry of Health implements the Extension of Essential Health Services programme in these municipalities in order to promote health services, particularly maternal and child care. In addition, the government has increased investment in these areas in basic infrastructure – water and sanitation, electricity, roads, schools and clinics.

because migration to the project region creates distortions.[267] If the poorest were effectively targeted on a national basis, these regressive requirements would be unnecessary.

- Appropriate design requires evaluating the programmes' administrative costs and the private costs to the beneficiaries in terms of complying with the conditionalities, particularly when objectives aim to support broader social goals, not just the interests of the households. Low benefit levels may create adequate incentives sufficient to attract poor households and serve public objectives – but the effective benefits to the poor may be so small that they would gain more from an unconditional programme. For example, providing cash incentives to poor households may increase enrolment rates less expensively than building and staffing new schools, even if overcrowding reduces the quality of education. However, many poor households would be better off with new schools – the combination of lower private access costs and the higher quality education would contribute greater value than the cash transfers.
- Careful consideration is required for those who are unable to comply with the conditionalities. For example, to deprive social transfers to a child who is unable to attend school because of responsibilities for caring for an AIDS-affected household member employs the wrong instrument for providing social protection. Households affected by HIV/AIDS require greater resources – certainly not less – and appropriate mechanisms should ensure the necessary care support, the social transfers and the opportunity for children to attend school. Conditionalities may prove too blunt as instruments under these circumstances.
- Conditionalities must support the development of effective human capital for those participating in the programme. One cannot assume that the poor make decisions that are not rational and optimising. For example, apparently irrational decisions may reflect the social policy analyst's imperfect information, particularly about the adequacy of the supply of human capital services. Evaluations of conditional cash transfer programmes consistently demonstrate that poor households respond to incentives. A programme that motivates poor households to demand education and health services must ensure that the schools and clinics provide the quality required to contribute to human capital development.
- When conditionalities are necessary, they should be structured as simply as possible to achieve the intended result. The monitored indicators should be easily verifiable and not

267. Sedlacek, Ilahi, and Gustafsson-Wright (2000), page 3.

Country / Programme name	Interventions to expand the supply of health, education and other social services
Jamaica / Programme of Advancement through Health and Education	The Ministry of Health provides free health care services to beneficiaries in the Programme of Advancement through Health and Education.
Mexico / *Programa de Desarrollo Humano Oportunidades*	State and federal government institutions provide education and health services for the population.
Nicaragua / *Red de Protección Social*	Technical Committees work with representatives from the Ministries of Education and Health to improve access to schooling and clinics.
Paraguay / *Red de Protección y Promoción Social*	Targeted areas receive priority interventions in the health and education sectors.

SOURCE: World Bank (2006b).

require unnecessary discretion. It is often useful to implement simpler conditionalities and evaluate their effectiveness before attempting ones that are more complex.[268]

4.4 Supply side support

Conditional cash transfer programmes directly increase the demand for services which promote human capital, creating stress on the supplying institutions (schools, clinics, etc.). If these institutions face supply bottlenecks, specific support may be necessary. In Mexico, Nicaragua and Honduras, the government allocated additional resources to health and education as part of the design of these programmes. In Nicaragua, this took the form of direct bonuses to teachers, with a specific earmark for school materials.[269] In Honduras, initial supply-side health measures included monetary transfers to primary health care teams which applied for grants averaging US$6 000 per year (ranging from US$3 000 to US15 000, depending on the population served by the applicant health clinic). To improve education provision initial support was given in the form of monetary grants applied for by legally registered Parent Teachers Associations associated with a given primary school. **Box 4.4** details the programme design in Honduras and **Box 4.7** gives examples of supply side interventions in conditional cash transfer programmes.[270]

Poor health, nutrition and education outcomes can result from both inability to pay (poverty) and the absence of the necessary institutions – schools, clinics, food. Providing conditional transfers encourages poor households to demand the conditioned services – a similar effect could result from building new schools and clinics or improving the quality of existing delivery (depending on accessibility). The difference is that conditional cash transfers increase the intensity of utilisation of the existing resources. Failure to improve the supply of health and education institutions shifts part of the cost of transfers onto children currently investing appropriately in human capital and risks undermining popular support for the programme.[271] In addition, there are significant limits to which conditional transfers can effectively increase human capital investment. For example, relatively small transfers cannot easily overcome transportation barriers over long distances, and supply-side responses such as improved transportation or greater school density are necessary.[272]

268. Ayala (2005), page 27.
269. Rawlings 2004, page 5.
270. An evaluation study found empirical results "consistent with anecdotal evidence suggesting that the supply-side components of the programme have been badly implemented or not implemented at all." [Glewwe, Olinto, and de Souza (2003), page 19.]
271. Sedlacek, Ilahi, and Gustafsson-Wright (2000), page 4, Britto (2005).
272. De Janvry and Sadoulet (2005), page 21.

BOX 4.8: The private costs of conditional cash transfers

Households face private costs in order to access social transfers – and these costs are greater when conditionalities are imposed. Mexico's *Progresa* (now *Oportunidades*) programme required school-aged children to attend school and other household members to attend health clinics. A major component of the private costs beneficiaries incur is the expense of travel to schools, health clinics and payment collection points – both in terms of time and out-of-pocket charges.

The private costs of compliance can be separated – at least theoretically – into two components: the amount incurred even in the absence of the conditionality, and the additional expense households incur just because of the conditionality. For example, the cost of complying with a requirement to visit a health clinic six times a year can be calculated as the time and money costs associated with all six round trips. However, if an average beneficiary typically makes two trips a year to the clinic, the incremental cost associated with the conditionality is only the expense associated with the four additional visits.

For example, *Progresa* beneficiaries travelled an average of 3.98 km to reach the health clinic – and the average distance for those who had to travel outside their community to reach a clinic was 5.12 km. The average cost was US$3.95 per return trip – and US$12.95 for those leaving their community.

The annual average travel cost per household was US$95.70. In terms of time costs, excluding children – the average household spends 48 hours a year travelling to and from the health clinics – and mothers incur more than two-thirds of this time cost.

Given the estimated value for the household's time, based on benefits of US$125 per month, beneficiaries incur travel costs of US$6.38 per US$100 of social transfers. However, based on estimates of how many of the trips are due to the conditionalities, the additional time cost may be as low as US$1.82 per US$100 of benefits.

A similar exercise quantifies the cost of school travel time. While the average for all participants is only US$316 per year, those who travel a significant distance face an average cost of US$1 980 per year. With an average benefit of US$2 170, the average household incurs only US$14.60 per US$100 in benefits. For those who travel a significant distance, however, the benefit barely covers the time and financial costs of transportation. Since many of these households would send their children to school even in the absence of the conditionalities, these costs cannot be entirely attributed to the programme. ●

SOURCE: Coady (2000).

The application of the conditional cash transfer model is particularly challenging for countries in Africa because of the continent's relatively larger backlogs for educational and health infrastructure.[273] Supply side factors contributed to the delay in Mozambique's implementation of a *Bolsa Escola*-style pilot.[274] Conditional cash transfers are most challenging in situations where resources are the scarcest – increased expenditure on health, education, transportation and infrastructure may be required to effectively deliver these programmes.[275]

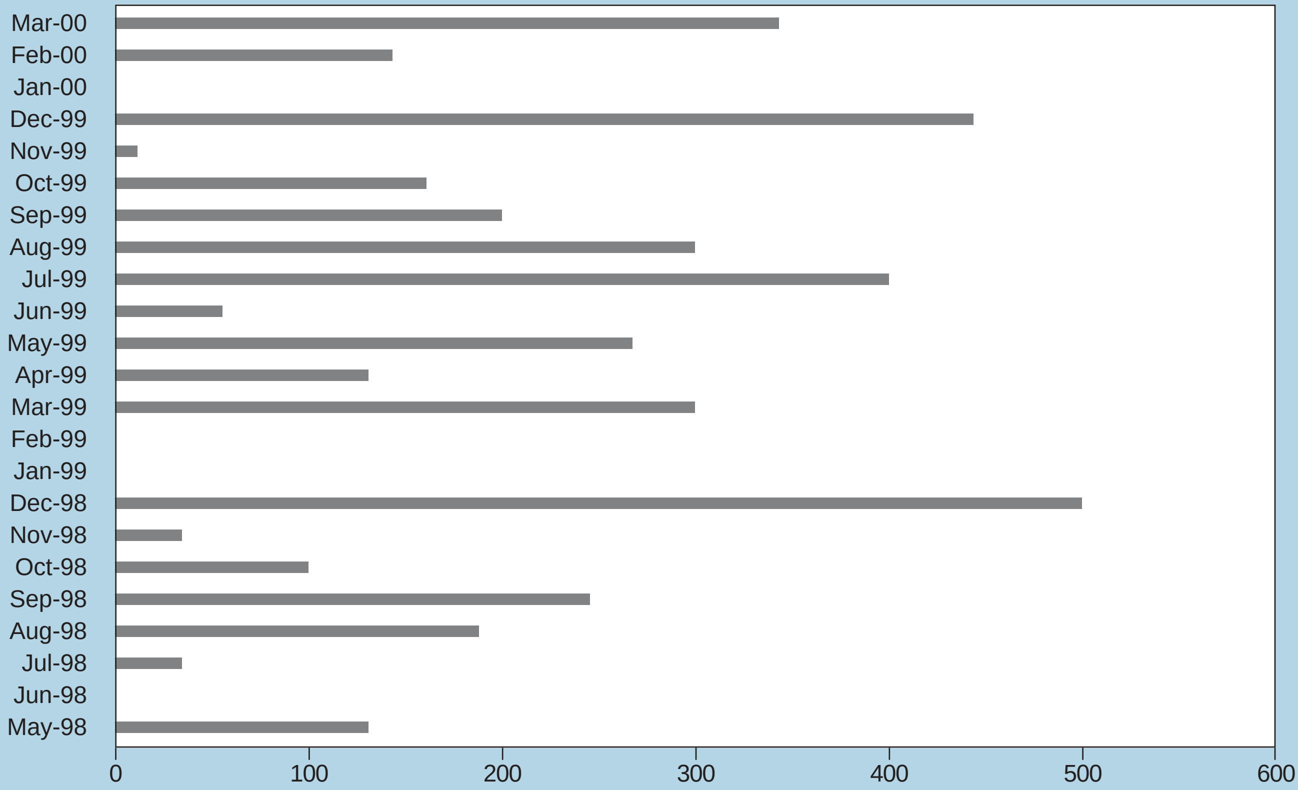
Conditional cash transfers can achieve apparent success in improving school attendance and motivating mothers to visit clinics, but nevertheless fail to break the inter-generational transmission of poverty if the health and education services provided are not of high quality. Supply side interventions will improve participation, but more importantly the delivery of high quality services will support the achievement of long-run poverty reduction.[276]

4.5 Costing conditional cash transfers

Conditional cash transfers require management arrangements that are more sophisticated and integrated than unconditional programmes. Multiple ministries must co-operate, and operational implications frequently require important relationships with state and municipal governments. For example, Progresa was initially established as an inter-institutional programme co-ordinated by the Ministry of Social Development. Since states are responsible for health and education

273. Devereux (et al. 2005, page iv) suggests that "in Africa, conditional cash transfers have proved less popular to date, possibly because the quality of education and health services is often so poor that the benefits of imposing these conditionalities are doubtful."
274. A UNESCO report identified bureaucratic difficulties in contacting schools, poor roads and inadequate transportation limiting access to schools, and a shortage of Ministry of Education staff as some of the reasons for slow implementation of the pilot. UNESCO (2003), page 9.
275. Barrientos and DeJong, page 28, (2004).
276. Sedlacek, Ilahi, and Gustafsson-Wright (2000), page 9.

BOX 4.9: Average cash transfers from *Progresa*



SOURCE: Skoufias (2001).

delivery in Mexico, the programme requires structures for state and municipal government co-operation.[277]

Conditional cash transfer programmes also require substantial expenditures on targeting beneficiaries and monitoring conditionalities – investments that contribute to effectiveness while increasing costs and potentially reducing efficiency. In addition, to the extent that administrative costs consume a limited budget, these expenses can reduce the value of transfers – risking the possibility that the benefits fail to compensate the recipients for the direct and opportunity costs of complying with the conditionalities.[278]

Costing conditional cash transfer programmes usually involves an analysis of six major expenditure components: (1) targeting costs, which usually involve geographical targeting and proxy means tests, (2) costs of implementing and managing conditionalities, (3) monitoring and evaluation expenses, (4) logistical costs of delivering cash, (5) costs of supporting the supply of human capital services, and (6) the private costs to beneficiaries from participation in the programme, including their costs of compliance. (While this last category does not represent a direct expenditure borne by programme budget, it can constitute a significant proportion of the foregone opportunities that the intervention costs.)[279] Unconditional programmes also incur expenses for monitoring and evaluation as well as cash delivery logistics – the following discussion focuses on the especially high costs unique to conditional transfers: targeting and conditioning administrative costs, supply-side support and private costs.

277. Britto (2005), page 9.
278. Kakwani, Soares, and Son (2005), page 2–3.
279. See Coady, Perez, and Vera-Llamas (2000) and Kakwani, Soares, and Son (2005).

BOX 4.10: Payment arrangements in conditional cash transfer programmes

Country / Programme	Payment amount	Payment frequency	Payment procedures
Brazil / *Bolsa Familia*	A variable benefit of R$15 (US$7.50) per child for up to 3 children, plus a basic benefit of R$50 (US$25) to those families with per capita monthly income up to R$60 (US$30)	Monthly	Payments through the Caixa Econômica (a federal bank) using an electronic benefit card.
Ecuador / Bono de Desarrollo Humano	US$15 per month per household	Monthly	Payments through tellers in private banks and other financial institutions.
Kenya / Cash Transfer Programme for Orphans and Vulnerable Children	Initially US$8 in the pre-pilot, rising to US$15 in the pilot stage	Bi-monthly	Payment through Post Office branches, with alternative mechanisms currently being developed.

Total administrative costs for conditional cash transfer programmes vary significantly – Mexico's *Oportunidades* is one of the most efficient conditional programmes in the world, costing only about US$9 to deliver US$100 in benefits. Smaller programmes in lower income countries are much more expensive – Honduras' PRAF costs approximately US$50 for every US$100 in transfers – 33% of the programme's budget through 2000 has been used to fund the administrative burden. Pilot programmes are likely to incur an even greater proportion of administrative costs. For example, from 2000 to 2002 Nicaragua's RPS cost US$63 for each US$100 of benefits delivered, but much of that involved the cost of planning the programme's expansion in 2003. The costs of targeting and conditionalities constitute a significant share of the non-evaluation administrative expenses in all of these programmes – 60% for PROGRESA, 49% for PRAF and 30% for RPS.[280]

Bangladesh's Food-for-Education programme has also incurred high administrative costs. The higher cost of transporting food instead of cash means that administration accounts for 37% of the programme's budget. In addition, teachers must divert teaching time to the task of measuring and distributing grain – a cost not readily measured. Brazil's *Bolsa Familia* programme reduces administrative costs by providing an electronic cash card to beneficiaries that accesses the recipient's bank account. In countries where the banking system is well-developed, this option can reduce both administrative expenses for the programme's budget and time costs for beneficiaries.[281]

Other costs incurred by the health and education sectors are often difficult to measure – they usually do not enter into the programme's accounts. Nicaragua's RPS provides an exception – the programme contracted directly with private providers to supply health and education services. The required education workshops cost approximately US$50 per participant on an annual basis, while children under the age of 5 received health care benefits that cost approximately US$110 per beneficiary per year.[282] In many African countries, the supply-side issues may involve much greater cost – there may not be enough schools, classrooms, or teachers to meet the increased demand for education by participants trying to satisfy conditionalities. Before costing the programme, it is essential to assess the availability and need

280. Caldés, Coady, and Maluccio (2004), page 29.
281. Kakwani, Soares, and Son (2005), page 13–14.
282. Maluccio, and Flores (2005), page 8.

Country / Programme	Payment amount	Payment frequency	Payment procedures
Mexico / *Programa de Desarrollo Humano Oportunidades*	Complex schedule of payments depending on age, school status, gender and other criteria	Monthly	Various methods of direct payments to families, through specialist payment agencies and the banking system.
Pakistan / Child Support Program	US$3.50 per month for one child and US$6 per month for two or more children.	Monthly	Draft payments through the post office.
Turkey / Conditional Cash Transfer	Primary school children receive US$13–16 per month, secondary school children receive US$21–29 per month, and grants to pre-school children and pregnant women amount to US$12.50 per	Bi-monthly	Payments through local branches of the Ziraat Bank.

SOURCE: World Bank (2006b).

for human capital infrastructure, and to identify whether the lack of demand is due to the household's dependence on child labour or to the low quality of schooling that provides no meaningful returns.[283]

Conditionalities also increase the private costs of the transfer programmes. In Nicaragua, the time input by households and *promotoras* (elected beneficiary representatives who serve the programme) is worth an estimated US$20 per beneficiary per year – increasing the cost-to-transfer ratio by approximately 30% (based on 2002 expenses).[284] Likewise, an estimate of the private costs of Mexico's *Oportunidades* programme raises the cost-to-transfer ratio by approximately 27%.[285] **Box 4.8** describes a case study of private costs for this programme.

4.6 Payment design issues for conditional cash transfers

While conditional cash transfer schemes face many of the same issues regarding payment systems as other types of programmes, the conditionalities raise unique challenges and considerations. Regularity of payment is an important feature of any social transfer programme, but it has a double-purpose for conditional cash transfers. It not only supports the social protection objectives but also reinforces the behaviour motivated by the conditionalities – by more immediately associating compliance with payment.[286]

Box 4.9 documents the significant fluctuations month-over-month in the average payments received by *Progresa* beneficiaries in the first few years of the programme. The table is based on administrative data provided by the programme. The large first payment in May 1998 covered March and April. According to the data, after variable but monthly payments from July to November 1998, beneficiaries received an extraordinarily large payment in December 1998 – and then nothing in January and February 1999.[287]

Many countries pay conditional cash transfers on a bi-monthly basis, which coincides with the frequency of some of the conditionalities – bi-monthly educational seminars and health clinic visits. In addition, the reduced frequency (compared to monthly payments) reduces administrative and private

283. Kakwani, Soares, and Son (2005), page 15–16.
284. Caldes, and Maluccio (2004), page 19.
285. Coady (2000).
286 Ayala Consulting (2003), page 33.
287. Skoufias (2001), page 92–93.
.

BOX 4.11: The World Bank debates the necessity of conditionalities

In June 2006 at a conference in Istanbul, the World Bank hosted a debate on the necessity of conditionalities in social transfer programmes. Miguel Székely argued the case "for" conditionalities, starting with the acknowledgement that in a world of free choice and well-functioning markets, an unconditional transfer is more appropriate, because the poor know best what they need, and when and how they need it. However, he warned that unintended secondary effects – such as adverse labour supply responses and dependency – undermined the positive effects of social transfers. Many programmes were not sustained, often because of a political bias towards short-term visibility objectives. He identified operational, economic, political and ethical advantages to conditional cash transfers – while acknowledging offsetting disadvantages. Conditional transfers raised the profile of developmental social services among the poor. Investment in human capital reduced future poverty. Politicians were more likely to support programmes in which the poor were obligated to provide something in return. Conditionalities empowered the poor when they were able to comply with the requirements.

Michael Samson argued "against" conditionalities, presenting the case for a rights-based approach. He pointed out that the unintended secondary effects were largely a

costs, but it may create hardships for households who are unable to conserve the resources over such an extended cycle. On the other hand, larger but less frequent payments may facilitate some types of investment opportunities. The bureaucratic processes involved in monitoring and reflecting compliance with conditionalities immediately in the payments can lengthen the processing cycle. The appropriate payment frequency will depend on both the administrative and private costs of cash payment logistics, the bureaucratic processes involved in monitoring compliance and the requirements of the programme participants. Appropriate adaptation of payment technologies – depending on the country circumstances – can help to bring payment frequency into line with the needs of beneficiaries.[288]

Chapter 2 discussed broad issues related to the determination of the appropriate size of a social transfer payment. The imposition of conditionalities raises additional issues and concerns. While all social transfer programmes that aim to promote social protection will consider the cost of the minimum living standard in setting the benefit level, conditionalities create additional costs that must be reflected. These include the costs of educational materials and uniforms, transportation to school, the income the child gives up by not working (the opportunity cost of going to school), and other costs associated with compliance. In addition, the determination of the benefit may be constrained by a pre-existing programme that the conditional scheme replaces.[289]

Mexico's *Progresa* and *Oportunidades* based the benefit level on the cost of minimum food requirements for children and youth's foregone income from working, creating a programme relatively generous by conditional cash transfer standards. Payments in Colombia and Paraguay covered food requirements, school materials, and transportation, but not the income that secondary school students would have to forego, leaving insufficient incentives to remain in school. Programmes in Jamaica and Palestine set benefit levels based on norms established by previous programmes. Jamaica's uniform benefit was not adapted to the varying needs of different participants – particularly those with disabilities. Palestine's benefit increased with household size. Both Mexico and Colombia provide higher payments for secondary school students – since they face a greater cost in giving up employment in order to remain in school.[290]

Honduras' PRAF provides relatively low benefits compared to other countries – which may explain part of the relatively weak impact assessments, particularly in terms of primary school and nutrition outcomes.[291] Brazil's programmes also began at a relatively low level – in order to affordably cover the greater number of beneficiaries – but *Bolsa Familia* has managed costs and succeeded in

288. See Britto (2005), page 8, Caldés and Maluccio (2004), page 3, Gertler, Martinez, and Rubio (2005), page 10, Ayala Consulting (2003), page 33.
289. Ayala (2005), page 28.
290. Skoufias (2001), Rawlings and Rubio (2003), page 4, Ayala (2005), page 33.
291. Caldés, Coady and Maluccio (2004), page 32.

consequence of poor targeting mechanisms and not a necessary feature of unconditional programmes. Governments like South Africa had chosen to sustain long-term unconditional social transfers – with substantial impacts on poverty reduction and social development. Unconditional programmes in many countries around the world had generated positive impacts on human capital development and often promoted investment by the poor and improved labour market participation. Enforcing rigid conditionalities, on the other hand, risked the most perverse outcome possible – punishing the poorest who faced the highest cost to comply with the requirements, particularly when high-quality schools and health care were inaccessible.

Both debaters agreed that there was no conclusive evidence that conditionalities promoted human development outcomes. Miguel concluded highlighting the need for "new impact evaluations that isolate the effects of conditionalities". Michael pointed out that countries should not incur the social and economic burdens of conditionalities until evidence demonstrated that their benefits outweighed their costs. Kenya's Orphans and Vulnerable Children (OVC) programme will be the first to rigorously test the independent impact of conditionalities. Other countries in Africa and Asia are considering pilot programmes that will test the need for conditionalities prior to imposing these requirements. ●

SOURCE: Samson (2006) and Szekely (2006).

substantially raising benefit levels.[292] The variety of methodologies documents the absence of a consistent methodology that informs conditional cash transfer design. **Box 4.10** compares various payment sizes for different programmes.

4.7 Conclusions

The starting point for evaluating the appropriateness of conditionalities is an understanding of the objectives of the country's social protection strategy. Conditionalities shift emphasis towards future poverty reduction – through human capital development. However, provisions that compromise current poverty reduction may prove counter-productive. For example, "hard" conditionalities that deprive households of benefits because they are unable to comply with education and health requirements risk missing two opportunities to address current and future poverty: first, by failing to address the structural impediments that prevent the household from investing in their children, and second, by depriving the beneficiaries of needed income.

Conditionalities work when households would otherwise not send their children to school or for visits to health clinics because: (1) household decision-makers fail to understand the value of these services, (2) the parents and guardians fail to act in their children's best long-term interest, or (3) there are broad public objectives served by the conditionalities that do not benefit the households. However, none of these circumstances can be taken for granted. Perhaps household decision-makers recognise the inaccessibility or poor quality of public services. If the problem is the supply of quality human capital services, conditional cash transfer schemes must make provision for improving their delivery. Where conditionalities are warranted, appropriate design must ensure that they are appropriate to motivate the desired behaviour, that they provide adequate resources to compensate for the cost of compliance while improving household well-being, and that payment is regular and not arbitrarily withheld. **Box 4.11** shows arguments for and against conditionalities.

292. Britto (2005), page 19.

CHAPTER 5

Designing Public Works Programmes

Chapter objectives:

- *The objective of this chapter is to discuss major issues in designing public works programmes.*
  - *Wage rates and payments arrangements*
  - *The timing and duration of projects*
  - *Targeting issues*
  - *Issues of project management, labour intensity and productivity*
  - *Other issues, such as exit policies, free distribution and the role of civil society*

5.1 Introduction

Governments and donors frequently adopt public works as their flagship programme for tackling poverty and vulnerability through employment. Botswana's public works programmes employed 21% of its labour force in 1985–86, Chile's schemes provided 13% of employment in 1983, and India's Jawahar Rojgar Yojuna programme provided a billion person-days of work in 1995.[293] Public works appeal to policymakers and donors for several reasons. First, they appear to be less susceptible to the hazardous notion of dependency (as discussed in chapter 3). Second, they support the rhetoric of "job creation", a central objective in many national economic strategies – particularly in countries most in need of social protection. Third, they can produce productive assets, and as a result support the growth objectives of government. Fourth, many policymakers (and some economists) believe low wage rates will efficiently target the poor while providing effective social protection.[294]

As discussed in chapter 1, public works constitute a social transfer (in the form of a wage) to poor and vulnerable households conditional on an able-bodied member providing labour. The cost of this conditionality is at the heart of many of the debates surrounding public works as an instrument of social protection. Making social transfers conditional on recipients working is expensive – for the government (or programme agent) who must administer and provide inputs for the projects, as well as for the beneficiaries who must sacrifice time and energy in supplying their labour. Unless the programme creates valuable assets, public works are unlikely to cost-effectively provide social protection.

Public works programmes around the world vary in terms of the wage paid, the payment arrangements, the certainty, timing and duration of employment, targeting mechanisms, and the

293. Public works programmes frequently measure their delivery in terms of the total number of days work made available to all participants – termed "person-days". A programme that employs 20 000 workers for 100 days produces 2 million person-days of work. In the mid-1980s, India's other major public works programme – the Maharashtra Employment Guarantee Scheme – provided approximately 160 person-days of employment for each participant. See Dev (1995), and Subbarao et al. (1997), page 70.
294. McCord (2005d), page 3.

BOX 5.1: Measuring the net wage gain

Project evaluation can be expensive and time-consuming, or else rapid and cost-effective. One increasingly popular technique is "rapid appraisal", enabling an evaluation to be completed by two people in approximately two weeks. Most of the data required is often readily available, including:

- The poverty line, geographic poverty rates and other poverty measures
- The average wage rate of unskilled labour in the informal sector (for the lowest income households)
- The unemployment rate among the poor
- Measures of labour intensity for public works projects (transferred wages as a percentage of total project expenditure), their financial benefit-cost ratios, cost recovery (if any), and the effectiveness of project targeting to the poor

Much of this information can be obtained from household surveys (like a labour force survey), the project administration (both nationally and locally), and through interviews with programme participants.

One of the most important evaluation factors measured by rapid appraisal is the "net wage gain". The actual improvement in a household's income from participating in a public works programme (the "net wage gain") is almost always less than the gross wage rate paid to the participant. Poor people cannot afford inactivity. They commit time to informal enterprises, and they invest in job search. In addition, the non-market activity contributes to household well-being, often more critically than income-generating pursuits. The poor give up these benefits in order to participate in the public works programme – so the net wage gain is the difference between the wages paid and the value of the benefits foregone in order to participate in the programme. "In some situations, the poor may incur transaction costs that may further reduce their transfer benefit. For example, if the programme's implementing agencies and institutional framework are affected by corruption and leakage, the poor who participate in the programme may have to pay a part of their wage to scheme organisers to ensure continued participation, which may further reduce the transfer benefit of the programme." ●

SOURCE: Ravallion (1999), supplemented from Subbarao (2003).

degree to which the projects promote longer term development. These distinguishing features depend on the unemployment conditions of the country, the objectives of the policymakers and the political ideology of the decision-makers.[295] In addition, since vulnerability created by temporary shocks to livelihoods requires different responses than do conditions of chronic destitution, the appropriate design of a public works programme depends on the country's poverty profile. For example, short-term public works projects may well address transient shocks that create temporary poverty, but they are not durable enough to tackle chronic poverty.

Chapters 1 and 2 address the question of when it makes sense to choose a public works programme. While most successful examples of public works programmes demonstrate effectiveness in addressing transient shocks to livelihoods, political considerations often influence their choice in less than ideal circumstances. Effectively tackling chronic poverty poses far greater challenges. This chapter discusses the key issues for the design and implementation of public works programmes. It is important to emphasise that public works schemes are not substitutes for other types of social transfers – usually complementary programmes are necessary to protect the vulnerable groups who fall through the weave of a public works safety net.

5.2 Determining the wage rate

The determination of the appropriate wage rate for a public works programme is a matter of balancing the practicalities of self-targeting with the objectives of social protection. A low wage rate is often advocated by economists and social policy analysts and aims to screen out the non-poor, but evidence demonstrates that a significant number of non-poor workers may participate even where wages are below market levels.[296] Also, low wages may undermine the programme's social protection objective if the resources transferred are insufficient to effectively reduce poverty.

295. McCord (2004), page 8.
296. McCord (2005d), page 10.

BOX 5.2: Legislating social protection through public works – India’s National Rural Employment Guarantee Act

In 2005 India passed the National Rural Employment Guarantee Act, providing a legal entitlement to those in rural areas willing to accept casual manual work for a minimum wage. The law limits each household’s right to employment to 100 days per year. The legislation is similar to that passed in Maharashtra in 1976, which provides jobs to poor households. The Act institutionalises social protection more effectively than does an ordinary scheme, binding the state with a judicially enforceable obligation.

The public works created under the law aim to protect rural households from poverty and hunger. In addition, it is likely to reduce rural-urban migration – providing work in villages will reduce the need for workers to move to cities. The gender equity provisions of the law will empower women, who are likely to constitute a significant proportion of workers in the resulting programmes. Properly executed, the public works will create valuable infrastructure, supporting pro-poor economic development. In addition, the guarantee of employment may change the relations of power in rural communities, supporting rights for the poor that may foster greater social equity. For example, the guaranteed wage supports a floor below which unorganised workers need not fear their market wages will fall – employers cannot easily impose poverty wages when government guarantees unskilled rural workers a better alternative.

The government will first implement the Act in 200 districts, and then gradually extend it to most of the rest of rural India by 2010, creating new public works projects for groups of 50 or more workers as yet not served by existing operations. Workers receive the statutory minimum wage for agricultural labour, subject to government regulation, but with a minimum floor of Rs60 per day. Piece-rate compensation must ensure that a worker normally receives the minimum wage when working a seven-hour day. Workers will normally be paid weekly, but in no case later than 14 days after completing the assigned tasks. The government may require some pay on a daily basis.

The Act guarantees minimum working conditions, including safe drinking water, rest breaks, basic first-aid materials, and provisions for childcare – with the caregivers guaranteed the

Advocates of self-targeting recommend that a public works wage in a low-income country should be no higher than the market rate for unskilled agricultural labour in a normal year. They argue that a sufficiently low rate will ensure self-targeting by the poor – reducing leakage to the less poor, providing wider coverage for the poor and serving as a non-contributory social insurance mechanism. The logic rests on the assumption that anyone willing to do unskilled manual labour for such a low wage is poor – and that workers will take up alternative, better paid work when (and if) it becomes available. **Box 5.1** gives a breakdown of how to measure the net wage gain.[297]

Fixing the wages at the right level is a major challenge for these programmes. If wages are set too low, this is likely to jeopardise the programme’s objectives of providing social protection. However, if wages are too high, this is likely to reduce the programme’s ability to target the poor effectively (non-poor will become interested in taking up the work), which also reduces its social protection outcomes. In the first 15 years of the Maharashtra Employment Guarantee Scheme, the low minimum wage moderated participation in the programme through greater self-selection of the very poor. The national minimum wage increases in 1988 doubled the programme wage, dramatically increasing worker interest in the programme, even among the less poor. Programme funding did not increase commensurately, and the higher wage cost forced a reduction in the number of person-days of employment generated. The programme increased its rationing of jobs, eroding the social protection nature of the “guarantee”.[298]

It is important to keep in mind that public works programmes rarely – if ever – are able to offer employment to all who want and need it. Low wages may reduce the need for alternative targeting mechanisms, but programme designers must usually incorporate mechanisms besides the wage for targeting the poor (for example, as described opposite for South Africa’s Zibambele programme). However, India’s National Rural Employment Guarantee Act aims to implement a

297. Ravallion (1999), page 36.
298. Subbarao (2003) page 7, Subbarao (1993), Subbarao (1997), Datt and Ravallion (1994).

same wage as the other workers. The legislation aims to provide jobs within 5 km of the workers' homes – or else to compensate the labourers for the costs of longer commutes.

When the State cannot provide work immediately, the Act provides for an unemployment allowance not less than 25% (in the first month) or 50% (after the first month) of the minimum wage paid to those waiting for jobs. This creates incentives for State governments to deliver – they must pay the unemployment allowances, while the central government covers most of the costs when workers are successfully employed. (Maharashtra's scheme has a similar allowance on paper – although it has never been effectively implemented.)

The Act authorises States and central government to appoint implementing agencies including Gram Panchayats (local government bodies), Intermediate and District Panchayats, line departments (for example, Public Works, Forest, and Irrigation), and non-governmental organisations. Private contractors, however, cannot implement public works projects. State governments are empowered to implement their own legislation as long as it is consistent with the national guarantee and does not reduce the entitlements.

While the Act provides for transparency and accountability in order to reduce fraud, corruption and mismanagement, it also enables the central government to stop the release of funds to projects exhibiting a prima facie case of improper funds utilisation. Unfortunately, this strong action can hurt the victims more than the perpetrators, and create perverse incentives that undermine vigilance. If funding for public works is terminated when corruption is discovered, workers may be afraid to report financial abuse.

Many of the features of India's National Rural Employment Guarantee Act support effective social protection – the rights-based approach, the guarantee of employment at a wage that can contribute to poverty reduction, the attention to gender equity, and design features that promote delivery. While significant issues remain whose resolution could more effectively promote social equity, the central challenge is the effective implementation of the legislation. ●

SOURCE: EGA Primer (2005), Right to Food Campaign.

programme that avoids the need for supplemental targeting by allocating sufficient funds to provide work to all who need it. This is discussed further in **Box 5.2**.

There is no guarantee that even low wages will dissuade the non-poor from taking public works employment or indeed that a low wage will attract the poor. Given labour market failures in many countries, workers in relatively non-poor households may find even very low wages attractive as a source of supplementary income.[299] Meanwhile, poor households with limited available labour may find very low wages unattractive, given the high cost of failing to carry out their critical domestic and subsistence activities. For this reason it is often useful to consider supplementary targeting mechanisms that ensure the poor are targeted and reduce the need to set the wage low for self-targeting. Under conditions of labour market failure for example, it may be preferable to combine a higher wage with a supplemental targeting mechanism.[300] South Africa's Zibambele project provides a good example of this, with a wage rate higher than that usually paid in South Africa's public works programmes, and with supplemental community selection methods to ensure that participants are almost exclusively from the poorest households.[301] The case is discussed in further detail in **Box 5.3**.

In the lowest income countries market wage rates in the agricultural or informal sectors may be so low that setting programme rates below this level might fail to even meet minimum subsistence levels.[302] An example of the problem of self-targeting using below-market wages in such a context is given by the Malawi Social Action Fund (MASAF) public works programme, where the wage set in 2004 was the equivalent of US$0.30 (MK36) per day – barely the subsistence level for a single person. This wage is too low to provide adequate social protection for a household, and is unlikely to have a significant developmental impact.[303] A worker may participate in the programme even if the net benefit is marginal – marginal is better than nothing.

299. McCord, Anna (2005d), page 11, Barrett and Clay (2003).
300. Barrett and Clay (2003).
301. McCord (2005d).
302. McCord (2005d), page 11.
303. Harvey (2005), page 41.

BOX 5.3: Effective community targeting in Zibambele, South Africa

The Department of Transport in KwaZulu-Natal (South Africa) implements the Zibambele programme, successfully targeting extremely vulnerable labour constrained households. The Department hires workers to maintain gravel access roads in rural areas, providing one-year renewable contracts for part-time work. The programme has developed a refined community targeting mechanism that effectively reaches the poorest households, which are usually female-headed. HIV/AIDS affects most of these households – either directly through illness and/or death of a household member, or indirectly through the inclusion of children orphaned by the disease.

The programme effectively reaches the poorest because the communities involved tend to demonstrate a strong sense of ownership. Public-minded programme stakeholders support and reinforce the poverty focus of the programme, targeting the jobs to those who need them most. If a participating household started to receive a social pension, a community representative (such as the local chief or a member of the Rural Road Transport Forum) would suggest they give up the public works job in order to free space for another household with greater needs. (Receipt of a social pension in South Africa is sufficient to move a household from the bottom of the income distribution up towards the middle.) Another member

Public works programmes, however, are expensive – they require significant managerial, technical and administrative inputs, as well as incurring managerial expenses. If they cannot deliver an adequate wage to participants, alternative social transfer vehicles may do a better job.

The process for setting the programme wages should be, above all, transparent. If community representatives participate in the challenges of targeting and resource allocation, they are more likely to set a wage acceptable to workers, government and/or donors, and the implementing agencies.[304] Community participation rarely enforces below market wages.[305]

5.3 Wage payment arrangements

The negative effects of low wages can be compounded by poor payment arrangements that further erode the real value of the transfer. Payments must be regular, and be based on transparent processes clearly communicated to workers.

Payment delays are common in many programmes in Africa.[306] Workers in the Malawi Social Action Fund have faced delays of up to three months, forcing workers (more frequently women) into debt at usurious interest rates.[307] Unnecessarily fragmented payment arrangements – often resulting from poor administration or funding constraints – can dramatically erode the social protection of the programme. Delays and widely varying payments arrangements can create confusion, resentment and social tension.

Depending on the structure of the programme, payment can be made on a piece-rate, task-based or time-based system. Some evidence documents that piece-rates and task-based payments provide greater flexibility in scheduling work and are often more attractive to women.[308] Such payment systems tend to dominate over time-based alternatives in order to avoid perverse labour incentives.

Task-based arrangements, however, can lead to confusion. Evidence on South African programmes found that confusion about how task payments were calculated led to disappointment and resentment. Transparency and communication is critical to avoid resentment-provoking misunderstandings. Local consultation with organisations that represent the poor may assist in adapting payment arrangements to country conditions.[309]

304. Adato et al. (1999), Subbarao (2003), page 10.
305. Quisumbing (2004), page 6.
306. McCord (2005), page 8.
307. Chirwa, McCord, Mvula, and Pinder (2004), page 35.
308. Subbarao (2003), page 11, Subbarao (1997) and Dev (1996).
309. Subbarao (2003), page 11.

of a poor household had been granted the opportunity to sell snacks in the local school, and had subsequently succeeded in finding employment in the Zibambele programme. Community representatives persuaded this worker to give up the school-based franchise in order to allow another poor household to benefit from this micro-enterprise.

This mechanism involves more than community targeting – it represents a broader co-operative management of the distribution of income opportunities facing the poor within the locality. Zibambele's substantial local investment in social capital and development over several years promotes this high level of community ownership, supporting this active participation in the distribution and rationing of public works jobs. Two key features of the programme contribute significantly to the success of this targeting mechanism – the long-term duration of employment and the public sector orientation. A shorter term programme would not offer benefits significant enough to justify actively manage job tenures. With short employment tenures, it is unlikely that a worker would find a more attractive income opportunity while still entitled to a duration of employment worth the effort of re-allocating to another community member. If the programme served private sector projects, profit-oriented managers might resist the community ownership and regulation required for effective targeting. ●

SOURCE: McCord (2004a, 2005a).

If management or technical capacity is limited, verifying the quality of work may be challenging. The temptation to link work performance to payment may compromise the regularity of payments, if the time required to monitor quality creates delays.[310] It is better to address performance issues with management interventions rather than compensation penalties. Management arrangements that lead to payment delays are almost always counter-productive, and always counter-protective.

5.4 Timing and duration

An essential design feature of a public works programme is the duration of employment offered – is it temporary to mitigate the effects of a transient shock, is it cyclical to address predictable increases in poverty resulting from a "hungry season", or does the programme offer permanent employment? Sometimes duration is expressed in terms of the number of days of employment offered per household – termed "person-days". Policy responses should respond to the duration, frequency and intensity of the risks the poor and vulnerable face – and also the depth of their poverty. In the absence of other social transfers, public works often provide the main risk coping mechanism.[311] While most conditional and unconditional cash transfer programmes are long-term in nature, most public works schemes offer only temporary employment. Programmes that are relatively effective in addressing chronic poverty – the Maharashtra Employment Guarantee Scheme, Ethiopia's Productive Safety Net Programme, and South Africa's Zibambele programme – offer longer term if not permanent jobs.

Many infrastructure creation public works programmes offer employment for relatively short durations, limiting the potential of this kind of intervention to address chronic poverty.[312] CARE's experience in Malawi with the Central Region Infrastructure Maintenance Programme (CRIMP) suggests that 18 months is a minimum duration required to begin to address chronic poverty. The participants are able to concentrate on building up assets in the first year that sustain their focus on income-generating activities in the second year. Programmes that aim to address chronic poverty should both provide an opportunity for households to accumulate assets as well as for participants to participate in additional developmental activities – training for permanent employment or support for income-generating activities.[313]

A three-to-six month duration does not provide sufficient opportunities for workers to acquire productive assets or position themselves for an alternative livelihood that is secure and

310. Sandford (2005), page 19.
311. Subbarao (2003), page 11.
312. McCord (2005d), page 8.
313. Chirwa, McCord, Mvula, and Pinder (2004), page 33.

BOX 5.4 Important features of an effective public works programme

Public works require substantial financial and administrative resources – estimates of cost effectiveness indicate most programmes require between two and five dollars of resources to deliver one dollar of net benefits to poor households. The following features can improve the potential effectiveness of public works programmes in reducing poverty.

- The wage rate should be set at a sufficiently high level in order to ensure effective social protection, yet consistent with a level that will not create labour market distortions.
- Ideally, employment is provided to all who require it, but if sufficient jobs are not available, targeting processes should ensure the poorest receive the highest priority.
- Projects should create as many jobs as possible with the available budget (labour intensity), but with flexibility – in case incremental non-wage expenditures can significantly improve the quality of assets produced.
- Projects should produce assets that benefit poor households, in order to augment the positive employment effects with broader pro-poor impacts. This could include building and maintaining infrastructure that benefits the poor, or providing essential social services.
- Programmes should empower local governments and community organisations to manage projects, and create opportunities for local small-scale contractors and micro-enterprises to supply the non-wage inputs.
- If the availability of public works jobs is limited, the programme should target projects to the poorest areas, both to provide employment access to the poor while

sustainable. Short duration has substantially limited the success of South Africa's Expanded Public Works Programme.[314] One of the most important positive features of the Maharashtra Employment Guarantee Scheme (EGS) has been its ability to seasonally stabilise the incomes of the poor by ensuring 100 days of employment a year to all job-seekers – an effect that would have been impossible with a programme of short duration.[315]

The duration of public works employment should be aligned with the social protection requirements of the beneficiaries. For example, given the structural and chronic unemployment problem in South Africa, long-term public works are a more appropriate response than spells of short duration.[316] Short-term public works provide a consumption boost, but fail to allow sufficient capital accumulation to have a long-term impact. [317]

Korea provides a model for appropriate duration. During the 1970s the government offered temporary employment at an unskilled labour wage, implementing road and other infrastructure projects – preceding the economic boom of the late 1970s. As the boom extended into the 1980s and market labour costs soared, more productive workers found higher paying jobs. The falling number of unemployed workers led the government to replace the public works scheme with a cash transfer programme, which provided social protection more effectively to people unable to supply labour to the market.[318] The programme lasted as long as the unemployment of productive workers was a serious problem. Public works programmes need not be permanent, but policy needs to be flexible enough to deal with changing circumstances, and potentially to introduce more appropriate instruments as conditions warrant.

Longer duration can also build permanent programme capacity that can reduce the long run costs of intervention. Donor-funded programmes that last only three or four months – such as those set up in response to a drought – are unlikely to develop permanent capacity. Many programmes in Bangladesh and India, for example, operate continuously throughout the year – building and developing domestic capacity. In the absence of established capacity, projects are likely to suffer delays – particularly when social protection is needed the most. Permanent duration and its associated capacity continuity benefits help support public works as a social insurance mechanism.[319] **Box 5.4** highlights the most important features of a public works programme.

314. Chirwa, McCord, Mvula, and Pinder (2004), page 33.
315. Dev (1995), page 136.
316. McCord (2004), page 9.
317. McCord (2004), page 73.
318. Subbarao (2003), page 9.
319. Subbarao (2003), page 21.

maximising the impact for poor households of the assets produced. In cases where the assets benefit the non-poor, these beneficiaries should provide co-financing that expands the public works budget.

- The work schedule for projects should be harmonised with the survival requirements of the poorest households. For example, hours should be flexible enough to enable caregivers to undertake household activities. In agricultural areas work requirements should not crowd out the participants' own farming activities.
- Projects should be located close to where the poorest live, in order to minimise transportation costs and ensure that the most vulnerable have opportunities to participate.
- Project sites should include free childcare and pre-school services in order to promote human capital development and gender equity.
- Programmes should encourage non-governmental organisations to serve as participant advocates in order to protect the rights of the poor.
- Programmes should establish long-term employment opportunities that enable the poorest to lift themselves out of poverty, recover and then accumulate and sustain productive assets.
- It is essential that unconditional social transfers be provided to poor households that are unable to supply labour to public works projects. The poorest households – often with chronically ill members, young children and older people – frequently cannot participate in employment activities. While public works programmes may provide an important component in an integrated system of comprehensive social security, they cannot by themselves provide adequate social protection. ●

SOURCE: McCord (2005c), Ravallion (1998), Subbarao et al. (1997), World Bank (2004c).

5.5 Supplementary non-wage targeting

As discussed in section 5.2, nearly all public works programmes are substantially over-subscribed and must rely on supplementary non-wage targeting because low wages are an inadequate mechanism to effectively target the poor. South Africa's Expanded Public Works Programme uses categorical targeting to include women, youth and people with disabilities. However, these criteria include approximately 70% of the potential population, highlighting the need for more effective targeting mechanisms.[320] Women are more than half the population, youth frequently includes people up to age 35, and disabilities are defined broadly to include many who are able to work. In many cases, communities are involved in developing the necessary targeting processes to further refine the selection. **Box 5.3** on the Zibambele programme describes an example of effective community targeting.

Given the distribution of wage demands [reservation wages] across the whole labour force, any programme wage will serve some targeting function. Given programme resource limitations, exclusive reliance on wage targeting (self-targeting) will often require wages set so low they cannot provide social protection.[321] Effective forms of non-wage targeting support higher wages, enabling public works programmes to more effectively deliver their social protection functions.

"Failure to distinguish between labour market and social protection objectives, in both policy and implementation, is liable to lead to critical errors in targeting and programme design, inefficient allocation of resources, and ultimately to a mismatch between policy rhetoric and outcomes."[322] The appropriate form of non-wage targeting will depend on the social priorities. If the objective is to provide experience and eventual incorporation into the market labour force, the programme should target unemployed youth – since they will have a longer term pay-off from labour force participation. If the objective is poverty reduction and social protection, female-headed households in rural areas may provide a more appropriate target. For example, rural female-headed households in South Africa rarely have access to jobs outside of public works, and so programme participation is unlikely to serve the objective of increasing participation in the formal labour market. The desirable characteristics of the Zibambele programme – work locations close

320. McCord (2004), page 68.
321. Barrett and Clay (2003), pages 152–180.
322. McCord (2004), page 68.

BOX 5.5: First Lessons from Ethiopia's Productive Safety Net Programme

In 2004 Ethiopia's Productive Safety Net Programme (PSNP) replaced the relief-oriented national Employment Generation Scheme. The PSNP provides social transfers to food-insecure households in order to prevent the loss of livelihood-supporting assets while enabling communities to expand developmental infrastructure. The programme improves on previous schemes in that it:

- Provides transfers in the form of cash rather than food
- Improves the strategic importance and the quality of the assets created
- Integrates public works with other developmental initiatives and priorities of line ministries
- Creates long-term employment that supports the development of sustainable livelihoods.

The design of the programme builds on several key principles:

- The project managers allocate their resources to employing workers as much as possible, as opposed to purchasing inputs or machinery. (This is referred to as "labour intensity".)
- The community participates actively in the selection, planning, monitoring and evaluation of public works projects.
- The programme commits to employing workers and creating community assets for a longer term horizon, with projects planned and integrated inter-sectorally with other development initiatives.
- Since the programme does not create enough jobs to meet the needs of everyone who wants work, administrative and community targeting is used to identify poor food-insecure households.
- The programme offers jobs close to where the poor live, with features that promote participation by women and reduce their regular work burden.

Ethiopia's previous experience demonstrated that public works implemented in isolation from other developmental initiatives were unlikely to make a sustainable impact on likelihoods – their poverty-reducing impact was limited to the life of the schemes. When administrative and executive capacity is limited, duplicating implementation structures constrains the government's ability to deliver social protection. Recognising this, the PSNP aims for co-ordination – for example, integrating public works with agricultural extension initiatives. Non-governmental organisations distribute seeds and fertilizer, promote new high value crops and provide credit and other inputs –

to the homes of the workers, part-time and flexible hours, and other provisions – enabled people previously locked out of the labour force to increase their participation. The social protection objective is substantially achieved – even without an increased engagement with the labour market outside of public works.

In all cases, the direct and indirect costs of targeting should be carefully considered. (See chapter 2 and 3 for further discussion on the costs of targeting.) A number of targeting mechanisms employed in public works programmes have produced stigmatising effects, inciting social tensions and exacerbating vulnerabilities.[323]

5.6 Skill- and labour-intensity (productivity versus job creation)

The greater the share of programme expenditure on wages (labour-intensity), the more effectively will the intervention reduce income poverty for the participants in the short term (for a fixed level of programme expenditure). However, there may be a trade-off between higher labour-intensity and the likelihood of the programme to generate indirect or medium-term benefits from the assets created – if the lack of non-labour inputs significantly undermines productivity.[324] In addition, an excessive focus on labour intensity may undermine the ability of the programme to build the capacity of the participating workers – skills development will require training costs and potentially other kinds of additional non-wage expenditure. **Box 5.5** discusses the example of Ethiopia's Productive Safety Net Programme.

Failure to purchase technical inputs and materials of adequate quality can render the assets created of little value to communities. A greater investment in these non-labour inputs will shift

323. Devereux and Sabates-Wheeler (2004), page 12.
324. Ravallion (1999), page 44.

enabling households to take advantage of the productive assets created by the public works programmes. In addition, 20% of the wage budget is reserved for social transfers to households in which no one is able to work.

Ensuring that the assets created by public works are appropriate and high quality requires time and money – and limited resources can erode the ability of the programme to provide jobs to the poor in a timely manner. The PSNP imposes conditions for verifying the productive contribution of the public works prior to approval and implementation of the project. In the face of delivery delays exacerbated by these requirements, the PSNP has sometimes compromised on asset quality in order to achieve its more fundamental social protection objectives. Ethiopia's initial experience with the PSNP shows that an effective shift to a more developmental orientation requires better planning and co-ordination, more technical assistance, increased resources (particularly for non-wage income support), and greater community ownership.

The logic of annual emergency appeals (common with the previous Employment Generation Scheme) fails in the face of the increasingly predictable nature of Ethiopia's increasing food insecurity. Recognising this, the PSNP has succeeded in mobilising donor support for longer term funding. With three to five year commitments, both donors and the government can plan more effectively and realise efficiencies. In theory, this will enable the PSNP to assure beneficiaries of secure and regular transfers – serving a productive insurance function that supports the poor to undertake riskier but more rewarding investments. In the first year, administrative and delivery problems have eroded this benefit. More resources are required to ensure that the programme delivers reliable social protection to the poor.

The government's administrative, technical and financial capacity constraints have posed the greatest challenges to the success of Ethiopia's PSNP. The developmental orientation of the programme increases the costs – yet promises much greater benefits. The PSNP's innovations – in terms of long-term commitment, labour intensity, high-quality assets, and developmental integration – offer a solution that tackles the roots of poverty while providing for the immediate needs of social protection. Realising this potential requires a more substantial commitment of financial and human resources. If they are not forthcoming, unconditional transfers may provide a more effective, comprehensive and economical strategy for achieving social protection. ●

SOURCE: McCord (2005b).

resources away from wages, but may generate greater medium-term socio-economic benefits – for the workers, for the community or the nation as a whole. More concretely, a relatively small investment in higher quality materials for a strategic road construction project, for example, can generate high returns for the economy as a whole. (Other factors are also important – such as the choice of asset, the project design, ownership and maintenance.)

In general, the potential for labour intensity will depend on the type of good or asset being produced, and the available technologies for this production.[325] The choice of technology may require additional training for the participating workers, which will increase the cost of the project but the resulting skills development may improve the longer term social protection impact.

Evidence across many countries suggests that many government departments responsible for public infrastructure provision favour capital intensive projects (utilising equipment and non-labour inputs) as opposed to labour intensive methods – because of often misplaced notions of superiority or because they are quicker. Since capital intensive technologies may provide more concentrated returns to smaller groups of individuals, they are sometimes more prone to rent-seeking and corruption.[326]

There are ways of providing valuable services through public works programmes, while also providing longer term job opportunities and formal training. In South Africa, a significant number of projects provide employment in the social sector, training the unemployed to offer social services (building social assets) in place of the more conventional physical assets produced under other public works programmes. Social service projects do not always deliver assets prized as highly by policymakers, but they provide significant formal training that can lead to sustainable employment opportunities.[327]

325. Subbarao (2003), page 13.
326. Stock and De Veen (1996), Subbarao (2003), page 19.
327. McCord (2005d).

BOX 5.6: Wage subsidy vouchers in Argentina as an exit door for public works programmes (the Proempleo Experiment)

The Argentina government's response to increasing unemployment is to provide temporary work, paying a relatively low wage, working on social infrastructure or community services. Participants in public works projects usually require assistance in order to obtain regular employment. Wage subsidies and skills development programmes appear to be promising options.

The government designed the Proempleo Experiment to evaluate the effectiveness of offering employers a wage subsidy and specialised training to assist participants to make the transition out of public works schemes. Randomly selected low-wage workers received the subsidy and training.

Under the experiment, one randomly selected group of workers received a voucher that entitled a private sector employer to a wage subsidy that covered part of the total wages paid to the employee. A second similarly randomly selected group was offered limited training as well as the subsidy voucher. A third randomly selected group received nothing but the right to continue in the public works programme. This group provides the basis for comparison in order to identify the effects of the interventions.

Before the programme began, a baseline survey measured the living conditions of all the participants in the programme. After 18 months of the Proempleo Experiment, 14% of the

It is considerably more expensive to deliver transfers to the poor through public works than almost any other social transfer vehicle. The requirements for material, technical, managerial and administrative inputs frequently double the cost of the public works programme – usually between 30% and 70% of the programme budget will be spent on non-wage expenditures. For public works to be economically efficient, the assets and goods they produce must be highly valued.[328]

The challenge of labour intensity is that of striking a balance between providing the greatest number of jobs in order to provide immediate social protection, and delivering productive assets that are developmental and reduce poverty in the longer term. Rigid rules – such as limiting non-wage spending to 20% (such as with Ethiopia's Productive Safety Net Programme) – are unlikely to achieve the appropriate balance, which will vary from project to project. It is more important to understand the trade-off – and make the appropriate judgements. **Box 5.5** describes the first year's experience with Ethiopia's Productive Safety Net Programme.

5.7 Productivity and pro-poor impact of public works (how to maximise the social value of the public works)

Public works programmes impose a significant cost on participants in terms of foreclosing other opportunities. The work tasks absorb the labour of the poor – effort that otherwise meets the critical needs of the poor households. Time spent digging irrigation ditches displaces other opportunities for human capital investment, food security activities, and care work. It is critical that the value of these alternative activities is taken into account when determining the net benefit of participation in a public works social protection programme.

Scheduling flexibility – from setting one's hours during the day to deciding when during the year it is best to work – is important for reducing the opportunities the poor must give up in order to participate. Designing programmes sensitively to permit participation in alternative employment opportunities can improve the participating household's well-being and promote food security.[329] In Tanzania, for example, projects were not synchronised with the agricultural slack seasons, increasing the cost of participation to the workers and reducing the social protection impact.[330]

328. McCord (2005d), page 6.
329. McCord (2005d), page12.
330. Subbarao (2003), page 20.

workers in the group receiving the vouchers had found a private sector job – versus only 9% in the group that received no additional benefits (the control group). The difference was found to be statistically significant.

The workers who were able to successfully exit the public works programme were mostly women, as well as younger and more educated workers. The additional training also slightly improved the chance of employment, however, this was only apparent when statistical techniques were applied to control for the sample selection choices. The impact of training was particularly important for those with better initial education.

While Proempleo did not promote a major transition from public works to private sector jobs, the experiment cost little and managed to support some increase in private sector employment. Scaling up the experiment, however, might not increase the benefits substantially. With limited numbers of workers with vouchers, employers might receive the subsidy certificate as a tacit government endorsement of the worker. As the number of participants increase, the value of the certificate becomes diluted. In addition, the offer of a subsidy might help programme participants to find work, but perhaps to fill those positions created by retrenchments motivated by the company's desire to attract subsidies for hiring new workers. In this case, there is no employment gain for the economy, rather an economic loss as firms pay the costs of restructuring and retraining new workers. ●

SOURCE: Galasso, Ravallion and Salvia (2002), page 23.

Programmes that impose unnecessary transaction costs undermine the value of the wage benefit. Targeting that creates stigma, poorly situated projects that impose high transportation costs, and poor administration reduce the value of the programme. Corruption, which requires participants to pay for participation, can drive the net benefit of the programme to the poor down close to zero.[331]

5.8 Exit policies

Policymakers often assume that participation in public works programmes will enable a participant to rise out of poverty. The prospects for a sustainable impact depend positively on the duration of employment, the wage level, and the effectiveness of complementary development activities. In addition, there are a number of possible strategies that facilitate exit from poverty – providing skills, boosting job-creating economic growth, or providing subsidies that facilitate entry into the workforce. In the absence of an effective exit strategy, most participants in public works programmes will sink back into poverty once the scheme ends.

The employment-generating impact can extend beyond the jobs created directly by the programme. If the public works produce economic infrastructure, this investment can "crowd in" private economic activity. Public works programmes will indirectly stimulate employment if local enterprises are able to respond to the demand generated by the increased purchasing power of poor households. For example, irrigation infrastructure and rural roads produced by the Maharashtra Employment Guarantee Scheme in India have led to further second-round employment creation.[332] By creating assets that boost productivity in agriculture and rural non-agricultural activities, the programme has created a virtuous circle – reducing the need for public works by increasing employment opportunities in the more remunerative private sector.[333] Similarly, the second-order economic benefits stimulated by the availability of cash in the local economy arising from the wage transfer can support private sector job creation.[334] However, this is only likely if employment is prolonged, leading to a sustained cash infusion into the local economy, and if the scale of interventions (in terms of employment) is sufficiently large.

The Productive Safety Net Programme in Ethiopia aims to provide complementary development initiatives that prepare workers for self-employment, providing agricultural

331. Subbarao (2003), page 5.
332. Subbarao (2003), page 3.
333. Sathe (1991), Dev (1995), page 123.
334. McCord (2004), page 65.

BOX 5.7: The need for a complementary social transfer for households with no one able to work: the case of Malawi's Social Action Fund

Malawi's Social Action Fund (MASAF) generally makes no explicit provision in its public works programmes for those households in which no one is able to work. Children, lactating mothers, the sick and malnourished in Malawi (as well as in Ethiopia) sometimes choose to participate in these projects because there is no alternative. This experience demonstrates the risk of assuming labour-constrained vulnerable groups have spare labour available. This experience demonstrates the risk of assuming labour-constrained vulnerable groups live in households where someone is able to work.

While MASAF funds the Social Support Project (SSP), which provides some social protection for vulnerable groups (including orphans and vulnerable children), this programme is not integrated with the implementation of public works. As a result, in some areas public works benefit workers but fail to meet the more pressing needs of the most vulnerable.

In some countries, the predicament of the weak and vulnerable forced to seek employment in public works has led to innovating coping mechanisms. In Zimbabwe, smaller buckets are provided to workers severely affected by

extension services, micro-credit, seeds, fertilizer and other inputs. The longer horizon – five years – provides opportunities to raise incomes and build assets. Community asset development is intended to provide similar benefits to those of the Maharashtra Employment Guarantee Scheme.[335]

Skills development to enable workers to move into employment is another exit policy that aims to provide a ladder up from the relatively low wages of public works. Most public works programmes, however, provide only the basic skills required to carry out the specific duties of the job – and these skills rarely have significant value in the local marketplace for work. The value of any additional training provided will depend on its quality and its relevance in the accessible labour market.[336] South Africa's Expanded Public Works Programme aimed for a choice between "moving to a new employer, further education, better equipped job seeking, remaining with the same employer under normal employment conditions, or self-employment."[337] In practice, after their six months of employment entitlement, most workers returned to unemployment.[338] The unskilled labour provided by most programmes does not confer any advantage given the structure of most developing country labour markets – with scarce skilled labour and overly abundant unskilled labour.[339] Skills development as an exit policy requires more than rhetoric – it may prove one of the most resource-intensive options.

In some countries, the structure of the economy fails to create job opportunities for unskilled workers. The unemployment that results intensifies if there are not effective mechanisms for providing workers with more appropriate skills. Public works schemes may help some participants find employment outside the programme, but often at the expense of another unskilled worker (a problem referred to as "labour substitution").[340] This problem is discussed in **Box 5.6** in the context of Argentina's Proempleo Experiment.

5.9 Free distribution to vulnerable groups

Public works primarily target households that can supply labour to the programme. In some cases they offer an unconditional transfer to poor households who have no individuals able to work.[341] In particular, programmes may explicitly target female- and child-headed households or those who are chronically ill. The group eligible for free distribution varies depending on country conditions – often 10–20% of programme beneficiaries.[342]

335. Sandford (2005), page 8.
336. McCord (2005d), page 16.
337. McCord (2004), page 66.
338. McCord (2004), page 66.
339. McCord (2006), page 5.
340. McCord (2005).
341. McCord (2005d), page 19.
342. McCord (2005d), page 19.

HIV/AIDS in recognition of their weakened state. In Ethiopia, contractors have requested exemptions from the normal labour-intensity requirements because severe malnutrition had significantly compromised the productivity of the participating workers. In these cases, ethical considerations demand a reconsideration of the work requirement.

The work conditionality assumes that poor households have idle labour willing to work if employment is made available. International experience with public works documents strong demand for these jobs, with most programmes required to resort to non-wage rationing mechanisms. Two factors can work against the poorest in their attempts to access benefits through public works – they often have the least spare time available to commit to public works, and the targeting mechanisms do not always reach them.

Unconditional grants are often more effective in reaching these households. The cost of delivering benefits through public works to older people, child-headed households or those severely affected by HIV/AIDS is likely to be significantly higher than the cost of an unconditional transfer. Complementary social transfers to households with no one able to work are a critical element of efficient and equitable public works programmes. ●

SOURCE: McCord (2005a).

Since work requirements generally exclude the most vulnerable – children, older people, many of those with serious disabilities – other interventions are required in order to ensure comprehensive social protection. It is not so important who distributes the social transfers – what matters is that the complementary programmes work together so that no destitute households are excluded. **Box 5.7** documents the case for complementary social transfers considering the example of Malawi's Social Action Fund.

5.10 Civil society's role

Civil society institutions can play a number of roles in improving the demand for, and design and implementation of, public works. For example, civil society participation enhances the delivery effectiveness of the Maharashtra Employment Guarantee Scheme in several ways:

- Non-governmental organisations disseminate information and spread awareness among the poor and often illiterate workers;
- Non-governmental organisations and trade unions support political mobilisation of workers to more effectively press their demands for employment;
- Civil society institutions can check malpractice and corruption.[343]

5.11 Conclusions

Public works programmes can cost effectively provide social protection if they achieve the golden combination of effective targeting, labour intensity, high productivity, flexibility in working conditions and production of pro-poor assets. In addition, the imperatives of social protection require that they provide unconditional benefits to poor households without available labour. These conditions make public works the most expensive type of social transfer programme in terms of cost per unit of net benefit delivered, and many programmes fail to meet either the standards of cost effectiveness or social protection. Nevertheless, the instrument remains popular with policymakers. The success of public works schemes depends on evidence-based design, effective monitoring and an active role for civil society.

343. Dev (1995), page 133.

CHAPTER 6

Designing Systems for Implementation

The objective of this chapter is to provide information regarding the implementation of social transfer systems, with a focus on the systems required for registration, determination of eligibility, and payments. In addition, the chapter also discusses issues with human resources, pilot programmes, accountability and security.

6.1 Introduction

The first five chapters of this guide provide a framework for identifying and designing an appropriate social transfer programme. This chapter addresses some of the major issues faced during implementation.

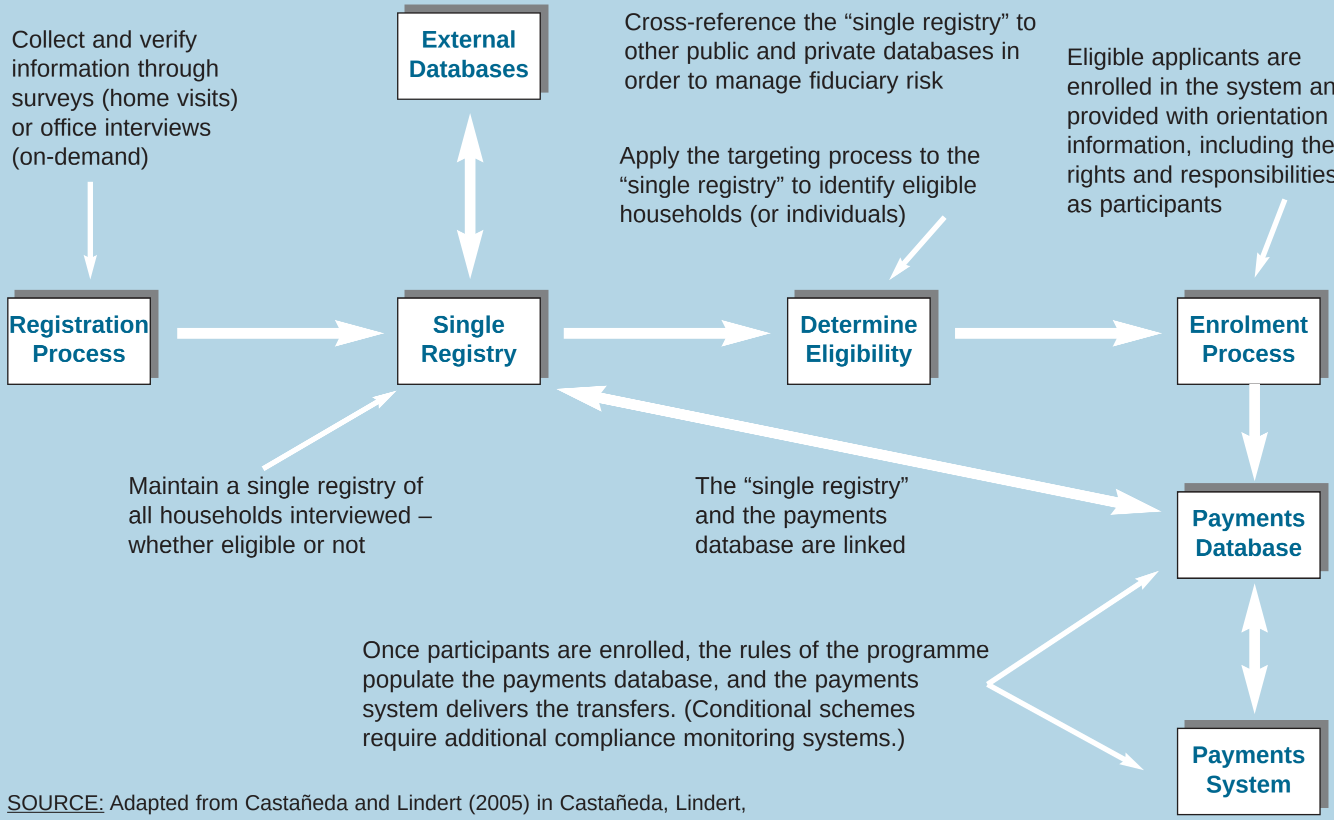
Different countries adopt varying strategies to implement the programme design. In some cases countries begin with a pilot programme, and then scale up delivery once the design features have been tested and refined.[344] Other countries immediately implement on a national or sectoral scale – building on or adapting existing schemes or starting from scratch – revising and sometimes expanding over time.

The design plan indicates what groups of beneficiaries will be targeted, how much will be paid, and what and how conditionalities (if any) will be imposed. Turning this design into an actual programme requires systems – for identifying the particular beneficiaries and making payment to them, and for monitoring any conditionalities.

The implementation process may encounter bottlenecks or uncover design flaws. Even with reasonable foresight and a well-formulated programme design, the implementing team may run into unexpected problems – budgets are cut, natural disasters increase the number in the

344. Devereux et al. (2005).

BOX 6.1: A flowchart for major systems required to implement a social transfer programme



SOURCE: Adapted from Castañeda and Lindert (2005) in Castañeda, Lindert, de la Brière, Fernandez, Hubert, Larrañaga, Orozco and Viquez (2005).

targeted population, information systems prove incompatible. The implementation process may also uncover flaws in the programme design that are not amenable to simple correction. Given the complexity of social transfer programmes, no design plan will be perfect – flexibility in the face of bottlenecks and design flaws is essential.

Implementation involves building systems and putting them into operation, as well as overcoming bottlenecks and correcting design flaws in the process. Flexible and adaptable procedures will expedite implementation. While detailed programme specifications reflect thorough planning, locking implementation into a fixed blueprint impedes the learning and flexibility required for success.[345] However, once systems are in place, they can be difficult to change – future modifications in procedures that enforce rights to social security are more likely to be evolutionary.

6.2 Implementation systems[346]

Once the social analysis and political decision-making process determines the defining features of the social transfer programme, the managing institution must begin the technical process of building delivery systems. While a number of approaches are possible, this chapter discusses the most effective practices common to many successful programmes around the world. The first step is establishing a registration process that captures relevant information concerning the

345. World Bank (2004a), pages 10–11.
346. This section relies substantially on Castañeda, Lindert, de la Brière, Fernandez, Hubert, Larrañaga, Orozco, and Viquez (2005) and Rawlings (2004).

BOX 6.2: Alternative approaches to registering beneficiaries

The Survey-Outreach Method (Social workers survey poor areas)	The On-Demand Application Method (Potential beneficiaries apply at offices)
Advantages ■ The direct and expansive reach of a survey offers a better chance of reaching the poorest – who may not have the information or resources necessary to apply at an office. ■ The additional cost per individual or household registered is fairly low, since the census-style sweeping approach economises on transportation and time costs. ■ Often systematic surveys provide better quality data and reduce the risk of information manipulation.	**Advantages** ■ Non-eligible individuals and households often will choose not to apply – lowering the costs of administration. ■ The open and dynamic process enables anyone to apply at any time – creating flexibility and transparency. ■ The institutionalised nature of an office application process provides permanence and ongoing capacity development, and potentially supports "one-stop" referral centres for social services.
Disadvantages ■ When the survey covers areas with many non-eligible households, the total cost of registration may be greater. ■ When registration is limited to periodic surveys, the participation rolls are static and often inflexible, making it harder to serve people whose circumstances change. ■ When participation is limited to fixed quotas, sometimes less poor households who are surveyed early in the process qualify, but poor households surveyed later fail to qualify because the quota is full. ■ Eligible poor individuals may not be home or answer the door when the surveyor calls, or they might fail to provide accurate information and disqualify themselves.	**Disadvantages** ■ The poorest often lack the information and resources required to navigate the bureaucracy and succeed in the office application process – and often the poorest live furthest away from away from the office where applications are accepted. ■ Administrative costs can be higher if social workers must verify the information provided at the office – since this will require repeated trips to neighbourhoods where the applicants live.

targeted groups and consolidates it into a single registry – a national database including information on all households considered for the programme. The second step is the identification of eligible individuals or households, based on the established criteria. The third step enrols participants in the programme – notifies the beneficiaries of their rights and responsibilities. The fourth step delivers the social transfer to the participant. These steps are illustrated in **Box 6.1**. Subsequent steps include monitoring, evaluation and impact assessment, and these are addressed in **chapter 7**. Conditional programmes will also require additional systems for the monitoring of compliance with conditionalities. In addition, systems of accountability run parallel with these operational components. For example, an appeals process serves as a check on the system that determines eligibility. Fiduciary risk systems monitor the payments process.

Registration

The registration process is the first point of official contact between the social transfer programme and the potential participant. This usually takes the form of either a social worker visit to the home of a potential beneficiary as part of an expansive survey (survey approach), or else a visit by a household member to a designated enrolment site or government office (on-demand approach).

The Survey-Outreach Method (Social workers survey poor areas)	The On-Demand Application Method (Potential beneficiaries apply at offices)
Best suited when:	**Best suited when:**
■ Poverty is concentrated in relatively homogenous areas. ■ Average education levels are low and/or access to information is poor. ■ Programme officials place a high priority on rapid implementation and there is a greater need to pro-actively reach the poor.	■ Poverty occurs in pockets surrounded by less poor areas. ■ Participants are better educated and/or have ready access to information about their rights to the programme. ■ Programme officials implement outreach and information campaigns that encourage application.
Examples of use:	**Examples of use:**
■ Colombia's SISBEN ■ Brazil's *Cadastro Único* ■ Mexico's *Progresa* in rural areas	■ Mexico's *Oportunidades* in urban areas ■ South Africa's child support grant and social pension ■ India's social pension ■ Nepal's social pension ■ Namibia's disability grant

SOURCE: De la Brière and Lindert (2005), and Castañeda, Lindert, Brière, Fernandez, Hubert, Larrañaga, Orozco and Viquez (2005), and case studies undertaken for this guide.

Either approach requires complementary outreach and information campaigns – which should employ media that best reach the poor – radio announcements and shows, public notices, outreach through religious institutions, broad-based advertising campaigns, and other channels. The survey approach provides more immediate results and is well-suited for areas with high poverty rates, while the on-demand approach is less expensive and better institutionalises a registration process.[347] Both approaches can be used simultaneously – with the survey approach geographically targeted to areas where it is most appropriate. The advantages and disadvantages of the two approaches are outlined in **Box 6.2**.

Many programmes – both conditional and unconditional – limit the registration process to specific periods during the programme cycle, often with arbitrary limits for the number of eligible beneficiaries. Zambia's Kalomo cash pilot enrols participants and then closes the registration process until the next enrolment period. In addition, the number of beneficiaries is limited to the poorest 10% of households in an area, even though many more are critically poor and otherwise eligible.[348] Brazil's sophisticated management information system effectively prevents households from registering for multiple grants, but repeatedly excluded eligible beneficiaries because a particular municipality had met its quota for beneficiaries.[349] The ideal registration

347. de la Brière, Lindert (2005), page 19, and Castañeda, Lindert, de la Brière, Fernandez, Hubert, Larrañaga, Orozco, and Viquez (2005), page 11.
348. Schubert (2005), page 12.
349. Ministry of Education (2002), cited in Britto (2005), page 11.

BOX 6.3: Applying for a social pension in Namibia

In a rural village in northern Namibia, a vehicle delivers the pension, N$300 each month, which pensioners withdraw with their pension card. There are still older people who do not have a card and hold out their identity documents or birth certificate in the hope that they will be informed about their application. Unfortunately the officials travelling with the vehicle do not accept application forms or comment on their status. Applicants must travel to Tsumeb, the local town about 100 km away, to visit the social development office. If there are problems with application papers, people are sent to the local home affairs office. The application is not accepted if there is a contradiction between the age on the birth certificate and that on the identity document. The local office will send the papers to Windhoek, but changes are rarely granted. If they are granted, people are charged N$50 for a new identification document. Since large numbers of people live on less than N$10 per month, that amount can prove an insurmountable sum. One has to pick up the identification document in person, which is impractical for those older people afflicted with illness. If someone is older than their identification document indicates, the government used to authorise doctors to estimate the applicant's age. Now, however, the government requires the individual to travel to Windhoek or Oshakati for medical x-rays that provide evidence of age. This requires money, time and energy and creates further barriers for many people in their quest to access social protection. ●

SOURCE: Widlok (2005).

system is universal and open-ended – any potential beneficiary can apply at any time, and programme officials will assess eligibility for immediate access to social transfers. Registration should not be limited to fixed survey or enrolment periods or subject to arbitrary limits.[350] It is important to stress that access to social security is a right – and social transfers aim to protect that right. Systems of registration should ensure that claimants understand their rights and are treated accordingly.

The success of the registration process depends critically on the poor having information and access to the registration process. Jamaica's television advertisements depicting the pregnant spouse of a cabinet minister registering for a social transfer programme raise awareness while reducing the exclusionary impact of stigma.[351] While the very poorest may not have access to television, these types of publicity campaigns can have important indirect effects – frequently beneficiaries cite relatives, neighbours and friends as the main source of information about social transfer programmes. Information alone will not suffice to guarantee success – the cost of registration must be affordable to the poor. The survey approach can reduce the cost to the poor – the on-demand model can involve transportation costs that prove prohibitive, particularly when the poor expect a high risk of not qualifying for the grant. **Box 6.6** discusses implementation problems in India that undermine the poor's access to social protection.

With either the survey approach or on-demand interviews, the officials should always treat potential participants with respect and in a culturally appropriate manner, informing them of their rights and responsibilities in the programme, particularly with respect to the terms of confidentiality. Interviewers should provide their clients with an opportunity to ask questions and with contact information (for example, a toll-free telephone number where appropriate) for later queries and so that they can follow up on the status of their application. Interviewers should speak the language of the potential beneficiary, or at least provide translation services. It is important to communicate clearly the purpose and limits of the interview: that the programme is assessing the individual's (or household's) eligibility for a social transfer programme, and that the interview itself does not guarantee eligibility, and that the applicant has the right to appeal if denied the benefit. The interviewer should provide clear information about the appeals process, as well as other information about social services and other benefits to which the applicant might be entitled.[352]

---

350. See de la Brière, and Lindert (2005), page 7, for a similar recommendation for Brazil's single registry.
351. Coady, Grosh and Hoddinott (2004), Grosh (1994).
352. Adapted from Castañeda, Lindert, De la Brière, Fernandez, Hubert, Larrañaga, Orozco, and Viquez (2005), page 15.

BOX 6.4: Nepal solves the missing identity documents puzzle

In 1994 the Nepalese Government announced the imminent implementation of the Old Age Allowance Program. The government required older people to present a Nepalese citizenship certificate, which verified their age, in order to apply for the pension. At the time of the announcement, 20% of the eligible older people did not possess these certificates. The government encouraged older people to apply for them, but required supporting documents verifying age, place of birth, current address and father's name. Proof-of-age can be very difficult in a low-income country, but the government demonstrated a great deal of flexibility.

During the previous electoral campaign the Election Commission of Nepal had issued an identity card which included the age of the voter. These cards were allowed as proof of age, enabling some Nepalese to gain the pension. Most older people had a horoscope, which contained an accurate date of birth. The government permitted older people to apply for the citizenship certificate using the horoscope to verify their age. Older people were not required to undergo expensive medical verification of their age, making the application process easier and dramatically improving take-up of the pension.

Estimates place the take-up rate of Nepal's pension at close to 100%, in spite of very high rates of illiteracy. Awareness of the pension pervades the population. Nepal's successful experience reflects in part the value of a flexible approach to documentation requirements. ●

SOURCE: Rajan (2002).

Documents

Any registration or eligibility process will require processes for documenting a potential beneficiary's identity. This poses an initial stumbling block, as the poorest often have the least access to the necessary documentation. At the same time, lack of documentation often blocks the poor from accessing other government benefits. The incentive provided by the social transfer programme to obtain the appropriate identification documents may help unlock access to these other public benefits. The success of the social transfer programme is likely to hinge critically on the processes that provide identification documents to the target population. This factor is further complicated because the government department that provides these documents is usually different from the one managing the social transfer programme. **Box 6.3** discusses problems with identification documents and proof of age in Namibia, and **Box 6.4** describes the flexibility of Nepal's solution to the problem.

In addition to identity, the documentation will need to substantiate other conditions for programme eligibility, such as age, relationship to other household members (such as a care-giver applying for child grants), income, health conditions (including disability or participation in health programmes), and education conditions (such as school registration).

Information systems and the "single registry" (*Cadastro Único*)

Appropriate and effective information management systems provide an essential tool in implementing a successful social transfer programme. Many of the features of Brazil's "single registry" (known as the *Cadastro Único*) provide a relevant model to consider, even for unconditional programmes. A household must register in Brazil's *Cadastro Único* prior to participating in *Bolsa Familia*. The *Cadastro Único* contains data representing approximately 50 million people comprising an estimated 10 million families.[353] A single national registry for determining and monitoring programme eligibility offers many advantages, including controls on duplication of benefits, efficiencies in administrative costs and systematic management of exit criteria.[354] A sketch of the system is provided in **Box 6.5**.

In the process of designing an effective management information system, two ingredients are essential. First, the systems design team must involve the programme staff members who are responsible for

353. World Bank (2005), page 6.
354. De la Brière and Lindert (2005), page 7.

BOX 6.5: Brazil's Single Registry (*Cadastro Único*)

The *Cadastro Único* serves as a tool facilitating registration and targeting of Brazil's federal social benefits received by poor families whose per capita income is less than half the minimum wage. The creation of a single registry aimed to provide a consolidated beneficiary database able to serve the different social transfer programmes and act as a targeting tool in determining eligibility. The unified system aimed to reduce costs that are elevated by duplications in administrative systems, benefits and monitoring. The diagram shows how the Federal government, municipalities, public sector bank (CEF) and federal government line ministries have worked together to create, maintain and further the *Cadastro Único*.

On a municipal level, quotas were provided for the total number of poor families to be registered in the database (the quotas were based on updated municipal level census). The municipality was then responsible for the registry process, which involved:

- Identifying which households to survey for the registry up to the pre-determined quota level.
- Setting up and training the interview team (usually teachers, health workers, technical staff from the municipal secretariats for education, health and social assistance, co-ordinators and monitors for the *Agente Jovem* and PETI programs and students).
- Conducting the interviews (on the basis of home interviews and visits). This is done by means of a questionnaire covering household characteristics (number of rooms, type of construction, water source, sanitation, and others), incomes, and expenses (including rent, housing loans, food, water, electricity, transport).
- Entering and transferring the data to the CEF.

Once the data are transmitted to the CEF, they are entered into a computer system. Each person is then assigned a unique social security number.

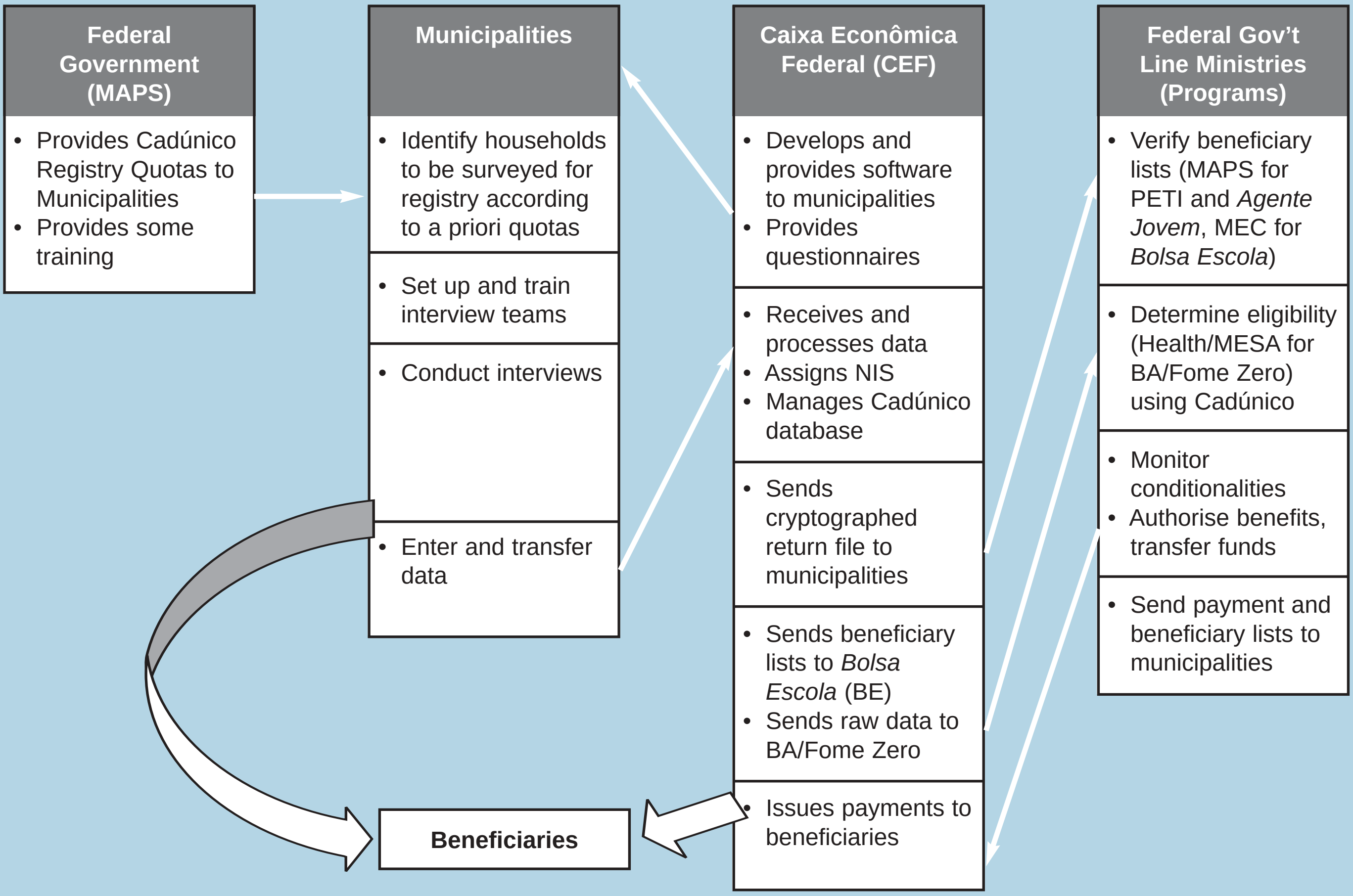
Prior to their consolidation into *Bolsa Familia*, the different social transfer programmes use the *Cadastro Único* for the selection of beneficiaries. The *Bolsa Escola* relied partly on the single registry, but also utilised a separate system it had developed for selecting beneficiaries. The *Bolsa Alimentação* programme relied solely on the single registry system for selection of beneficiaries. The *Auxílio-Gas* (gas subsidy) and the *Tarifa Social de Luz* (electricity subsidy) also used the *Cadastro Único* database, although their beneficiary base was wider and they included other households. The PETI (child labour) and *Agente Jovem* programmes also relied on the system for beneficiary selection but also supplemented additional criteria for eligibility.

Despite the advantages of having a single registry system, certain problems were documented. First, the use of quotas proved to be a contentious issue as this limited the number of people that could be registered. Accordingly, a large number of poor were excluded from registration and consequently from eligibility. The system did not have adequate mechanisms to ensure that quotas included the very poorest. In addition, the use of unverified household income as a screening mechanism in order to be determine eligibility led to distortions due to under-reporting of informal and in-kind earnings and other problems. The use of the survey system has also led to high levels of exclusion of those living in remote rural areas and those living in high-risk urban environments. ●

entering operational data and maintaining the system. This brings critical stakeholders on board with the new system and tends to improve the quality of the system's operations. Second, the design team must involve the end-users of the system in the design of appropriate reports and analytical tools.[355]

The main interface between the applicant and the single registry takes the form of a questionnaire – either on paper or a computer screen. The amount of information depends on programme requirements – in Brazil's case the questionnaire includes 13 pages of questions capturing names, identification numbers, addresses, household characteristics (particularly those of the dwelling that reflect living standards: construction materials, water sources and vital services), incomes and expenditures as well as other information.[356] Universal programmes within categories (such as Lesotho's social pension) require substantially less information – name, proof of age and residency, and a mailing address or bank account number. The database

355. Lecuit, Elder, Huzrtado, Rantrua, Siblini, and Tovo (1999).
356. De la Brière, and Lindert (2005), page 8.



SOURCE: De la Briere and Lindert (2003).

can serve a multitude of functions, other than registering claimants. It can serve as the basis for future monitoring and evaluation processes and potentially support other development projects. This potential should be considered in designing the data requirements for the system.

The technology of data entry can reduce the cost and improve the accuracy of the database. Electronic data captured during field interviews simplifies and speeds up communication and database updates, but the cost of this more capital-intensive technique may be high and require substantially more training than a paper-based approach.[357] The feasibility of this approach will depend on the country context, the human resources and the technology available.

For a one-time "big push" to roll out a new programme, a survey-based approach may require large numbers of temporary interviewers. In Brazil's case, municipalities set up and trained the

357. Ayala (2005), page 70.

BOX 6.6: Implementation pitfalls in the delivery of social transfers in the state of Maharashtra

Field research from October 2003 to June 2004 in two villages in the Indian state of Maharashtra provides examples of implementation problems with the government's social transfer programmes, including the National Social Assistance Programme and the Maharashtra Employment Guarantee Scheme. Evaluating implementation processes can illuminate potential reforms that can improve delivery, particularly with respect to application procedures, eligibility determination processes and payment mechanisms.

The application process for social transfers in the state of Maharashtra in India can prove time-consuming, costly and haphazard. Applicants often cannot freely obtain the necessary forms at the appropriate government offices (tehsil office) and must purchase them at photocopy shops. The form typically contains 14 pages, many of which require certified statements from village government officials. Applicants with low literacy levels may require assistance – available for a fee from private "writers" or "agents". Agents cost several times what writers charge, but use their political connections to obtain the required certifications.

Applicants must provide proof of age – either through a school-leaving certificate or a certified record from the birth register. These are often difficult to obtain and frequently an applicant must pay a government medical officer to certify age. The village revenue office (Talathi) must provide an income/property certificate as well as a certificate of residency, which can also be provided by the village council president. Applications for disability grants require additional certification and create further opportunities for corruption.

Improper submission of an application can jeopardise prospects for success. Often the receiving official requires a

interview teams, hiring school teachers, community health workers, municipal staff members from the departments of health, education and social development, workers from other social transfer programmes and non-governmental organisations, students, volunteers and trainees. In the absence of consistent high-quality training, the interviews provided data of uneven reliability.[358]

Once the questionnaires are collected, data entry processes capture the results into the single registry. With Brazil's *Bolsa Familia*, municipalities entered the information and transferred it to the local office of the national banking partner (Caixa Econômica Federal) using disks or the Internet, from where it was consolidated on the bank's mainframe computer, with assigned unique social identity numbers, and distributed in encrypted form to the appropriate government agencies.[359] In cases where existing databases hold useful household-level information, it may be possible to automatically migrate the records to the new registry.

Data validation is essential. At the household level, survey team managers should randomly cross-check the accuracy of the survey instruments, including revisiting the selected households to verify that the interviewer actually surveyed the household members. Consistency checks can provide a measure of the quality of a questionnaire's data – if expenditures vastly exceed reported income, for example, there's a higher likelihood of income under-reporting, particularly if the household is aware that eligibility depends on reported income. Tests across entries within the database can identify duplications. With Brazil's *Cadastro Único*, an audit uncovered thousands of entries with more than one identity number, and nearly half a million cases where an identity number was registered more than once. Duplications arise from field entry errors, poor municipal-level co-ordination causing multiple teams to repeatedly survey the same areas, and identity verification problems.[360] Without real-time data entry – during which the person entering the data has immediate access to all previous entries – it is not possible to verify with certainty that an applicant has not registered previously. In this case, consistency checks internal to the registry provide a critical check on fiduciary risk. (See section 6.5 later in this chapter for more examples of fiduciary risk management.) The World Bank has linked loan conditionalities for *Bolsa Familia* to improvements in data quality addressing some of these issues.[361]

358. De la Briere, Roquete, Teixeira, Paz, and Aquilino (2003).
359. De la Brière, and Lindert (2005), page 11.
360. De la Brière, and Lindert (2005), page 11.
361. "…improvements to the Cadastro Único – including designing and printing the new questionnaires, revising and publishing the new BFP eligibility criteria, designing an improved data collection strategy for expansion and recertification, eliminating all detectable duplications in the Cadastro database, and granting access for MDS and municipalities to Cadastro Unico data – would constitute performance milestones for increasing the disbursement percentage for Component 1, as well as triggers for moving to Phase 2 of the proposed APL program as they would signal key achievements in strengthening the basic architecture of the program." Report No: 28544-BR, Project Appraisal Document on a Proposed Adaptable Program Loan in the Amount of US$572.2 Million to the Federative Republic of Brazil for a Bolsa Familia Project in Support of the First Phase of the Bolsa Familia Program", May 25, 2004. [The World Bank (2004c).]

small bribe, for which failure to pay can consign the application to the dustbin. No receipts are normally provided, leaving applicants with little recourse for "lost" applications. In some cases, officials refuse to accept the applications because of minor errors – avoiding the work of processing the application and imposing additional costs onto the applicant, while reducing the effective demand for the programme. The local Social Security Committee meets bi-monthly to review applications. The process is fairly informal, with little recourse for rejected candidates, providing rampant opportunities for favouritism and corruption.

Employment Guarantee Schemes also suffer from process deficits. There are few mechanisms by which a worker can protect his or her right to a guaranteed job, and supervisors sometimes require bribes. The failure to appropriately register all those who need jobs prevents the establishment of the required number of projects. Wage payments are sometimes delayed by two or three months, creating particular hardship for the poorest and creating vulnerability to usurious credit traps.

These examples of implementation problems in Maharashtra's social transfer programmes underscore the need to understand informal mechanisms that work side-by-side with official institutions, many of which can make social transfers more regressive than necessary. Additional bureaucratic procedures that protect rights – like providing receipts for submitted applications and monitoring outcome indicators – can improve delivery. In other cases, reducing or relaxing administrative requirements can support improved effectiveness. Providing an independent advocate to support the interests of the applicants – through structures independent of local politics – can help to reduce corruption and inefficiency. ●

SOURCE: Pellissery (2005).

Determining eligibility

Once households have registered for the programme, the process of determining eligibility involves applying the targeting criteria to the data in the single registry.[362] For example, the eligible population for a universal pension includes all those in the registry whose age is above the selected threshold. Means-tested programmes require more complex procedures (as discussed in chapters 2 and 3). The single registry may alternatively be used as a foundation for more accurate geographic targeting. After any one of these types of targeting mechanisms (or a combination) produces the list of eligible and selected beneficiaries, field testing and community validation can provide a check on the results.[363] In Brazil's case, the national banking partner (Caixa Econômica Federal) provides the database to line ministries who make the eligibility determinations in accordance with national criteria, which are then validated by municipal councils – usually with the effect of reducing the number of beneficiaries.[364]

Chapters 2 and 3 addressed the defining questions for determining eligibility – whether to target at all, and if so, which targeting mechanisms to use. The answers to these questions establish the framework for identifying the programme participants. Making this framework operational requires considerable attention and care – targeting succeeds or fails as much due to implementation as to design.[365]

An extensive study of targeting mechanisms concluded that no single blueprint provided the ideal targeting mechanism, rather, for any chosen approach, programme managers required more creativity and diligence, as well as improved and better-resourced administration. The study identified key themes for improving implementation:[366]

First, what cost-effective administrative improvements would reduce errors of exclusion and inclusion, and thus improve targeting performance? Many of the barriers to the poor arise in the first step of implementation – registration. For example, the poor do not always possess the necessary identity documents required to register for the programme. As discussed in **Box 6.4**, Nepal's flexibility in permitting alternative methods for proof of age demonstrates one strategy for improving take-up rates.[367]

362. Castañeda, Lindert, de la Brière, Fernandez, Hubert, Larrañaga, Orozco, and Viquez (2005), page 19.
363. Ayala (2005), page 41.
364. De la Brière and Lindert (2005), page 9.
365. If the design question is which targeting mechanism to use, then implementation is much more important than design. In a World Bank study of targeting performance, 80% of the variability was due to differences within targeting methods (that is, how the chosen method was implemented) and only 20% due to differences across methods (where the method is the design choice). Coady, Grosh and Hoddinott (2004), page 84.
366. The following six themes are based on questions raised in their book and course presentation, with additional examples drawn from the case studies supporting the analysis in this guide. [Coady, Grosh and Hoddinott (2004), page 85, and Grosh (2005), page 22.]
367. Rajan (2002).

BOX 6.7: Cash payments through the banking system in Bangladesh's social transfer programmes

Bangladesh delivers cash payments through two social transfer programmes – the Primary Education Stipend Program (PESP) and the Rural Maintenance Program (RMP). The PESP provides quarterly transfers to households with children enrolled in primary school. The RMP offers public works employment to groups of ten women, paying a daily wage of 51 taka. Bangladesh's experience shows that the banking system can offer a cost-effective and reliable payment mechanism for social transfer programmes.

The PESP provides benefits at a monthly rate of 100 taka for families with one child and 125 taka for families with more than one child, on the condition that the children attend school at least 85% of the time and achieve at least 40% marks in examinations. Upon enrolment in the programme, parents open up special purpose bank accounts at local branches. The local school committees monitor compliance and prepare lists of eligible beneficiaries for approval by education officials. Once approved, the Project Implementation Unit transfers funds to the bank's national head office, from where it is deposited into the bank accounts of the beneficiaries. Parents hold colour-code bankcards to help distinguish the size of the benefit to which they are entitled. Usually only primary beneficiaries are able to withdraw funds, although exceptions are made in special cases.

The RMP targets destitute women, organising them into groups of 10 that work to maintain local rural roads. Participants are required to save 10 taka per day from the 51 taka wage, which is paid bi-weekly. The groups elect a treasurer and sub-treasurer, who maintain an interest-bearing account with a local bank branch. Upon approval by programme officials, wage payments are deposited into each group's bank account, and the treasurer or sub-treasurer withdraws the funds (less the required savings) and distributes them to their group members.

Second, what cost-effective administrative improvements would reduce private and social costs? In South Africa, applicants visiting government social development offices complained in 2001 that officials in the offices would initially provide minimal information regarding the eligibility requirements, and then provide just sufficient information on subsequent visits that multiple trips were required. Multiple visits increased the costs of administration as well as the time and travel cost burden on the poor applicants (and reduced take-up of the grants). The government implemented the Batho Pele ("Putting People First") customer service programme to transform the service standards of bureaucrats, contributing to lower private and social costs as well as substantial increases in take-up of social grants.[368]

Third, how can administrative costs be lowered and/or quality improved? Brazil's implementation of *Bolsa Familia's* single registry (*Cadastro Único*) aims to lower administrative costs and improve the quality of the targeting process by consolidating systems and applying fiduciary risk management techniques.[369] Zambia's Kalomo cash pilot developed an effective procedures manual (and made it available on the internet as a public good). Effective manuals can help standardise procedures that guarantee high-quality delivery and reduce costly administrative errors.[370]

Fourth, can other social programmes employ the same targeting mechanism? In 1999 Armenia consolidated 26 small cash transfer schemes into a single integrated programme employing a unified targeting mechanism – improving targeting and benefits while reducing administrative costs.[371]

Fifth, does the targeting mechanism reflect sound practices? Unverified means testing can lead to under-reporting of income. Proxy means testing with poor statistical analyses can increase both inclusion and exclusion error and damage the credibility of the programme. Geographic targeting with outdated data produces potentially biased and inefficient results. Community targeting without appropriate appeals processes can lead to widely varying standards across regions. Chapters 2 and 3 discuss the design of targeting mechanisms in greater detail.

368. http://www.info.gov.za/aboutgovt/publicadmin/bathopele.htm, see also Samson (2002).
369. De la Brière, and Lindert (2005).
370. Schubert, Schüring, and Goldberg (2005).
371. Grosh (2005), page 25, Harutyunyan (undated), page 1.

The banking system provides a cost effective mechanism for delivering social transfers. Neither PESP nor RMP members pay maintenance charges for their bank accounts. The PESP pays 2.5% of the value of the transfer as a transaction cost, which is low by developing country standards. Banks keep costs low for PESP participants by limiting the services offered with the account. RMP banking costs are reduced because 10 women share each bank account.

The programmes rely on government banking facilities, which have extensive branches in rural areas. However, many of these branches could not survive without government subsidies. The PESP limits the distance beneficiaries must travel to 5 km from the student's school. For families that live further, the programme mandates mobile pay stations staffed with bank personnel. Alternatives to the existing public banking mechanism include private banks, postal banking and NGOs. However the public banks have more extensive rural infrastructure and benefit from subsidies that lower the direct costs to the social transfer programmes. Banks demonstrate a competitive advantage over other institutions because of their experience in payments processes, branch coverage, systems for transparency, accountability, and fiduciary risk management; scalability, flexibility and economies of scale.

Rural public banks face significant challenges. Few banks in rural areas employ modern technology. Electronic banking is largely limited to urban areas, limiting cost savings and the extension of developmental financial services to the participating households. Automated Teller Machines (ATMs) are too expensive given the demand and cost structure facing the rural banks. Social policy researchers and programme analysts are investigating other instruments for cash delivery, although more technologically advanced solutions that can generate developmental benefits and long term cost savings may face an initial cost hurdle that is difficult to overcome. The existing systems demonstrate that banks can provide a viable mechanism for delivering social transfers in low-income countries. ●

SOURCE: Ahmed (2005).

Sixth, does effective monitoring and evaluation aim to improve the implementation processes? The Mexican government has legislated requirements for external evaluations of the *Oportunidades* programme.[372] Increasingly, governments recognise the value of monitoring and evaluation to not only assess the programme's impact but also to contribute to improving the delivery of social protection. The following chapter (**chapter 7**) will explore this issue in greater detail.

Enrolment

The enrolment process formalises the selection of the eligible beneficiaries, and the degree of formality this requires varies from programme to programme. Enrolment in a universal pension programme can take place at the same time as registration – the eligibility criteria are completely transparent. With more vigorously targeted programmes, enrolment may follow the registration process because of the need to process the data. These lags increase the cost of the programme – in terms of administration costs, private costs to the participant (for example time and transportation), and the delay in terms of providing the household with resources.

Enrolment processes for conditional cash transfer programmes can be more demanding on administrators and beneficiaries. Depending on quotas, the processing of proxy means tests, and the role of community participation, there may be a long delay between registration and eligibility determination. Enrolment begins with a letter or community notice announcing the selection of participants. In some cases, eligibility documents are verified after the eligibility determination has been completed. Given the complexity of conditionalities, the programme may require orientation and information meetings to convey the rules of the programme – these can take place during the enrolment process. Often, given the contractual nature of conditional programmes, the enrolment process will include the signing of a formal agreement.[373]

Implementing payment systems

The implementation phase of the programme culminates in the payment of cash to the beneficiary. Once a participant formally enrols, the payments process ensures that the payments

372. Santibañez, Vernez, Razquin (2005), page 41.
373. Ayala (2005), page 45.

BOX 6.8: Do the wrongly excluded appeal? Evidence from Progresa's early days

Progresa (now *Oportunidades*) conducted extensive evaluations of its programme and operations – providing a wealth of information about the challenges and pitfalls of implementation. The following excerpt from an early evaluation indicates that those excluded from the programme rarely appealed.

"Communities where people feel they have been wrongly excluded for this or other reasons are also permitted to submit these names in a petition. We did not find examples of success using this channel in the communities we visited, however…. Another problem raised in the interviews with school directors is that enumerators do not go to outlying areas of villages, and thus groups of very poor families in remote areas are excluded. School directors said that one of the main problems was that those who came to do the census did not know the communities. They recommend that local expertise is used, while cautioning that allowing local officials to advise can introduce political influence. In addition to not being properly advised, one could also imagine that enumerators might sometimes choose not to go to certain outlying areas. This issue of excluding outlying areas was not raised in the focus groups, although some people did say that the enumerator never came to their house."

The programme's appeals process intended to include a role for non-beneficiaries to participate in the community assemblies in order to appeal errors of wrongful exclusion. In practice the focus group discussions indicated that this did not happen, mainly because non-beneficiaries were not

database reflects authorisations to pay the participant – subject to possible conditionalities. The payments database is linked to the single registry – but contains records only for enrolled participants. With conditional cash transfer programmes, the payments database must also receive data feeds from the line ministries or other agencies responsible for monitoring compliance with conditionalities.

Cash can be delivered through government-implemented payment processes, the private banking system, postal banks, private payment contractors and electronic systems using smart cards (which can be integrated with any of the other options). Greater reliance on information and communications technologies (ICTs) – including computers, telephone networks, the Internet and other technologies – will usually require large initial investments, but will save money and time in the long term.[374] In particular, the second-order benefits of ICTs are likely to be important – if they cannot be leveraged, the investment might not be warranted. For example, the use of a smart card to deliver social transfers requires expensive technology, but also offers a savings vehicle for poor households and a secure means of making cash transactions at the local shop. Visits to pay points can be eliminated – the social transfer materialises automatically on the smart card each month. If these features cannot be implemented, the cost of the smart card might not be warranted.

The first step in identifying the appropriate strategy is to consider all the available and feasible options. For example, is there a banking system or post-office system which reaches rural areas? The options will vary from country to country – as will the relative costs and benefits. If a single one of these options is unable to deliver cash cost-effectively, a combination of measures may provide more efficient coverage.

Government cash distribution systems offer the advantage of a service delivery mechanism that is completely under government control, but does not provide a built-in check of service quality and can prove costly. Lesotho's delivery system for the social pension provides an example of this option – with a collaborative arrangement among the post office, the Lesotho Defence Force and the Lesotho Mountain Police – with military helicopters used to access remote areas.

The private banking system can often offer a competitive alternative. Banks leverage private sector experience in cash-handling and payments, and they often provide broad-based

374. CAL2CAL Corporation (2004), page 49.

invited to the assemblies. Many programme officials viewed the role of the assemblies as an opportunity to explain the process to the beneficiaries – not to address appeals issues. Non-beneficiaries reported that their failure to be invited explained their non-attendance:

"No I didn't go because I heard that only those that came on the list will go so because I wasn't on the list, how could I go?"

One programme official (promotora) from Michoacá attributed her failure to invite non-participants to her fear that it would put them to undue trouble and stir up resentment:

"My community only invited people who were on the list…. Because if I invite the rest of the people they will only waste their time and after that they will blame me…"

Programme officials frequently believed it was not possible to change the list of people admitted to the programme. When non-beneficiaries were invited to the assemblies, they were often separated from the beneficiaries and not included in a meaningful review process. The review found some cases where communities submitted petitions for new families to be included but documented no cases where new beneficiaries were added due to these appeals. *Progresa's* experience demonstrates the need for an independent and robust appeals and grievance mechanism. The mere existence of a formal appeals function does not ensure that it will be actively utilised. ●

SOURCE: Adato, Coady and Ruel (2000).

geographical coverage, tested systems for risk management and access to appropriate technology. However, in many countries the poorest are excluded from access to the banking system, and this option may prove costly if competition is weak because banks may demand high fees. Nevertheless this option may still be cheaper than having to carry and distribute money over large distances on a monthly basis. The costs may differ for rural areas where populations are often spread out and urban areas where populations are concentrated. Mexico relies cost-effectively on the banking system to provide payment services. The involvement of banks in Mexico may promote an improvement in banking services for the poor. In Somalia, the United Kingdom's Department for International Development contracts with Western Union, an international private money transfer company, to deliver social transfers, with a 24-hour service anywhere in the country costing only 4% of the transferred amount.[375]

Smart card services offer a modern and administratively efficient payment vehicle with substantial potential for spill-over benefits (savings vehicles, payment facilitation). However, no country has yet implemented a national electronic social transfer payment mechanism – so the performance in practice is difficult to assess. Smart cards are not easily implemented in communities that lack reliable electricity or access to telecommunications – they often validate transactions over a computer network.

Mobile Automated Teller Machines (ATMs) can be employed to distribute funds supporting any of the above options. Some mobile ATMs are built into a vehicle, while others are carried in the back of a truck. In most environments, security in the form of armed guards is required. Armed guards travel with mobile ATMs in Namibia and South Africa, where cash-in-transit heists are a problem. In addition to standard Personal Identification Number (PIN) measures, the computer system managing the ATM could link to the social transfer programme's administrative data, thus verifying eligibility. They also can be equipped with biometric verifications systems – such as fingerprint scanners. Mobile ATMs are not dependent on electricity infrastructure because vehicle generators can power them. They can be loaded with beneficiary data before they embark on their rounds and then operate off-line, eliminating their dependence on communications infrastructure. Alternatively, telephone links, cellular connections or satellite communications can provide real-time payment updates. Mobile ATMs can operate using conventional magnetic strip cards or smart cards.[376] The advantage of this is that beneficiaries – who may be older or physically disabled – do not have to travel long distances for the money.

375. Kidd (2006), page 6.
376. CAL2CAL Corporation (2004), page 38.

BOX 6.9: Pilot social cash transfers in Kalomo, Zambia

Social Protection schemes that transfer cash to the poor help people cope with crises like illness, death, or poor harvests. Fifty percent of the Zambian population live below the food poverty line (FAO, 2004). These are identified as those who consume below 1 800 Kcal per person (adult equivalent) per day. Food consumption is closely related to well-being and is more easily measured than income, thereby making it a useful measure of poverty. According to research by the Zambian Ministry of Community Development and Social Services:

- Ten percent of all households are critically poor, labour-constrained, and require urgent food social welfare interventions. Children in these households are denied basic needs, and AIDS is a major factor disabling the households' labour capacity.
- Existing organisations are preoccupied with providing relief food or targeting labour-capacitated households.
- Critically poor households are in favour of cash transfers rather than transfers-in-kind. This allows them greater flexibility, and is easier to manage from the government's point of view.

The Kalomo Pilot Social Cash Transfer Scheme therefore intended to assist the most desperate 10% of households with direct cash transfers, with a focus on households

Case management and appeals

An important function in the implementation process is the establishment of a system for addressing exceptional circumstances and eligibility decision appeals. This is particularly important for conditional cash transfers, although even unconditional programmes will require this function. In some cases, routine updates to the single registry reflecting household changes (births, deaths, livelihoods changes) will take place through the case management function. This function also addresses persistent problems with non-compliance with conditionalities – potentially providing social worker interventions to try to address the problems facing beneficiaries who are not meeting conditions before cutting off their benefits.[377]

Monitoring conditionalities

Conditional programmes require systems that will track compliance with the conditionalities, including school attendance, health clinic visits, and other requirements. This monitoring system must be integrated with the payments and appeals processes.

No comprehensive cost-benefit analyses of conditionalities have been conducted for existing programmes and been made publicly available. Imposing conditionalities is an expensive programme feature – in terms of administrative, private and social costs. The large number of people who comply – even in the absence of incentives – raises the question of whether conditionalities should be imposed. It may be more cost-effective to identify and address those households who fail to invest in human capital, rather than monitoring the majority with complex systems when they comply anyway. Different programmes address non-compliance in varying ways. *Oportunidades* excludes families from subsidies and scholarships immediately when they fail to comply. Immediate benefit suspension appears to contradict both the human capital and poverty reduction arguments. [378]

6.3 Building and retaining human resources

The World Labour Report observes that "Among social security staff there was often low morale owing to poor conditions of service and inadequate training".[379]

"In Sri Lanka, for example, there is approximately one programme administrator for every 85 recipients. In addition to administering monthly transfers, the administrator is also responsible for developing savings societies and supervising local capital works projects."[380]

377. Ayala (2005), page 59.
378. Ayala Consulting (2003), page 29.
379. ILO (2000), page 222.
380. Tabor (2002).

headed by older people taking care of orphans. The test phase of the scheme ran from November 2003 to April 2004, and was officially launched in May 2004. It ran in the pilot area of Kalomo until November 2004. The scheme paid monthly cash transfers of 30 000 ZMK (US$6) to over 1 000 households in this area.

Heads of beneficiary households understood the purpose of the transfers and made rational use of them by buying necessities such as food, soap and blankets. Some have saved part of the amount or invested it in seed for later in the year. Many households report that the transfers have given them new hope, and headmen report that the transfers have reduced the incidence of begging. Children in beneficiary households are also able to buy necessities for school like books, pencils, and clothing. Headmasters report that children from beneficiary households have improved attendance.

The fact that these transfers are cash allows much greater flexibility to the beneficiaries, and is one of the programme's most important benefits. The transfers are also regular and reliable, and the approval process is transparent. Extending the programme to all destitute households in Zambia would cost only 0.5% of GDP, and shows that Social Cash Transfers are affordable, especially when the burden is shared between the government and external donors. ●

SOURCE: Schubert and Goldberg (2004), page 9.

"In developing nations, the ILO has found several common institutional problems in the administration of cash assistance and cash insurance programmes. These include political interference in staffing and investment policy; fragmentation of policymaking and administrative responsibilities; excessive administration costs; poor terms of service for staff; neglect of compliance, enforcement, and policy research functions; difficulties in maintaining records; excessively complex procedures; delays in processing benefit claims; and a failure to ensure that contributors and beneficiaries understand the principles and requirements of the various schemes."[381]

Enhancing institutional capacity is important. This requires more than financial resources, since the constraints in scaling up are usually human and institutional, not financial. Thus, it is necessary to direct funding towards investment in capacity. External financing that is accompanied by policy advice, technical assistance, training, and capacity building is particularly valued. Investments in developing human capacity – training officers, health workers, teachers, etc. – help to scale up the anti-poverty initiative.[382] It may be necessary to provide training on a larger scale than initially required – some of the newly trained workers may find better paying jobs in the private sector, reducing capacity in the public sector. It is important to keep government salaries sufficiently competitive to retain skilled personnel.

6.4 Pilot programmes and scaling up

Cash transfer pilots provide an implementation option that is useful when a country lacks sufficient human or financial resources, or when design questions make it difficult to implement a national scheme with confidence. A small cohort of dedicated individuals can successfully manage a pilot programme, and this option is particularly appropriate when external funders or non-governmental organisations want to demonstrate the potential impact of a social transfer programme.

Pilot programmes serve useful functions as a design tool and political economy device. Pilots enable proponents to demonstrate success. The success can motivate policymakers to adopt the programme. (They can also demonstrate failure, but when pilots are well-resourced, there tends to be a bias towards success. A pilot is not an objective experiment "testing" a particular design – the aim is to make it work.)

The true test of a pilot programme lies in how it scales up to a national level. Expansion tests and stresses the fundamental design of the programme. Nicaragua's experience with the *Red de Protección Social* programme shows how impacts assessed from the pilot can be biased. Pilots

381. ILO (2000).
382. World Bank (2004e), pages 10–11.

BOX 6.10: Improving the management of fiduciary risk in Brazil's *Bolsa Familia*

In that *Bolsa Familia* has evolved through several precursor safety net programmes, it is itself an adaptation. Under the results-based framework, an iterative process to constantly adapt and improve the project is a fundamental element of design, not a symptom of failure.

Any social transfer programme – particularly a programme as large as this one – runs risks of fraud and leakages. The targeting, monitoring and evaluation components of the project are, in effect, countermeasures for anticipating, identifying, and minimising fraud. In that regard, some examples of adaptations taken by the government include the following:

- Issuing a well-publicised decree (a regulamento) that clearly spells out the operational guidelines of the programme.
- Entering into formal agreements that clarify the responsibilities of the Ministry of Education and the Ministry of Health for monitoring and for providing information about conditionalities to the Ministry of Social Development.
- Launching a formal network system (*rede de fiscalização*) for overseeing, auditing, and controlling fraud in the BFP in collaboration with the Attorney General (*Ministerio Público*) and other public auditing agencies (*procuradorias,* TCU) for monitoring and fraud controls of *Bolsa Familia* payments.
- Initiating steps to improve the *Cadastro Único* (developing cross-checks to reduce duplications resulting in the cancelling of some 200,000 duplicate benefits found in the process, establishing a working group to revise eligibility criteria and improve questionnaires, providing training to municipalities.
- To strengthen implementation, developing a quality index for monitoring and evaluating the Cadastro, etc.
- Initiating work on design for an impact evaluation.

involve an initial learning period, which provides an opportunity to work through unexpected challenges. The working through design problems and the development of improved systems and capacity building materials constitute an investment in the future of the project. Pilots usually cannot take advantage of the same economies of scale as a full national project – the costs of systems, for example, are much greater on a per participant basis for a pilot than for a national programme. In addition, pilots may be more vulnerable to the Hawthorne effect – whereby observed behavioural changes result from the programme's novelty or from the evaluation itself, and they do not necessarily reflect permanent behavioural changes resulting from the programme's treatment. In Nicaragua's case, performance on some outcome indicators was slightly weaker in the second year of the programme compared to the first.[383]

Macro and feedback effects become important during the up scaling process. For example, a wage subsidy program, such as the one implemented in the Proempleo Experiment, may have little effect on the market wage rate while the programme remains a pilot. However, when the programme is scaled up to the national level, the subsidy programme will predictably affect market wages at the macro level. The success or failure of pilots is highly dependent on context. Once the programme is scaled-up, the context will differ appreciably, and prices and wages will respond through feedback effects.[384]

Due to the fact that pilots are highly dependent on local context for success or failure, the exact same programme may work well in one village but fail in another, as demonstrated by mixed experiences with Bangladesh's Food for Education Program.[385] The programme reached the poor in some places, but not in other nearby villages.

Donor harmonisation supports the process of scaling up. This is demonstrated in Uganda, where donors in partnership with civil society and the private sector, allied around a framework and vision for growth and poverty reduction, became effective and unified partners in supporting the reforms. In Bangladesh, Grameen, BRAC, and other institutions established donor consortia and programme financing (rather than project financing), helping to reduce transaction costs and putting everyone on the same page.[386]

383. Maluccio and Flores (2004), pages 18–19.
384. Ravallion (2005), pages 56–57.
385. Galasso and Ravallion (2005).
386. World Bank (2004e), pages 10–11.

- Strengthening citizen social controls by publishing beneficiary names by municipality on the Internet and setting up a hotline for citizens to report irregularities and suspected fraud, and reinstating local committees to provide citizen oversight for the programme.

A 2003 review of Brazil's *Cadastro Único*, completed at the request of the government, identified the following additional recommendations for managing fiduciary risk:

"An improved targeting system should also include clear guidelines for regular independent audits, cross-checks and quality control. First, regular random audits should review application procedures and database management for a random sample of families (up to 20% resurvey). This is critical to ensuring objective and transparent treatment of all citizens by reducing opportunities for manipulation and favouritism in the selection of beneficiaries. Clear procedures should be established (and published) for punishing fraud. Second, the improved system should also build in regular cross-checks to avoid some of the errors that have plagued the existing Cadastro, such as duplication of beneficiaries, 'ghost beneficiaries' (missing or dead beneficiaries), or 'lost candidates' whose data get lost during file transfers. Finally, independent quality control is also needed to measure how well the beneficiary selection mechanism (improved *Cadastro Único*) is actually working in terms of avoiding errors of exclusion of the poor and inclusion of the non-poor. This can be done by including questions about receipt of programs that use the *Cadastro Único* – especially the new *Bolsa Família* program – in regular nationally representative surveys. This information would provide regular feedback about the actual targeting outcomes of these programs – and the accuracy of the targeting instrument. Such surveys and random sampling could also be done at a sub-national level, to provide feedback to specific states (and possibly municipalities) about the accuracy of the application of the targeting instrument within their jurisdictions." ●

SOURCE: De la Brière and Lindert (2005), page 23 and Lindert (2005), page 70–71.

6.5 Managing fiduciary risk

Mechanisms of accountability

The success of the programme depends critically on the mechanisms that ensure that programme delivery is subject to appropriate oversight and redress. These mechanisms can offer transparency, reduce corruption and provide avenues for beneficiaries who are denied appropriate benefits.

People must understand the benefits to which they are entitled and appreciate their options for redress when benefits are unjustly denied. Beneficiaries of social transfers often lack the resources to protect their rights and provide necessary feedback to policymakers. The institutionalisation of a beneficiary advocate can address this power imbalance and promote the effectiveness of the programme. A number of models exist for providing advocates for beneficiaries.

A public ombudsperson can serve as a useful mechanism for protecting the entitlements of beneficiaries. The official is normally appointed at a high political level – perhaps by the President. The ombudsperson exercises considerable political autonomy in order to serve as a beneficiary advocate without fear of political pressure. The ombudsperson's office must be well-resourced – with adequate staff to address complaints by claimants and beneficiaries. The office requires an adequate budget to inform the public of their rights and mechanisms for redress. One level of the appeals process can operate through the ombudsperson's office. The effectiveness of the advocate is reinforced by transparency, so that advocates can enforce clear rules for ensuring equity.

Local groups of beneficiaries in Mexico's *Progresa* programme elected a representative from among themselves (the local *promotora*) to serve as a liaison between themselves and the staff of the programme. These *promotoras* were responsible for communicating on operational issues

BOX 6.11: Checks and balances in a decentralised environment

The move from a centralised to a decentralised environment has ts own set of costs and benefits for poverty reduction. On the one hand, heavy reliance on local structures for poverty alleviation means that the decentralisation of transfers and the determination of budgetary processes will be beneficial for the poor.

On the other hand, however, decentralisation does not mean democratisation for the poor, as the poor face certain costs that they would not otherwise face in a more federal system.

One of the main problems that can occur in a decentralised system is that of a shift in the power arrangements of participants and stakeholders as, in a more locally centralised system, power can be conferred to local elites. Local elites may set aside or ignore public policies that do not coincide with their own set of interests. Local elites may not adhere to the participatory element of budget allocation to poverty reduction schemes, and may simply act as if they are involving the poor.

Decentralisation of expenditure can therefore result in highly unequal local power structures that bolster the fiscal control of local elites and increase the likelihood of corruption and exclusion of the poor from decision-making processes that directly affect them.

This may be controlled by the use of checks and balances in a decentralised system through a centralised auditing process. However, macro level checks and balances on decentralised expenditures are often not sufficient.

Instead, one often-used solution is popular participation in budgetary processes by local communities. For example, the Mazdoor Kisan Shakti Sangathan (Workers' and Peasant Power Association) is a small activist group in the north Indian State of Rajasthan. This group compiles information about development spending from labour muster rolls on drought relief works, or receipts and vouchers showing expenditures on public works. One of the key areas of their

and problems.[387] However, evaluations have suggested that some *promotoras* abused their power, leading programme officials to recommend the creation of community committees to replace them – with one representative focusing on education, another on health, etc. Both Mexico and Colombia have relied on beneficiary mothers to provide training and operational support – but without providing additional compensation for the increased workload.[388] Effective use of community representatives can harness social capital – people are less likely to cheat the programme if they understand its role at a local level and perceive the risk of social sanctions for corruption.

Communications and transparency

Transparency and effective communications must ensure that the beneficiaries and broader population understand and appreciate the objectives of the programme. Popular appreciation of the effectiveness of the programmes is essential to maintain the political support of voters and politicians.[389]

Increasing transparency can improve accountability. In Uganda, providing workers with clear information about the wages to which they were entitled reduced corruption. Previous projects lacked this transparency and suffered substantial leakage.[390] In South Africa, however, social workers will generally not describe the formula used to determine eligibility. The lack of transparency makes it difficult for potential beneficiaries to engineer their responses to the means test questionnaire. However, this lack of transparency also undermines the rights-based approach that underpins South Africa's system. If people do not understand the criteria, they cannot make informed decisions about whether or not to appeal against an adverse eligibility decision.

Instruments of public financial management[391]

- **Supervision of interviews**
  One of the most common methods to ensure the accuracy of registration information is for supervisors to monitor the interview process – either during field surveys, in office interviews,

387. Britto (2005), page 9, citing Adato et al. (2000) and Scott (1999).
388. Ayala Consulting (2003), page 32.
389. Tabor (2002).
390. Khogali and Takhar (2001), cited in Harvey, Slater, Farrington (2005).
391. This section draws substantially on Rawlings (2004).

work has been to expose corruption in drought relief works, which deprive labourers (mainly women) of the minimum pay due to them. Their work and demand for the right information has brought attention to the importance of local level auditing to ensure accountable local government.

A system of checks and balances may involve a process of dialogue and negotiation based on widespread participation, particularly of the poor, women and other social groups whose interests may be otherwise ignored. Such initiatives that depend on local participation require a two-way flow of information between local authorities and the poor. This means that information on budgets, programmes, allocations of assistance and criteria for eligibility need to be provided to all participants. The importance of informed participation is a key issue in influencing budgetary decisions

A major challenge in the participation process is that of reconciling conflicting demands made by different groups not only between those in local government structures but among the poor themselves as different groups of the poor tend to differ along community, ethnic, religious and gender lines. Such differences amongst various groups of the poor may be conflicting and may therefore involve trade-offs. Decentralised structures need to take this factor into consideration.

Some institutional structures are more conducive to facilitating participation in budgets and designing macro-economic strategies. For example, in Brazil, there are over 5 000 municipalities. The participatory process is taking place in 100 municipalities in five of 15 major cities. In each case the Municipal Council is the institutional entity, which is regulated by municipal law, with half of its seats for governments and half for the people from the community. ●

SOURCE: Esim (2000).

or by reviewing the questionnaires. For example, in Colombia supervisors are responsible for examining all questionnaires on a continuous basis, referring flawed questionnaires back to the interviewee for reapplication. Common mistakes are regularly reported to the administrator to provide feedback into the training process for interviewers.[392]

- **Information verification systems**
  Less common are systems for continuous verification of eligibility information. Potential mechanisms include: random checks for re-interviewing and auditing, automated checks for inconsistencies, duplication or missing information, and comparisons with external databases. In South Africa, a recent comparison of social grant beneficiaries against the national public service employment records provided evidence of significant fraud, and the Minister of Social Development took the lead in rooting it out.[393] The computerisation and automated cross-checking of Pakistan's Baitul Maal record identified tens of thousands of beneficiaries registered in multiple provinces, freeing resources for an additional 23 000 new beneficiaries.[394] A similar initiative was conducted recently in Brazil, and in Colombia automated checks provide lists of duplications and inconsistencies. Suspect questionnaires are verified through field visits to the beneficiary unless the error originated in the data entry process. Strong accountability mechanisms have positive political benefits. For example, if evidence of fraud is reported by the press (which is possible with any programme involving the distribution of cash), government can demonstrate due diligence in addressing corruption.[395]

- **Civil society oversight**
  Government is not the only agent responsible for public financial management. Civil society actors – supported by government or operating independently – can serve as beneficiary advocates and anti-corruption watchdogs. Civil society organisations in South Africa have successfully employed the "progressive realisation of access to social security" provision of the national constitution to pursue judicial oversight of the implementation of social transfers.[396]

392. Castañeda, Lindert, De la Brière, Fernandez, Hubert, Larrañaga, Orozco, and Viquez (2005), page 31.
393. www.socdev.gov.za and www.news24.com
394. Dawn (2003), page 1.
395. Castañeda, Lindert, De la Brière, Fernandez, Hubert, Larrañaga, Orozco, and Viquez (2005), page 31.
396. www.blacksash.org.za, www.lrc.org.za

BOX 6.12: Implementing a cash transfer programme in Somalia

Over the past several years, repeated shocks have undermined food security and exacerbated poverty in Somalia. Civil war, government breakdown and years of drought have led to severe malnutrition, diminished access to education and health services, livestock depletion and eroded productive asset bases. Decades of emergency aid have failed to address the root causes of food insecurity and poverty. Food aid in Somalia has proven expensive, susceptible to waste, theft and spoilage, and has tended to undermine local markets.

Non-governmental organisations together with development partners and private sector partners have successfully piloted an alternative approach using cash transfers in the Togdheer, Sool, and Bari/Nugaal regions of Somaliland and Puntland. The programme includes cash payments of US$50-60 per month to the poorest families in these areas. Civil society organisations and local mosques identified the poorest 20 families in each community—a total of 8,062 households.

Latin American conditional cash transfer programmes usually include an elected representative or committee to provide oversight. Many countries publicise toll-free anti-corruption “hotline” telephone numbers.[397] Other programmes rely on the more dubious measure of publicly releasing the lists of beneficiaries, sometimes on the Internet. In Ethiopia’s Productive Safety Net Programme, community representatives oversee the payment of wages.[398]

- **Penalties**

  While upper income countries effectively pursue criminal penalties against those who perpetrate fraud in social transfer schemes, developing countries have not yet taken full advantage of the potential of civil and criminal penalties. South Africa’s anti-corruption campaign, while not generating criminal sanctions, has recuperated significant resources through fines and reimbursements.399 Brazil is in the process of establishing a joint oversight process with the Ministry of Social Development and the Attorney-General. [400]

6.6 Security for cash movements

In areas facing high crime and physical insecurity, social transfer programmes require additional security to protect the transportation and delivery of cash. Private contractors that handle cash payments in South Africa and Namibia hire armed security guards to secure the delivery of funds. The use of direct bank deposits – like with Zambia’s Kalomo pilot – can bypass the problem.[401]

In Afghanistan CARE found cash-for-work programmes more secure and less corrupt than comparable food-for-work programmes. Security, however, poses a substantial problem. In the north-western province, regular military clashes forced periodic suspensions of the Labour Intensive Works Programme (LIWP). In-kind transfers require the physical transportation of a greater volume of commodities – with increased attendant risk. Local commanders are also more likely to pressure project managers to divert in-kind benefits away from the selected beneficiaries. Agencies in Afghanistan are adapting innovative strategies to deliver cash safely to beneficiaries, particularly relying on the local remittance system (hawala).[402]

In the heavily militarised regions of Ethiopia, where unofficial militia, demobilised soldiers, and criminals undermine the rule of law, transporting cash poses considerable risk. Some non-governmental organisations – such as Save the Children UK – abide by policies that preclude armed guards in their official vehicles. Their Meket Livelihoods Project has succeeded in enlisting the support of government vehicles for cash transport – which enables armed guards to accompany the funds.[403]

397. Castañeda, Lindert, De la Brière, Fernandez, Hubert, Larrañaga, Orozco, and Viquez (2005), page 32.
398. Sandford (2005), page 13.
399. www.socdev.gov.za and www.news24.com
400. Castañeda, Lindert, De la Brière, Fernandez, Hubert, Larrañaga, Orozco, and Viquez (2005), page 32.
401. Devereux et al. (2005), page 39.
402. Harvey (2005).
403. Devereux et al. (2005), page 39.

A private payment contractor delivers the cash at a cost of only 4% of the transferred amount—which includes the costs of armed guards as necessary. The contractor leverages experience and infrastructure developed in handling remittances from the country's diaspora and has agents in every village served by the programme. This private company provides an audit trail that facilitates programme monitoring—98% of the transfers reach their intended beneficiaries.

An independent impact assessment documented the success of the programme. The targeting mechanism effectively reached the poorest households. Recipients bought food, paid for health care and education and reduced their indebtedness. In many cases transfers were shared with other very poor families not directly reached by the programme. The cash infusions stimulated local economic activity but without causing inflation. They enabled poor households to survive without selling their productive assets—stemming the decline into worsening poverty. ●

SOURCE: Lambert (2006)

Oxfam's cash-for-work programme in Kitgum, Uganda encountered serious security problems, prompting Oxfam to develop security measures including:[404]

- Limiting information about cash movements
- Restricting bank transactions
- Decentralised and randomised cash disbursements
- Transparency and community participation in security precautions

6.7 Conclusions

Decades of international experiences with social transfers – and with other forms of poverty reduction programmes – yield some general lessons to consider in formulating an implementation strategy.[405] **Box 6.13** on the following page highlights some of the concrete messages from specific programmes in developing countries. In addition, successful examples of social protection programmes yield a number of broader principles that illuminate global best practices.

First and foremost, commitment and leadership from the political sphere is required. As discussed in the case studies in this guide, presidential support provided critical force in the success and expansion of social transfer programmes in Brazil, Mexico and South Africa – and most likely in many other countries. Effective programmes require significant institutional change – in rules, norms, behaviours, and organisations, which can be difficult, uncertain, and necessarily long-term. Sustained commitment from political leaders, particularly when it includes a wide coalition of allied interest groups, provides important impetus for successful implementation.

There is no universal blueprint for appropriate social transfer programmes. The implementation strategy most likely to succeed encourages a mindset that is ready to continuously learn, take calculated risks, and closely monitor and evaluate results. Progress depends on a process of adaptation, and a willingness to learn from experimentation and adapt to new information. Brazil's *Bolsa Familia* continuously adapted – rooted in sectoral and municipal schemes, it evolved into an integrated national programme. South Africa's Child Support Grant began as a small and vigorously targeted quasi-conditional grant, and persuasive evaluations and assessments motivated the government to adapt and expand the programme into one of the country's most successful poverty reduction interventions – affecting the lives of more than half the country's poor.

Reliable information management provides the foundation for implementation success – from identifying the poor to targeting the beneficiaries, all the way through to paying the cash, tracking

404. Khogali and Takhar (2001), Harvey (2005), page 39.
405. This section draws general lessons from the Shang Hai "Scaling Up Poverty Reduction" conference case studies and summary report [World Bank (2004)], as well as the case studies undertaken for this guide.

BOX 6.13: Key lessons in implementing social transfer programmes

International experience documents a number of key implementation lessons that apply broadly to a range of social transfer programmes:

- Enrolment and targeting systems benefit from a single registry of all potential and actual programme participants. This helps to reduce fraud and promotes greater coverage and take-up. Particularly when non-governmental organisations are serving as implementing partners, a single registry can minimise coverage gaps and duplication. A single registry works best when government takes primary responsibility for implementation – a national public institution can maintain the database. When programmes follow a decentralised model – and particularly when non-governmental organisations are involved – co-ordination among the implementing partners plays a more critical role.
- Documentation processes must be flexible. The poorest usually have the most limited access to the bureaucratic resources required to formally document age, income and other qualifying criteria. Targeting mechanisms that require unreasonable documentation frequently fail to reach the poorest and sometimes generate regressive outcomes – because the less poor often have the greater resources and knowledge necessary to navigate the bureaucratic hurdles while the very poorest sometimes find the barriers impenetrable.
- Payments processes must serve the poor. A client-based approach by payments service providers can protect the dignity of participants and potentially provide access to developmental financial services. Inaccessible pay points, long queues and demeaning treatment undermine the social protection the transfers aim to provide. Appropriate technology and sound management can create opportunities to expand the payment mechanism into an even greater pro-poor instrument potentially offering a savings vehicle and other financial services.
- Appeals processes and grievance procedures provide a critical path for addressing fiduciary risk and promoting the access to social protection. Appeals and grievance

the results and managing fiduciary risk. An integrated information management system should meet the needs of all the stakeholders and role-players.

It is necessary to invest in building staff capacity, and in broad social institutions involved in making anti-poverty programmes work. These institutions may be governmental, private, or non-governmental. Institutional problems such as corruption or information backlog are a hindrance to the successful implementation of social transfer programmes.

The appropriate mix of centralised management and decentralised implementation requires finely balanced trade-offs. Local role-players often have critical knowledge about the needs of programme beneficiaries. Balanced decentralisation fosters greater programme flexibility – although sometimes with greater fiduciary risk.

Good communication reinforces all dimensions of successful implementation. Particularly as local managers learn what is and is not working, information must be shared – not only through the formal information management systems but through open communication channels that reach the highest levels of programme management. Top officials must be open to criticism and even scandal – a transparent process that tackles the problem rather than obscures it will lead to long-term success. For example, South Africa's Minister for Social Development is at the forefront of rooting out whatever corruption crops up (at about 1.5% of total transfers, relatively low by international standards).

Good communication supports the dissemination of lessons on what is working, and what is not. It is useful to publicise early successes through the media, in order to keep beneficiaries and implementers informed about results, as well as encouraging the public and politicians to remain supportive of the programme, and to encourage take-up. For example, it may be useful to produce documentaries (as has been done in Zambia with the Kalomo project) about the programme and its impacts, and broadcast these on national networks.[406]

406. Schubert and Goldberg (2004), page 9.

systems should operate separately from the main implementing organisation in order to ensure independence and an ongoing ability to hold the programme to account. These processes aim to ensure that the poor realise their rights to social security. They require adequate funding, regular outreach activities, accessibility to all programme participants and the authority to enforce their decisions.

- Pilot programmes may not be necessary to demonstrate that social transfers effectively reduce poverty – there is already substantial global evidence of these impacts. Pilots serve more effectively to generate concrete evidence on how to implement social transfer programmes within a specific country context. Pilots must be established with appropriate monitoring and evaluation systems in order to marshal the necessary evidence. Pilots should test sufficiently diverse approaches in order to provide the relevant evidence required for scaling up successfully.
- Fiduciary risk exists in every social transfer programme – characterised in part by the omnipresence of errors of inclusion and exclusion. Programmes can rarely, if ever, completely prevent unqualified applicants from receiving social transfers (inclusion errors) – or ensure that every eligible individual or household participates in the programme (exclusion errors). Appropriate mechanisms must minimise a combination of inclusion and exclusion errors so that programmes cost effectively reach the poorest. When targeting errors are widespread and intractable, it is wise to consider simpler, more transparent and less burdensome targeting mechanisms.
- Security is increasingly important, and technology can help. Electronic payment mechanisms, smart cards, sealed ATM machines travelling rural circuits with armed guards – there are many approaches. Community involvement can help identify appropriate solutions in some cases. An increasing body of international evidence on appropriate security measures is still evolving.

No single model exists for implementing social transfer programmes. While evidence-based design supports the successful implementation of cash transfers, flexibility gives new knowledge the opportunity to illuminate the cycles of learning and adaptation. Monitoring and evaluation – addressed in the next chapter – completes the circle, feeding back the results of the implementation process into improved design and more effective delivery.

CHAPTER 7

Monitoring and Evaluation

The objective of this chapter is to discuss the basic techniques for monitoring, evaluation and impact assessment relevant for social transfer programmes. In particular, the chapter addresses three questions:

***What are they?** Scientific techniques for measuring the implementation and outcomes of social transfer programmes.*

***When do we use them?** They should be used from the beginning of the programme to assess the conceptualisation, design, implementation, successes and failings – both in order to improve delivery and to provide assessments of impact.*

***How do we use them?** This chapter provides an eight-step framework for implementing an impact evaluation.*

7.1 Introduction

Once social transfer schemes are designed and implemented, an ongoing process of monitoring and evaluation can improve delivery processes, document results, inform policymakers about the effectiveness of alternative approaches, and mobilise political support for programme sustainability and expansion. Monitoring is the process of identifying and tracking performance indicators and reviewing implementation over the life of the programme.[407] It can be defined as a continuing process of collecting and reviewing data on performance indicators in order to inform managers (and other stakeholders) about the progress and achievement of objectives of the programme.[408] Evaluation links causes to outcomes, assessing impacts after a programme (or distinct activities) have been completed.[409] The evaluation of social transfers involves the objective and systematic assessment of the design, implementation and results of the programme.[410] This chapter examines the major tools and methodologies for monitoring and evaluating social transfer programmes and provides a framework for implementing an evaluation. The discussion aims to facilitate the role of monitoring, evaluation and impact assessment in supporting evidence-based policy design and implementation of social transfer programmes.

407. Blomquist (2003), page 3. See also Ezemanari et al. (1999), page 1.
408. Kusek and Rist (2004), page 227.
409. Blomquist (2003), page 3.
410. Adapted from Kusek and Rist (2004), page 225.

BOX 7.1: Types of evaluation strategies

No single approach to evaluation is appropriate in every context. Some evaluations address impacts, while others are more concerned with process. Budgets and time constraints vary across situations.

Seven major categories of evaluation strategies are:

- **Impact evaluations** aim to reveal which impacts were caused by the social transfer and which ones might have been caused by other factors. It is often regarded as the classic form of evaluation. This is a relatively complex and expensive form of evaluation, but it potentially produces high-quality and credible results.

- **Process implementation evaluations** are concerned with how the programme operates and focus on problems in service delivery, policy instruments, management practices and linkages amongst these factors. This evaluation method is similar to monitoring.

- **Rapid appraisal** allows for quick assessment and reporting. It can provide immediate feedback on the development of a programme, project or policy. This tends to be used for flagging problems during the implementation phase of the social transfer.

- **Meta-evaluation** establishes the criteria and procedures which can be used to systematically summarise findings from several existing evaluations. It is a technique for reviewing current evaluations in a rapid but integrated manner.

- **Performance logic chain assessments** evaluate how the programme activities are organised and sequenced, and how the resources are utilised. The evaluation assesses how likely it is that the desired change in poverty level will be successfully achieved by social transfers.

- **Pre-implementation assessments** evaluate whether there is a coherent and clear implementation plan and whether the objectives and outcomes are clearly linked in order to ensure that the design of the programme includes all critical components.

- **Case studies** provide in-depth information about specific parts of the programme design or about particular beneficiary groups. Case studies offer an in-depth analysis of specific examples, at the expense of providing a breadth of knowledge. They also tend to be more qualitative in nature.

This chapter focuses on impact evaluations and process implementation evaluations (monitoring). In addition, Box 5.1 provides an example of rapid appraisal in the context of public works. For more information about the other types of evaluation see Baker (2000) and Kusek and Rist (2004).

SOURCE: Kusek and Rist (2004), pages 121–126.

Monitoring and evaluation serve three major types of objectives:[411]

1. **Strategic objectives: is the social transfer programme achieving its goals?**
   Governments and donor agencies have limited resources and competing priorities. Monitoring and evaluation can serve to ensure that programmes utilise funds in a justifiable and efficient manner in order to promote development and support the strategic objectives of social protection. Social transfer impact assessments compare outcomes for beneficiaries to the outcomes for non-beneficiaries.[412]

2. **Operational objectives: how can programme managers improve implementation?**
   Monitoring (sometimes referred to as “formative evaluation”) tracks the progress and process of a social transfer programme’s implementation, mainly in order to check progress against a plan. Effective programme monitoring identifies and measures performance indicators in order to provide periodic feedback on the success of implementation as well as indications of problems that arise.[413]

3. **Learning objectives: what can be learned from the social transfer programme?**
   Are there alternatives to the programme’s design and implementation processes? Does the

411. Kusek and Rist (2004), page 117.
412. Blomquist (2003), page 3.
413. Baker (2000), page 1.

BOX 7.2: The potential and pitfalls of government-mandated evaluations

After the initial evaluations of Mexico's *Progresa* programme (now called *Oportunidades*), the government passed legislation in 2001 requiring annual evaluations for major social programmes. While the law does not directly provide incentives for quality evaluations, individuals in responsible state agencies often take a serious interest in the design and implementation. A group of public officials with experience and a strong interest in rigorous evaluation techniques designed and implemented the *Progresa* programme. They selected a randomised experimental methodology, providing a rigorous impact evaluation that was innovative in the region at the time. This design required treatment and control groups, involving the withholding of benefits from the control group for 18 months.

Progresa officials anticipated that legislators in Congress would react adversely, and they documented this design feature with intentional vagueness until the evaluation was practically complete. Once Congress and the media understood the nature of the random experiment, a political controversy ensued, but it was too late to affect the evaluation process.

Even before the 2001 legislation required annual assessments, Mexico's Ministry of Agriculture commissioned the Food and Agricultural Organisation (FAO) of the United Nations to evaluate *Alianza para el Campo* and PROCAMPO (which provided cash payments to certain producers in the Mexican countryside) to assist in the design of an evaluation. FAO advisors worked with Ministry officials to design a quantitative evaluation of perceptions of impact. The evaluation design included questions for beneficiaries about their opinions regarding the impact of the programmes on productivity and income. The evaluations were conducted on an extensive scale – covering nearly all of the programmes

programme illustrate best practices that provide a model for learning? What lessons can be drawn from the experience? Evaluations with learning objectives do not necessarily serve the specific programme managers or other stakeholders – they may aim to benefit the broader international community concerned with the design and implementation of social transfer programmes.

No single evaluation framework serves the needs of every programme – there are a variety of tools and methodologies from which to choose. Each evaluation's design is unique, and depends on data availability, technical capacity of evaluators, time and budget constraints, as well as local political, economic, cultural and administrative factors. The most rigorous evaluations tend to be planned during the design phase of the programme (see chapter 3, section 5).[414]

In addition, "evaluations that will yield high-quality, credible, and generalisable results for policymakers will require strong financial and political support; early and careful planning; participation of stakeholders in the design of the objectives and approach of the study; adequate data; a suitable mix of methodologies, including both quantitative and qualitative techniques; the rigorous application of these techniques; and communication between team members throughout the process."[415]

Evaluations are conducted within a political context where all the stakeholders have strong views concerning ethical issues, the choice of "correct" evaluation methods and how the findings should be disseminated. Faced with these and other limitations – including budget and time constraints, limited access to baseline data and comparison groups, lack of experienced or trained personnel to carry out the evaluation – evaluations may be difficult to conduct with robust designs and techniques. Often programme managers face a trade-off between available resources, and acceptable standards of evaluation practice and methodological rigour.[416]

Programmes or projects designed for monitoring and evaluation can answer the following questions:[417]

- Does the programme reach the intended beneficiaries?
- How does the programme affect the beneficiaries? (The assessment should potentially

414. For more detail on different evaluation approaches and strategies see Chen (2005), page 48 and Bamberger et al. (2006), page 46.
415. Baker (2000), page 7. See also Duflo and Kremer (2003).
416. Bamberger, Rugh and Mabry (2006), page 19.
417. Baker (2000), page 1, and Blomquist (2003), page 3.

in Alianza across each of the 32 states in Mexico. The data collection from tens of thousands of informants cost over US$1 million per year – but the results proved fairly limited, particularly in consideration of the amount of resources spent. The evaluations could not answer some of the most important questions – for example, whether or not Alianza was responsible for a statistically significant impact on important social and economic indicators.

The Ministry of Agriculture's approach to compliance with the law mandating annual evaluations yielded undesirable outcomes in two ways – an excessive amount of data was collected in a costly manner, but without providing the essential information necessary for an effective evaluation. The bureaucratic interpretation led the Ministry to collect and process substantial amounts of data at a state level – leading to a costly report which failed to address some of the most critical issues. Over time, the Ministry expanded its interpretation of the evaluation requirements and began to produce more useful assessments.

While the government-mandated evaluations have not always proven useful, academics and researchers have conducted several studies of PROCAMPO which support comparisons with *Progresa*. National household surveys conducted in 1994 and 1997 included a significant proportion of households benefiting from PROCAMPO. In addition, extensive surveys and studies of *Progresa* provide a wealth of information about the programme's impact. Along many dimensions the two programmes have demonstrated comparable effects. The impacts of the programmes appear similar in terms of improvements in household well-being, investment in productive activities, calorie intake, food consumption, and nutritional diversity. ●

SOURCE: Davis (2003).

evaluate nutrition, poverty, vulnerability to starvation, health, personal safety, ability to plan and cope with shocks, relations with others in the community, and gender inequalities.)

- Does the programme generate the desired outcomes?
- What is the impact on the rest of the population?
- Are there better ways to design the programme?
- Can the programme be managed more efficiently?
- Are the allocated resources being spent efficiently?
- Were the costs of setting up and running the programme justified?

For each of these questions both **qualitative data** (data expressed in narratives or words – using observations, interviews or focus groups) and **quantitative data** (data expressed in numbers using questionnaires or existing databases) can be useful in a variety of ways. While some researchers may differ on the respective merits of the two approaches, it is generally acknowledged that some combination of the two methods of data collection is important in any evaluation in particular when the programme is in a complex social environment, as is the case with any social transfer programme. There are four key reasons for using the mixed method approach: 1) it allows the evaluator a wide range of methods and tools to draw from, 2) it increases the validity of conclusions through "triangulation" by providing multiple independent findings that can be compared, 3) it allows for a deeper and richer analysis and understanding of the programme context, 4) it provides opportunities for reducing cost and time of data collection.[418]

There are many approaches, strategies and types of evaluation and no single method of evaluation is best suited to all purposes and all programmes. The most appropriate method of evaluation for a given programme depends on many factors, including: the type of answers needed; the nature of the programme being evaluated; the availability of data needed for the evaluation; how certain the policymaker needs to be about the data and the conclusions produced by the study; what level of resources is being devoted to the evaluation; and the time that is available for the study. Choosing an evaluation strategy will require trade-offs between time, cost and accuracy or confidence in the study.[419]

418. See Bamberger et al. (2006), page 27, and chapter 3 and 4 for more detailed information on these.
419. Adapted from the National Institute of Justice (1989), page 9.

BOX 7.3: The importance of a credible comparison group in impact assessment

The International Food Policy Research Institute (IFPRI) conducted an impact assessment of conditional cash transfers in Nicaragua from 2000 to 2002. Households benefiting from the cash transfers received an average of 3 500 Cordobas in the first year, and 3 800 in the second year. Annual household expenditure for these beneficiaries, however, increased only by 404 Cordobas over the two years – an insignificant impact, particularly given the cost of the programme. Can policy analysts conclude the programme was a failure?

No, the problem is not that simple. Simply measuring the change in a welfare measure over time for beneficiary households ignores other factors affecting households. In this study, IFPRI also measured the change if household expenditure for a similar group of households that did not have the benefit of the conditional cash transfer programme. Their average expenditure fell significantly over the two years. It is likely that the average expenditure of the participating households would have fallen also in the absence of the programme. The significant expenditure stabilising impact of the conditional cash transfers is a mark of programme success.

This example demonstrates the importance of a "control group" in evaluating social transfer programmes. Comparing

7.2 Design issues in impact evaluation

Numerous methods and analytical techniques have been used in evaluation studies. **Box 7.1** provides an overview of some of the major types of evaluation strategies. A comprehensive approach can include monitoring, process evaluation, cost-benefit analysis, and impact assessment.[420] Combining complementary techniques spans the entire life of the social transfer programme and provides a more holistic evaluation. Impact evaluations assess whether the programme produced the intended effects on individuals and households, and determines if the effects can be directly attributed to the social transfer intervention. Impact evaluations can also examine the range of consequence for beneficiaries – positive and negative, direct and indirect, intended and unintended. Monitoring assesses whether the programme's implementation follows its plan and achieves the intended objectives. Process evaluation focuses on the implementation details of the programme. Cost-benefit analyses weigh monetary and non-monetary costs against quantifiable benefits – cost-effectiveness evaluations provide a similar exercise when benefits cannot be quantified.[421]

"Impact can be defined as the change, effect or benefit that results from the services or activities on a wider society than its direct users. It is often long-term, broad and sustainable and can include affecting policy decisions at government level.[422] Impact evaluation "is the process of identifying the anticipated or actual impacts of a development intervention, on those social, economic and environmental factors which the intervention is designed to affect or may inadvertently affect."[423] Impact evaluations or assessments can produce several types of specific reports including poverty impact, regulatory impact, social impact, health impact, environmental impact and economic impact evaluation reports. "In the context of sustainable development, the social, economic, and environmental impacts of an intervention are all interlinked. The various types of impact assessment may therefore need to be combined in an integrated impact assessment, whose nature will vary according to the type of intervention, and the aims and cost-effectiveness of the overall impact assessment package."[424] Donors, governments and policymakers want to ensure programmes and projects maximise the potential output from scarce resources and consequently they are turning increasingly to the use of impact evaluations.

Impact evaluations or assessments, however, might not be feasible in all situations: there could be a reluctance amongst government officials and/or institutions to carry out impact evaluations because of political reasons (findings may be politically sensitive), cost considerations (deemed too expensive), a change in administration (there is a strategic shift in policy), technical

420. Blomquist (2003), page 4.
421. Baker (2000), page 1.
422. Charities Evaluation Services (2004), page 2.
423. Kirkpatrick and Hulme (undated), page 2.
424. Hulme and Kirkpatrick (undated), page 2.

the living standards of households after the introduction of a social transfer programme to their status before the intervention is a "before-after" comparison and ignores the impact of all the other factors that affect the beneficiaries. In order to separate the impact of the social transfer programme from all the other effects, it is useful to identify a group of households as similar to the beneficiary households as possible – and to monitor their living standards simultaneously with those of the beneficiaries. This group is called a "control group" because it enables the study to control for all the other factors affecting the households.

If the study is properly constructed, and if the beneficiary group is similar to the control group before the social transfer programme is implemented – then differences between the beneficiary group (also called the "treatment" group) and the control group represent the impact of the social transfer programme. This is sometimes called "with-without" analysis – because the beneficiary group ("treatment" group) represents households "with" the intervention, and the "control" group represents households "without" the intervention. "With-without" assessments are generally considered more reliable than "before-after" evaluations. ●

SOURCE: IFPRI (2003).

complexity (resources and qualified personnel may not be available), required data may not be available, and the length of time it takes to do the evaluation may be too long. In addition the timing of the results may be sensitive (e.g. just before an election) or the results may be available too late for policy intervention.[425]

If any one of the following three questions can be answered positively, then doing an impact evaluation or assessment may be useful:[426]

- Is the programme of strategic relevance for national public policy?
- Can the evaluation results influence future design of the programme and other programmes?
- Will the evaluation contribute to improving the implementation or development of the programme?

A key reason why a formal impact evaluation may take place is to gain political support for the programme. For example, the Mexican government paid for the evaluation of *Progresa* in part because the conditional cash transfer model was relatively new and was viewed as a potential replacement for certain subsidy programmes. Support both from within government and among the public was needed to expand the approach.[427] **Box 7.2** discusses the potential pitfalls of government mandated evaluations for social transfer programmes.

In a food security evaluation for Bangladesh, researchers identified three important features that enhanced the evaluation's ability to improve public policy: (1) the research provided quantitative indicators and results, specifying concrete courses of action; (2) the evaluation team worked closely with policymakers; and (3) the results of the evaluation were provided in a timely manner that met the needs of decision-makers for information.[428]

Impact assessments should evaluate the reduction in poverty after the transfers have taken place, compared to the situation if the transfers had not been made. This requires identifying and evaluating a **counterfactual** situation – that is, how would participants have performed in the absence of the programme, and how would non-participants have fared if they were able to participate? The analysis calculates the average impact of the group who received the benefits from social transfers and compares this to that of a control group who did not receive transfers.[429] It is also useful to compare the same individual or household over a period of time. "The critical objective of impact evaluation is therefore to establish a **control group** or a **credible comparison**

425. Baker (2000), page vi, and Blomquist (2003), pages 1–2.
426. Blomquist (2003), page 19.
427. Blomquist (2003), page 22
428. Blomquist (2003), citing Babu (2000).
429. Baker (2000), page 1.

BOX 7.4: Quantitative and qualitative approaches for impact evaluation

Both quantitative and qualitative approaches are useful for effective impact evaluation. Several common approaches are described in this box.

Quantitative approaches

- Experimental design involves the random assignment of individuals or households either as beneficiaries, or as a control group which does not receive the service or good being provided by the intervention. This is also known as the experimental method. These evaluations can last from one to five years and range widely in cost from US$50 000 to over a million dollars – depending on size and complexity. (This technique is sometimes referred to as randomised design.)
- Quasi-experimental design involves the use of a control group to match as closely as possible the characteristics of the beneficiaries receiving the intervention – either through propensity score matching or using a multivariate regression approach. This method often involves the use of large-scale sample surveys, and sophisticated statistical analysis. Like experimental design evaluations, quasi-experimental design evaluations can last from one to five years and range widely in cost from $50 000 to over a million dollars – depending on size and complexity.
- Ex post comparison of project beneficiaries with a control group. With this method, multivariate analysis

group of individuals who in the absence of the programme would have had outcomes similar to those who were exposed to the programme."[430] **Box 7.3** provides an example of how the inclusion of a control group in a study can substantially alter the interpretation of the study's results.

There are several methodologies for evaluating programme impacts using **quantitative data** and evaluation techniques. Two broad categories of design can be identified as **experimental design** (control group) and **quasi-experimental design** (credible comparison group).[431] **Qualitative** and **participatory** methods can also be used to assess impact. Such techniques enhance the quantitative methods and provide critical insights into understanding the viewpoint and perceptions of beneficiaries, the value of programmes to communities and towns, the underlying processes that may have affected outcomes, and generally provide a deeper understanding of the results observed in the quantitative analysis.

Understanding the context and variables can often help explain why two identical projects may have different outcomes in different communities. Several broad categories of contextual variables can be identified.[432] These include: economic factors, political factors, organisational or institutional factors, environmental factors and socio-economic or cultural factors. A technique often used by evaluators to capture this kind of information and provide ways to understand the linkages between these factors is called **Logical Framework Analysis** (sometimes called LogFrame Analysis). It is a management tool mostly used at the project level, to improve the design of the intervention. "It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution and evaluation of a development intervention."[433]

Experimental and Quasi-experimental design methods are often called **rigorous or quantitative impact evaluation methods**. These two methods have a strong advantage over the other methods as they are the most reliable: 1) for establishing causality, i.e. the relationship between a specific intervention and its actual impacts, and 2) for estimating the magnitude or size of impact that can be attributed to the intervention. They are able to distinguish the impacts of the intervention from the influence of other, external factors. These methods establish credible control or comparison groups. The superior strength of an

430. Duflo and Kremer (2003).
431. See Box 7.4 for more detail.
432. Bamberger et al. (2006), page 42. He identifies these categories and provides more detail.
433. Kusek and Rist (2004), page 226.

(to statistically control for differences in groups) may be used. This is one way of estimating the counterfactual situation. The cost is often less than half that of the experimental and quasi-experimental designs.

Combined quantitative and qualitative approaches

- Rapid assessment or review (conducted ex post). This method can encompass a range of tools to assess impact, such as participatory methods, interviews, focus groups, case studies, mini survey, direct observation and available secondary data. It generally uses quick low-cost ways to collect information. Since a main aim of rapid assessment is cost-effectiveness, evaluations with this design usually start from about $25 000 and cost much less than conventional evaluations.

Qualitative approaches

- Participant Observation involves field researchers spending an extended amount of time in residence with a programme community, employing qualitative techniques and small-scale surveys. The technique often includes stakeholder analysis, participatory appraisal and beneficiary assessment.
- Case studies involve detailed or broad studies of a specific intervention involving open-ended questioning and the recording of personal stories.
- Participatory Learning and Action involves a facilitator assisting the active involvement of those who have a stake in the programme. ●

SOURCES: Adapted from World Bank (2004e) and Kirkpatrick and Hulme (undated).

experimental or randomised approach is that it helps ensure that the measured impact is only due to the intervention being evaluated.

However, randomisation is not always feasible or appropriate. Excluding someone from an intervention which could save his or her life because there needs to be a credible control group has very serious moral and political implications. Fortunately, researchers have been able to devise rigorous quasi-experimental design methods to compensate for some ethical considerations. Some researchers also make use of other, more **qualitative review methods.** Such methods will help address the views of key stakeholders concerning project operation and impact, and help to clarify and explain issues relating to the results chain or the causality relationships of the intervention. A mixed method approach to impact evaluation will also help achieve triangulation (provide two or more ways to understand and explain) evaluation findings.[434] **Box 7.4** compares quantitative and qualitative approaches.

Rigorous methods also have other disadvantages. One disadvantage is that they are usually expensive – rigorous impact evaluations often cost from US$200 000 to US$900 000, depending on project size, complexity and data requirements.[435] A second disadvantage is that they are often time-consuming, taking up to 2 years or more to complete; moreover, it can often take several years after a project has been in operation before its impacts start to emerge. These timing issues reduce the utility of rigorous impact evaluation when decision-makers require information quickly. Thirdly, rigorous methods are quite demanding in terms of the skills needed to conduct them; they require strong technical skills in social science research design, management, analysis and reporting. Finally, a criticism often levelled at impact evaluations is that they are unable to answer some important policy questions such as: how might the impact change if the programme design were changed?[436]

Despite all of these disadvantages with the choice of method, the overall advantages of conducting impact evaluations still make it a particularly valuable (but costly) tool for long-term studies and research. The costs reinforce public good arguments for the international development community to help fund such evaluations, thus contributing to what is becoming a growing library of impact evaluation findings, available to all countries and to the donor community.[437]

434. Bamberger (2006), page 27 and World Bank (2004d).
435. World Bank (2004d), page 23, Blomquist (2003), pages 17–18.
436. Blomquist (2003), page 22.
437. Duflo and Kremer (2004).

BOX 7.5: Challenges with evaluations requiring experimental design

Many managers of social transfer programmes choose experimental design methodologies to provide robust and rigorous evaluations. These techniques, however, pose significant challenges for evaluators and policymakers.

Challenges:

- The random assignment of benefits to participants can be unethical.
- The randomness of the methodology sometimes creates political difficulties.
- Individuals in control groups are usually not passive subjects – denied benefits, they may seek social protection elsewhere – making it difficult to interpret the results.
- Programme administrators have an interest in the evaluation's outcome – so they may intentionally bias the selection to improve the results.
- Experiments are often expensive and time-consuming.

Addressing the challenges:

- If there are budget or information gaps that make it impossible to effectively target the poorest eligible beneficiaries, the transparent and random assignment of participants to control and treatment groups can mitigate the negative consequences. A public forum for allocating participants with a demonstrably random process can offset some of the negative political consequences, although at the risk of highlighting the random character of the experiment.
- The incorporation of control group participants into the programme once the evaluation is complete can address some of the ethical issues in depriving them of social transfers during the evaluation stage. The random assignment of potential beneficiaries into the control and treatment groups then determines the timing of benefits – not whether or not participants receive benefits.
- To address the ethical issues of denying benefits to the poorest, the design can randomise the benefit only to those participants above a minimum threshold of poverty – everyone below that level automatically receives benefits. The results of the impact assessment only strictly apply to the group for which participation was randomised, but this provides valuable information without compromising the needs of the poorest. ●

SOURCE: Baker (2000), pages 2–3.

Randomised designs

Randomised designs are also known as experimental designs and are considered to be the most rigorous and robust of the evaluation methodologies. **Box 7.5** identifies some of the challenges with evaluations that employ randomised design.

In a true randomised experimental design, individuals or households are randomly assigned (maybe through use of a lottery) to the experimental and control groups. If the sample is reasonably large the two groups can be assumed to be quite similar at the start of the experiment. The two groups are measured on indicators of the output or outcome that the experiment wants to produce. The intervention is then administered or provided to the experimental group and not the control group. The main benefit of this technique is the simplicity in interpreting the results. The programme impact on the outcome being evaluated can be measured by the difference between the means of the samples of the treatment group and the control group.

Often cited examples of experimental design evaluation include *Progresa* (a programme designed to increase school participation in Mexico), school-based health programmes in Kenya and India, and a school voucher programme in Colombia.[438]

When *Progresa* was launched in 1998, Mexican government officials made a conscious decision to take advantage of the fact that due to budgetary constraints they could not immediately roll out the plan to all 50 000 possible participant communities. They chose to begin the programme in

438. Duflo and Kremer (2003).

BOX 7.6: To experiment or not: the problem of bias

Impact assessments must evaluate all of the factors – social, economic, political, personal – that affect the success of social transfers. To control all of these factors, many methodologies compare the group receiving the benefits with a similar group that does not – the "control" group. It is important that the two groups be as similar as possible. If there are systematic differences between the beneficiaries (the "treatment" group and the control group), two types of errors can result:

- **Differences in observable characteristics.** If the two groups are observably different from each other – in terms of average age, income, education level – then the two groups are likely to perform differently on performance indicators that aim to evaluate the social transfer programme. It will be difficult to identify what causes the differences in performance – the programme, or the initial observable differences between the two groups. To address this problem, it is important to construct the two groups so that they are as observably similar as possible.

- **Differences in unobservable characteristics.** Some differences between the two groups cannot be observed but nevertheless affect how individuals and households may participate in the programme. For example, more ambitious individuals may seek out the programme as a way to improve their livelihoods – and also succeed better in the face of other opportunities. As a result, the treatment group may perform better on a wide range of indicators compared to a control group that is made up of less motivated individuals. An assessment that ignores this effect is more likely to attribute positive performance to the social transfer programme – and not to the unobservable characteristics that may be responsible. This kind of error is called "selection bias".

One way to eliminate these types of error is to randomly assign eligible participants to either the control group or the treatment group. Since individuals cannot select which group they join, there is no apparent selection bias. If the groups are large enough, the random assignment will tend to make them similar on average.

These experiments can be expensive and sometimes controversial. They require substantial planning, from the time the social transfer programme is first conceptualised. Non-experimental designs may be less expensive – and simpler practically and politically. However, they involve greater conceptual challenges in terms of interpreting the results. ●

SOURCE: Blomquist (2003) page 12 – adapted from Baker (2000), Ravallion (1999) and Orr (1999).

506 communities. Half of these communities were randomly selected to receive the programme and baseline and other data were collected in the remaining communities. The randomised phase-in of the programme allowed such clear documentation of the positive effects of the programme that even though the Mexican government changed hands, *Progresa* was maintained and even expanded to urban communities (*Oportunidades*).

Experimental designs are more difficult to apply in the real world. They require high skill levels and large resources for evaluation. However, there are many examples of advances in this form of design that make it more acceptable to use.[439] **Box 7.6** describes how experimental designs can be instrumental in overcoming the problem of bias.

Quasi-experimental designs

Experimental designs may be the optimal method for evaluating impact, but as mentioned before there may be several reasons why it may not be feasible to use such a rigorous method. "If random assignment is ruled out, it is still possible under certain conditions to estimate impacts reliably using non-experimental methods."[440] This group of techniques is called quasi-experimental (non-random) or non-experimental design. This method uses statistical tools and other econometric measures to generate a comparison group that closely resembles the group receiving the intervention.[441] Quasi-experimental design techniques can be further subdivided into two groups: a) techniques that address the bias caused by observable characteristics such as matched comparison methods and b) the techniques that address the bias caused by

439. Duflo and Kremer (2003), pages 5–18.
440. Blomquist (2003), page 8.
441. Baker (2000), page 8.

BOX 7.7: Quantitative methods for assessing the impact of social transfers

Several of the main quantitative methods for impact evaluation are discussed in this box. Because no single method is always appropriate, it is often desirable and appropriate to combine techniques.

Experimental designs (randomised control)

- **Experimental design** is one of the most rigorous methods for evaluating impact. The technique randomly selects participants into "treatment" and "control" groups. The "treatment" group receives the social transfer and the "control" group receives nothing. The aim is for the two groups to be as similar as possible so that the only difference is the receipt of the social transfer (or other "treatment" that is being tested). By randomly assigning the eligible participants to the two groups, there is no choice on the part of the experimenters or the potential beneficiaries that can bias or distort the results of the evaluation. If the test is structured properly, there will be no expected difference between the control and treatment groups except for the impact of the social transfers programme on the treatment group. However, because of random differences between the two groups – referred to as sampling error – there may be differences in impact that cannot be attributed to the programme. The larger the number of participants in the two groups, the smaller is this kind of error. Experimental designs are sometimes controversial because they may involve denying people access to social security.

Quasi-experimental designs (non-experimental)

- **Propensity score matching.** Because experimental design is not always practically, politically or ethically appropriate, alternative approaches aim to achieve similar results by creating control groups from the population that did not have access to the social transfer programme. The techniques use "matching methods" to construct control groups by selecting the non-recipients in a larger survey that best match the characteristics of the beneficiaries in the treatment group. One commonly used technique is called **"propensity score matching"**, which matches the treatment group beneficiaries to non-recipients from the larger survey using a score (the "propensity score") calculated from observable characteristics assumed to be relevant for defining individuals for the purpose of the impact assessment. The propensity score aims to predict the probability an individual or household would participate in the social transfer programme. A good control group has a distribution of propensity scores

unobservable characteristics such as reflexive comparisons, double difference and instrumental variables.[442] See **Box 7.7** for more detail on these techniques.

The most complete impact assessments evaluate both the effects of the social transfer programme as well as operational aspects. This involves both analysing the impacts of the programme as well interpreting the outcomes and their policy implications.[443]

Impact assessments rarely answer all the questions that policymakers ask. Since they are based on evaluating actual processes and their impacts, it is difficult to answer the important "what if" questions. What would be the impact if the programme were scaled up to a national level? What if the programme were universal instead of targeted? In these cases, econometric techniques and micro-simulation models can provide important insight.[444]

Careful design and planning enable impact assessments to answer many different types of questions.[445] For example, an evaluation of a conditional cash transfer programme with conditions for school attendance and healthy clinic visits might address the following questions:

- Do students participating in the programme attend school more frequently?
- Does the programme reduce the poverty of participating families?
- Does the nutrition of participants improve?
- Which age groups or household types benefit the most?
- What characteristics contribute most to the success of the programme?

---

442. Blomquist (2003), page 8.
443. Blomquist (2003), page 3.
444. Blomquist (2003), page 4.
445. Blomquist (2003), page 4.

similar to that of the treatment group – but the treatment group receives the social transfers while the control group does not. In constructing a good control group, it is useful to draw members from the same social and economic environment as those in the treatment group – and to survey them using the same questionnaire and with similarly trained interviewers.

- **Double difference.** One of the most important analytical techniques for analysing the resulting data is called the "double difference" (or **"difference-in-differences"**) methodology, which compares the treatment and control groups both before the social transfer programme begins, and again during the implementation of the programme (possibly multiple times). The "first" difference is how the treatment group varies from the control group, and the "second" difference is how these differences vary before and after the programme has been implemented. Sometimes households in the control group with characteristics vastly different from the average (called "outliers") are dropped from the comparison – particularly if their propensity scores are outside the range observed for the treatment group.
- **Instrumental variables** is another important methodology which uses statistical techniques to control for participation. The key is the identification of one or a set of variables that will affect an individual or household's participation, but will not affect the impact of the programme given that the individual or household is participating. This is often very difficult and the source of much of the judgement involved in this kind of methodology. When the analysis is carefully constructed, the technique identifies the impact on the participants that is attributed to the programme. In the process, the technique calculates a formula that predicts the probability that an individual or household will participate in the programme – based on the values of the "instrumental variables" – in a manner similar to that for propensity test scoring.
- **Reflexive comparisons** involve a baseline survey of beneficiaries prior to the implementation of the social transfer programme, followed by another survey once the transfers have had an opportunity to make an impact. The technique compares indicators from the baseline to the follow-up survey. This technique may mistakenly attribute impact to the programme when in fact it resulted from other changes in the economy or society occurring at the same time as the social transfer programme. ●

SOURCE: Baker (2000), page 7–8.

- Is the programme cost-effective?
- Are the programme benefits greater than the costs?[446]

Lessons of impact assessment

Economists and social policy analysts have identified a number of important ingredients for good impact assessments. The following highlights a number of key issues that practitioners consider.[447]

- The foundation for a good assessment is a thorough understanding of the programme, in particular the administrative and institutional details.
- It is critical to understand the social context, including the geographic distribution of poverty (for example, as depicted by a poverty map), the workings of the labour market, ethnic and other demographic characteristics of poverty, and the policy context – including other relevant social programmes.
- Be open-minded about your source of data. Scientifically sampled survey data is excellent – but additional and as important information might be gleaned from interviewing programme participants, managers and staff.
- Be careful about simply comparing outcomes for programme participants and non-participants. For example, in a particular rural village, a randomly selected group of non-participants may have lower poverty rates than a similarly randomly selected group of programme beneficiaries. That cannot support the conclusion that the programme is ineffective – the programme should be drawing on households with higher poverty rates in the first place. Good comparisons must control these important differences between participants and non-participants.

446. Blomquist (2003), page 4.
447. For example, see Ravallion (1999), Ravallion (2001). The following considerations draw substantially on the lessons illustrated and concluded in these papers.

BOX 7.8: Linking impact evaluation with a results-based approach

Increasingly governments and international development agencies are emphasising the need for programme evaluation. This trend reflects greater demands for improved accountability by service providers – particularly to their funders – as well as an increased focus on results-based management that aims to improve programme efficiency.

Unfortunately, impact assessments are often under-funded, in spite of evidence that these investments can generate substantial social returns. Many of the benefits of sound evaluations accrue to global community of social policy analysts – and the social transfer programmes they support – and efficient mechanisms do not exist to compensate evaluators for the public good they produce. In addition, programme managers are often reluctant to allocate scarce resources for evaluation purposes – the results are often available too late to make the maximum impact on the programme, and the focus of evaluations frequently fails to identify recommendations for operational improvements.

Some particularly frank politicians acknowledge that they have little enthusiasm for funding evaluations because their electoral time horizon is too short to benefit from the longer time lags necessary to generate productive assessments. The long horizon of policymakers responsible for Mexico's *Oportunidades* (previously *Progresa*) has improved the payoff from evaluation and increased the public's awareness of the successes of the programme – ensuring the sustainability (if not the name) of the social transfers system even through changes in presidential administrations.

Three reforms can improve the capacity of programmes to benefit directly from evaluations – and thus improve prospects for appropriate funding of impact assessments.

(1) Just-in-time delivery of results. Evaluations should deliver short-term results to managers while the programme is active. It is important to guard against developing a short-term mentality that undermines longer term gains, but there are substantial benefits from providing early feedback that supports programme improvements.

- Both quantitative and qualitative data can be useful, as long as it is organised appropriately. It is often helpful to link survey data to more specific information about the programme and geographical setting.[448]

7.3 Implementing an evaluation of a social transfer programme

The previous sections of this chapter provide an overview of several important methodologies useful for evaluating social transfer programmes, as well as a discussion of important design issues for impact assessments. In practice, there are a number of steps required to effectively implement an evaluation in order to improve the delivery of social transfers.[449] (**Box 7.8** discusses several of the cross-cutting issues that can improve a results-based approach.)

STEP 1: Deciding to evaluate

The first step is to determine the appropriate timing for the evaluation. As discussed previously, impact evaluations involve considerable financial costs and political risks, yet potentially may yield important strategic, practical and political benefits. If the programme is still relatively young, it may not be sufficiently developed to demonstrate measurable results. More innovative and replicable programmes yield potentially higher benefits from evaluation and are more likely to justify the cost and risk.[450]

STEP 2: Making the objectives clear

The decision to proceed will weigh the objectives of the evaluation and the likelihood of achieving their success. The second step is to clarify these objectives, balancing a comprehensive scope with the specificity required to achieve success. As part of this step, it may be useful to establish a reference group including representatives of all the key stakeholders. This will help ensure that all the critical questions are reflected in the statement of objectives, as well as facilitate the reflection of the findings in improved programme delivery once the evaluation is complete.

448. Ravallion (2001), page 136.
449. This section consolidates and adapts the frameworks of Baker (2000, chapter 2) and Blomquist (2003, page 22), which in turn draws on Ezemanari et al. (1999).
450. Baker (2000), pages 17–18.

(2) Results-based management. Impact evaluations that ensure accountability require impartial external auditors. Assessments that aim to improve operational results, however, benefit from participation by managers and staff. Evaluations are learning processes, and they must harness the information from all members of the organisation. It is challenging to integrate the accountability and results-based objectives of evaluation – but meeting this challenge provides many more benefits than does a conventional evaluation.

(3) Experimenting. One can further improve results by experimenting in order to identify better ways to achieve programme objectives. It is important to identify the drivers of performance – such as targeting rules, the determination of the size of transfers, delivery mechanisms, complementary programmes and mechanisms for accountability. Experimenting with alternative approaches can inform management of better ways to achieve improved results.

(4) The value of administrative data. Most social transfers programmes maintain rich databases capturing information about beneficiaries – this is referred to as "administrative" data. Administrative data can sometimes provide information about participants over time – if the databases are updated with current beneficiary information. Access to administrative data is usually impossible for researchers unaffiliated with the implementing institution – but if the evaluation is commissioned by the programme organisation, the evaluators should consider the potential contribution of administrative data.

(5) Community politics. When local communities are actively involved in the implementation of programmes, particularly with respect to targeting, a great deal can be learned by comparing how different localities address the same issues and problems. Understanding the local politics – community decision-making, political trade-offs, the exercise of influence – is essential in order to effectively evaluate the social transfer programme. ●

SOURCE: Sadoulet (2004).

STEP 3: Identifying the evaluator

The third step is the identification of the evaluator, and as the subsequent steps unfold, the formation of the evaluation team. Credibility requires that the evaluator demonstrate independence from the institution or agency responsible for the social transfer programme. Often an implementing agency will identify the evaluator based on competitive bids. **Box 7.9** identifies several of the key components of the terms of reference required for a request for proposals. Depending on the capacity of the programme team that is requesting the bid, part of the evaluation design may be included in the request for proposals. Alternatively, the request for proposals may require that potential bidders propose an appropriate methodology.

STEP 4: Fully designing the evaluation

The fourth step involves the full design of the evaluation, including the definition of a rigorous methodology. The identified evaluator may put this together as part of the proposal process – or in some cases the programme's institution may set forward the required methodology as a precondition for the bid. Section 7.2 of this chapter discusses some of the most important design questions that this step should address. Once the evaluator is confirmed, the programme's institution and the evaluation team must thoroughly review the proposed methodology. This should include a basis for comparing the impact of the social transfer programme to the counter-factual (employing some type of control group methodology). Matched comparison groups and experimental design provide some options for consideration, in light of the issues discussed above. The confirmation of the methodology also requires decisions on budget. **Box 7.10** discusses how methodological issues – particularly with data requirements – can affect budget requirements. Since some bid protocols require a full costing with the proposal, these budgetary issues might need to be addressed in step 3.

BOX 7.9: What to include in the terms of reference for a request for proposals

When commissioning an external impact evaluation or assessment a short brief or terms of reference should be drawn up to provide the evaluators/consultancy with all the relevant information concerning your needs for the evaluation. This will allow them to put together an informed tender or bid. Such an evaluation brief is a short document – about four to six pages in length – that outlines the scope of the evaluation. The document should include:

- **Project title and brief description**
- **Background**
  This should provide general background information and reasons for the evaluation study.
  Who is commissioning the evaluation – the organisation being evaluated, another agency or a funder?
  Provide brief summary details about the programme being evaluated. For example, what service is being provided, how many staff members are involved, who are the recipients of the service, appropriate materials such as marketing leaflets and a website address.
  Provide information about the purpose, focus, use and audience of the evaluation. For example, will the whole organisation or a programme be evaluated? Is the purpose of the evaluation to help strategic planning, get more funding, or evaluate impact? How will the evaluation be used? Is it to demonstrate accountability to funders or improve the service? Who will read and use the evaluation report?
  Outline issues that may affect your organisation's view of the evaluation process. You may want to use a participatory approach in your evaluation methods.
  Outline issues related to data collection. What data already exists, what difficulties arise in collecting new data?
  Provide information about internal responsibilities and liaison. Who is the main contact person on this evaluation? What work will be carried out internally?
- **Aim and objectives**
  Document the main single aim and the objectives, and how and who will use the impact assessment.
- **Specify the assessment's scope and methodology**
  - Specify the work requirements for the evaluation team.
  - Identify the main research questions.
  - Indicate relevant partners and stakeholders for the impact assessment.
  - Identify the appropriate methodology for the assessment.
- **Outputs**
  The terms of reference should specify the general outcome and expected deliverables. Each activity should be associated with an expected output. Include consultation of the draft report with stakeholders to reflect their role in the process. Also include dissemination of the report as an outcome.
- **Required experience, competency, qualifications, and expertise**
  The terms of reference should indicate the minimum requirements and request appropriate documentation,

STEP 5: Mobilising the data

Data comprise the lifeblood of the evaluation. The starting point of mobilising the necessary data is determination of the appropriate sample size (with its cost implications). The sample needs to be sufficiently large to detect significantly the impacts of the programme. The finer the granularity of the sub-groups for which measurable effects are desired, the greater will be the required sample size. For example, drawing inferences about the national impact will require less data than identifying and comparing impacts at a provincial or state level. Often the data phase of the evaluation is one of the most expensive components (perhaps second to analysis – in some cases greater).[451]

It may be possible to use existing national surveys if they capture sufficient information about the programme. In many cases new data must be collected – requiring the development of a survey instrument, hiring and training fieldwork teams, pilot testing the survey tools, the fieldwork itself (including validation), the design of the appropriate databases and tools, and the entry and cleaning of the data.

Increasingly social transfer programmes begin the evaluation process prior to the implementation of the programme – so this phase begins with the collection of baseline data. Subsequent follow-up steps collect additional waves of data in order to track the impact of the social transfer programme over time.

451. Blomquist (2003), pages 14 - 16

including résumés, CVs, capability statements, description of country knowledge, and other appropriate information. Specific requirements include:

- How does their professional expertise relate to the subject of the assessment?
- What is their evaluation experience, including experience with methodologies?
- What is their knowledge of the country or region?
- What is their previous experience with this specific type of assessment?
- What is their experience and awareness with gender and cultural issues?
- Do they possess the necessary language skills?

- **Conduct of the work**
  This should set out clearly how the project will be implemented:
  - The role of the evaluators – both the team leader and team members
  - The design, implementation and target dates of the work programmes,
  - Specify how the local counterpart personnel will participate in the process.

- **Specify your reporting requirements**
  Clearly indicate the schedule of progress reports as well as the deadlines for the final report. In particular, carefully document:
  - A schedule for the timing of the work, including an indication of any flexibility that is available.
  - A full schedule of progress reports, interim and final reports, and requirements for result reporting.
  - What kind of final report is required, and will this include a formatted presentation?
  - Specify intellectual property ownership – who will own the rights to the work and the copyright?

- **Dissemination of findings**
  Depending on the requirements of the project, the needs for dissemination can be planned and included in the terms of reference so that the budget contains sufficient resources. Reports or summaries should be translated into local languages as appropriate and costs for this included in the budget. Several methods of dissemination can be considered:
  - The results can be presented at conferences or in workshops or seminars
  - Formal reports presenting the results of the impact evaluation, as well as briefs and summaries
  - Academic articles and more accessible stories in appropriate publications.

- **Budget allocation**
  If appropriate, indicate your available budget allocation for the assessment, and whether it includes VAT.

- **Timing of the call for proposals**
  What is the submission date required for the proposals? It is useful to specify if you plan to have any arranged interview dates. Give details about the person to contact for any clarifications or further information. ●

SOURCE: Charities Evaluation Services: www.ces-vol.ora.uk and CARE: www.care.ca/libraries/dme

STEP 6: Analysing the data

A plan for data analysis should precede the commencement of fieldwork. Once the survey is in the field, the range of possible analyses will face constraints imposed by the data. It is critical that the required analysis be conceptualised hand-in-hand with the design of the data requirements.

The evaluation should achieve more than the identification of programme effects. Analysis of programme processes can identify operational shortcomings and proposals for improved cost-effectiveness. In addition, qualitative analysis and more sophisticated data analysis can shed light on the causal reasons for the observed impacts.

STEP 7: Reporting the results

The final step for the evaluation team is the writing up of the analysis, conclusions and policy recommendations and the reporting of these findings to the programme managers, policymakers and other stakeholders – including the reference group if established in step 2 above. In many cases, the reports are not available for one to two years after the final wave of data collection. The evaluation plan should carefully (and generously) schedule milestones and deliverables to reflect the decision-making calendar of policymakers.[452] Distinct forms of the report will target different audiences. A rigorous technical analysis is the bedrock of the evaluation. Clear and accessible presentations maximise the impact on policymakers. Concise and attractive policy

452. Baker (2000), Page 39

BOX 7.10: Budgeting for impact evaluation

The following elements determine the cost of an impact evaluation. It is useful to include detailed specifications for these steps in the evaluation's request for proposals so that the cost of the project can be accurately estimated.

- **Collection of baseline data**
  The most effective evaluations require baseline data collected prior to the implementation of the social transfer programme. The costs depend on the type of data required, how it is collected, and by whom. The availability of skilled local enumerators – and their training requirements – also affects the cost. Likewise, the need for external consultants can significantly affect budget requirements.

- **Impact evaluation design**
  The design of the impact evaluation requires thorough consultation with the stakeholders in order to ensure a comprehensive approach. The cost of this component will depend in part on these meetings – how many, who is involved, the costs of participation and the need (if any) for external facilities. The type of impact analysis selected also determines the budget required for the evaluation – balancing the costs of various options against the benefits in terms of better information, considering the opportunities to train local staff to carry out the work.

- **Regular data collection**
  Impact evaluations require an ongoing process of collecting data that measures the programme's impact. In some cases, existing governmental statistical surveys may provide sufficiently detailed data. There may be significant analysis required to process the existing data

briefs can broaden the policy impact and provide a vehicle for communicating the value of the programme to a more expansive audience. Making the reports and datasets available on the Internet can nurture important external benefits – creating public goods for the rest of the world and perhaps eliciting further independent studies that provide additional information for the benefit of the programme.

STEP 8: Reflecting the results in improved programme delivery
The decision in step 1 to go ahead with an evaluation should reflect a plan for using the results to improve the delivery of programme objectives. Evaluations that simply meet legislative or donor requirements are unlikely to justify their costs. Keeping the reference group (established in step 2) informed of progress through periodic workshops can lay the foundation for more effective results by contributing to the stakeholders' participatory ownership of the evaluation. Mexico's *Oportunidades* and South Africa's comprehensive system of social grants provide two examples (certainly among many others) of programmes that have continuously used evaluations to improve and expand the delivery of social transfers.

7.4 Conclusions

This chapter highlights the importance of an eclectic approach to monitoring and evaluation. A variety of methodologies serve the diversity of objectives policy analysts seek to meet. Good assessments are rooted in a thorough understanding of the social transfer intervention and the context of poverty it addresses, and the groundwork for monitoring and evaluation begins with the initial design documents for the programme. Quantitative and qualitative techniques complement each other, and rigorous analysis must grapple with the omnipresence of the potential for error.

The illuminating power of effective monitoring, evaluation and impact assessment provides the essential evidence linking programme performance to improvements in design and implementation. Positive evaluations can mobilise political support and expand the resources available for scaling up scope and coverage. Monitoring and assessment can identify problems into a format usable for the evaluation. In other cases, the evaluation will require quantitative or qualitative surveys to generate the information necessary for the assessment. The cost will depend on the magnitude of this task and the availability of skilled local staff or other personnel who can carry out this work.

- **Analysis of information**
  The heart of the impact evaluation is the analysis of the information. The cost will depend on the technical requirements from the design phase, which determines the level of skill and experience required. The duration of the programme and the number of progress reports required will also have a significant impact on the necessary budget. The availability of local staff or external consultants will also affect the cost.

- **Reporting and disseminating the findings**
  The impact evaluation produces a final report as its key output, which must be effectively disseminated. The cost of this component depends on the reporting requirements and the extent of dissemination. Translating the report into local languages may be necessary for it to have the desired impact. Workshops may be useful to convey the results and involve the stakeholders. Who should receive the report and who should participate in the workshops? Is it useful to publish articles in journals and present the results at conferences? ●

SOURCE: Kirkpatrick and Hulme (undated), page 17.

and propose solutions, and the evidence generated can serve not only the programme itself but also the global community involved in designing and implementing social transfer programmes.

References

Adato, M., D. Coady and M. Ruel (2000). "An Operations Evaluation of Progresa from the Perspective of Beneficiaries, Propotoras, School Directors and Health Staff". International Food Policy Research Institute.

Adato, M., L. Haddad, D. Horner, N. Ravjee, and R. Haywood (1999). "From Works to Public Works: The Performance of Labor-Intensive Public Works in Western Cape Province, South Africa". International Food Policy Research Institute, Washington, D.C. Processed.

Ahmed, A., H. Bouis, T. Gutner, and H. Lofgren (2001). "The Egyptrian Food Subsidy System: Structure, Performance and Options for Reform." Research Report 119, International Food Policy Research Institute.

Ahmed, S. (2005). "Delivery Mechanisms of Cash Transfer Programs to the Poor in Bangladesh". Social Protection Discussion Paper Series No. 0520 (May). Social Protection Unit, Human Development Network, The World Bank.

Anand, S. and S. M. R. Kanbur (1987). "Public Policy and Basic Needs Provision in Sri Lanka". In J. Dreze and A. K. Sen (eds.) Hunger: Economics and Policy, Oxford University Press.

Asian Development Bank (2003). "Our Framework Policies and Strategies". Asian Development Bank.

Asian Development Bank (2005). "Second Primary Education Sector Project in Bangladesh". Project Completion Report PCR: BAN 27148, Asian Development Bank.

Atkinson, A. (1995). "On Targeting Social Security: Theory and Western Experience with Family Benefits". In D. van de Walle and K. Nead, (eds.) Public Spending and the Poor. Baltimore: Johns Hopkins University Press.

Ayala Consulting (2003). “Workshop on Conditional Cash Transfer Programs”. Quito, Ecuador.

Ayala, Francisco V. (2005). “Design and Implementation Challenges of Safety Net Programs: Getting the Devils out of the Details”. Ayala Consulting Co., Ecuador.

Babu, S. (2000). “Impact of IFPRI’s Policy Research on Research Allocation and Food Security in Bangladesh”. Impact Assessment Discussion Paper No. 13. Washington, D.C: International Food Policy Research Institute.

Baker, J. L. (2000). “Evaluating the Impact of Development Projects on Poverty: A Handbook for Practitioners”. Washington DC: World Bank.

Bamberger M., J. Rugh and L. Mabry (2006). “Real World Evaluation: Working under Budget, Time, Data and Political Constraints”. Thousand Oaks, CA: Sage Publications.

Banks, J. and M. Brewer (2002). “Understanding the Relative Generosity of Government Financial Support to Families with Children”. Working Paper WP02/02, London: Institute for Fiscal Studies.

Barrett, B. and D. C. Clay (2003). “Self-Targeting Accuracy in the Presence of Imperfect Factor Markets: Evidence from Food-for-Work in Ethiopia”. Journal of Development Studies, vol. 39, no. 5, pp. 152–180.

Barrett, B. and D. C. Clay (2000). “Self-Targeting Accuracy in the Presence of Imperfect Factor Markets: Evidence from Food-for-Work in Ethiopia”. Cornell University, Cornell University, Ithaca, New York.

Barrientos, A. (2004). “Cash Transfers for Older People Reduce Poverty and Inequality”. Draft Background Paper for WDR 2006: Equity and Development.

Barrientos, A. and J. DeJong (2004). “Child Poverty and Cash Transfers”. Childhood Poverty Research and Policy Centre, CHIP, UNICEF.

Barrientos, A. and P. Lloyd-Sherlock (2002). “Non-Contributory Pensions and Social Protection”.

Barrientos, A. and R. Smith (2005). “Social Assistance in Low Income Countries Database”. Version 1, March 2005.

Barrientos, A., S. Hickey, D. Wood and N. Simutanyi (2005). “Report of Study on Drivers of Change for a National Social Protection Scheme in Zambia”. A Study Undertaken for DFID Zambia.

Behrman, J. R. and J. C. Knowles (1999). “Household Income and Child Schooling in Vietnam”. World Bank Economic Review, vol. 13, no. 2, pp. 211–56.

Behrman, J. R. and P. E. Todd (1999). “Randomness in the Experimental Samples of Progresa (Education, Health, and Nutrition Program)”. International Food Policy Research Institute.

Bellamy, C. (2005). “The State of the World's Children 2005”. Childhood Under Threat, United Nations Children’s Fund.

Benn, H. (2006). “Meeting Our Promises: Basic services for everyone, everywhere”. 4th White Paper Speech by the Secretary of State for International Development, United Kingdom.

Besley, T. and R. Kanbur (1993). “Principles of Targeting”. In M. Lipton and J. van der Gaag, (eds.), Including the Poor. Washington D.C.: World Bank.

Besley, T. and R. Kanbur (1990). “The Principles of Targeting”. World Bank Working Paper.

Bigman, D. and H. Fofack (2002). “Geographical Targeting for Poverty Alleviation”.

Bigman, D. and P. V. Srinivasan (2001). “Geographical Targeting of Poverty Alleviation Programs: Methodology and Applications in Rural India”.

Blank, L., M. Grosh, L. Guillermo Hakim and C. Weigand (2004). “Spending on Social Safety Nets”. Comparative Data from World Bank Analytic Work.

Blomquist, J. (2005). “Cash Transfers: Social Safety Nets Core Course”. World Bank.

Blomquist, J. (2004). “Cash Transfers: Social Safety Nets Core Course”. The World Bank.

Blomquist, J. (2003). “Impact Evaluation of Social Programs: A Policy Perspective”. Social Safety Net Primer Series, World Bank.

Britto, T. (2005). “Recent trends in the Development Agenda of Latin America: an Analysis of Conditional Cash Transfers”. Paper Presented at the Conference on Social Protection for Chronic Poverty. Institute for Development Policy and Management, University of Manchester, 23–24 February.

Britto, T. (2004). “Conditional Cash Transfers: Why Have They Become so Prominent in Recent Poverty Reduction Strategies in Latin America”. Conditional Cash Transfers.

Bush, J., E. Tefera, Y. Admassu and J. Abdella (2001). “Ethiopia Food Aid Impact Study: Meda Welabu Woreda”. Christian Aid Study, March.

Cagatay, N. (1998). “Gender and Poverty”. United Nations Development Program Working Paper 5.

CAL2CAL Corporation (2004). “Technology White Paper: Improving the Efficiency of Social Safety Net Program Delivery in Low Income Countries”. CAL2CAL Corporation.

Caldés, N. and J. A. Maluccio (2004). “The Cost of Conditional Cash Transfers”. Inter-American Development Bank Economic Sector Study Series.

Caldés, N., D. Coady and J. A. Maluccio (2004). “The Cost of Poverty Alleviation Transfer Programs: A Comparative Analysis of Three Programs in Latin America”. FCND Discussion Paper No. 174.

Carvalho, I. (2000). “Household Income as a Determinant of Child Labour and School Enrolment in Brazil: Evidence from a Social Security Reform”. Boston: MIT, processed.

Case, A. and A. Deaton (1998). “Large cash transfers to the elderly in South Africa”. Economic Journal, vol. 108, No. 450, pp. 1330–61.

Case, A., V. Hosegood and F. Lund (2003). “The reach of the South African Child Support Grant: Evidence from KwaZulu-Natal”. CSDS Working Paper No 38.

Castañeda, T. (2003). “Targeting Social Spending to the Poor with Proxy-Means Testing: Colombia’s SISBEN System”. Social Protection Sector, Latin America and Caribbean Region. World Bank: Washington, D.C. Processed.

Castañeda, T. (1990). “Para Combatir la Pobreza”. Centro de Estudios Publicos, Santiago, Chile.

Castañeda, T., K. Lindert, B. de la Brière, L. Fernandez, Celia Hubert, O. Larrañaga, M. Orozco and R. Viquez (2005). “Designing and Implementing Household Targeting Systems: Lessons from Latin American and The United States”. Social Protection Discussion Paper Series. The World Bank.

Centre for Policy Dialogue (2004). “Finalisation of the Poverty Reduction Strategy for Bangladesh: A Review of the Process and Interim Measures”. Centre for Policy Dialogue. Bangladesh.

Charities Evaluation Services (2004). “Quality and Evaluation in Voluntary and Community Organisations”. Guidance Paper 3.

Chen, H. T. (2005). “Practical Program Evaluation: Assessing and Improving Planning, Implementation and Effectiveness”. Thousand Oaks, CA: Sage Publications.

Chirwa, E., A. McCord, P. Mvula and C. Pinder (2004). “Study to inform the selection of an appropriate wage rate for public works programmes in Malawi”. Submitted to: National Safety Nets Unit Government of Malawi.

Clert, C. and Q. Wodon (2001). “The Targeting of Government Programs in Chile”. In Gacitúa-Marió, E. and Q. Woton, (eds.), Measurement and Meaning: Combining Quantitative and Qualitative Methods for the Analysis of Poverty and Social Exclusion in Latin America. World Bank Technical Paper 518, Washington, D.C.

Coady, D. (2004). “Designing and evaluating social safety nets: Theory, Evidence, and Policy Conclusions”. Food Consumption and Nutrition Division.

Coady, D. (2003). “Alleviating Structural Poverty in Developing Countries: The Approach of PROGRESA in Mexico”. Background Paper for the 2004 World Development Report, February.

Coady, D. (2001). “Evaluating the Distributional Power of PROGRESA’s Cash transfers in Mexico”. Food Consumption and Nutrition Division Discussion Paper 117, International Food Policy Research Institute, Washington, D.C.

Coady, D. (2000). “The Application of Social Cost-Benefit Analysis to the Evaluation of Progresa”. International Food Policy Research Institute.

Coady, D., M. Grosh and J. Hoddinott (2004). “Targeting of Transfers in Developing Countries: Review of Lessons and Experience”. The World Bank, Washington, D.C.

Coady, D., M. Grosh and J. Hoddinott (2002). “Targeting outcomes, redux”.

Coady, D., R. Perez and H. Vera-Llamas (2000). “An analysis of PROGRESA’s costs: Alternative program designs and policy issues”. The application of social cost-benefit analysis to the evaluation of PROGRESA. Report submitted to PROGRESA. International Food Policy Research Institute.

Conning, J. and M. Kevane (2000). “Community Based Targeting Mechanisms for Social Safety Nets”. Center for Development Economics, Williams College.

Cornia, G. Andrea and F. Stewart (1992). “Two Errors of Targeting”. Working paper.

Datt, G. and M. Ravallion (1994). “Transfer Benefits from Public Works Employment: Evidence for Rural India”. Economic Journal, vol. 104, pp. 1346–69.

Davis, B. (2003). “Innovative Policy Instruments and Evaluation in Rural and Agricultural Development in Latin America and the Caribbean”. In Current and Emerging Issues for Economic Analysis and Policy Research (CUREMIS), FAO.

Dawn the Internet Edition (2003). “Baitul Maal rejects 50pc recommendations of politicians”. Ramazan 9, 1424, The Dawn Group.

Deaton, A. and C. Paxson (1997). “Poverty Among Children and the Elderly in Developing Countries”. Research Program in Development Studies, Princeton University.

de Carvalho, I. E. (2001). “Household Income as a Determinant of Child Labor and School Enrollment in Brazil: Evidence from a Social Security Reform”.

de Carvalho Filho, I. (2000). “Household Income as a Determinant of Child Labour and School Enrollment in Brazil: Evidence from a Social Security Reform”. M.I.T., processed.

de Janvry, A. and E. Sadoulet (2005). “Conditional Cash Transfer Programs for Child Human Capital Development: Lessons Derived from Experience in Mexico and Brazil”. University of California at Berkeley and World Bank Development Economics Research Group.

de Janvry, A. and E. Sadoulet (2004). “Conditional Cash Transfer Programs: Are They Really Magic Bullets?”. Giannini Foundation of Agricultural Economics.

de la Brière, B. and K. Lindert (2005). “Reforming Brazil’s Cadastro Único to Improve the Targeting of the Bolsa Família Program”. Social Protection Discussion Paper Series No. 0527, Social Protection Unit, Human Development Network, World Bank.

de la Brière, B., C. Roquete, S. Teixeira, E. Paz and L. Aquilino (2003). “Country Case Study: Brazil's Cadastro Unico”.

del Ninno, C. (2005). “Review of Social Safety Net Interventions”. World Bank, Washington, D.C.

del Ninno, C., J. Braithwaite, M. Grosh, A. Vermehren, B. de la Brière and H. Alderman (2005). “Conditional Cash Transfers on Trial”. World Bank.

Demombynes, G. (2002). “Sibling Composition, Gender, and the Effects of School Grants in Rural Mexico”. Job Market Paper, Department of Economics, University of California-Berkeley.

Despouy, L. (1993). “Human Rights and Disabled Persons”. Study Series 6, Centre for Human Rights Geneva and UN New York.

Dev, M. (1996). “India’s MEGS: Lessons from Long Experience”. Indira Gandhi Institute of Development Research, Bombay. Processed.

Dev, M. (1995). “India’s (Maharashtra) Employment Guarantee Scheme: Lessons from Long Experience”. In Joachim von Braun (ed.), Employment for Poverty Reduction and Food Security. International Food Policy Research Institute, Washington D.C., pp. 108–43.

Devereux, S. (2002). “Social Protection for the Poor: Lessons Learnt from Recent International Experience”. IDS Working Paper 142, Institute of Development Studies (IDS), Sussex, UK.

Devereux, S. (2001). “Social pensions in Namibia and South Africa”. IDS Discussion Paper 379.

Devereux, S., J. Marshall, J. MacAskill and L. Pelham (2005). “Making Cash Count: Lessons from Cash Transfer Schemes”. Save the Children UK, HelpAge International and Institute of Development Studies.

Devereux, S. and R. Sabates-Wheeler (2004). “Transformative Social Protection”. IDS Working Paper 232, Institute of Development Studies (IDS), Sussex, UK.

DFID (2006a). “Social Protection Briefing Note Series Number 2. Eliminating World Poverty: Making Governance Work for the Poor. A White Paper on International Development”. Department for International Development, United Kingdom.

DFID (2006b). “Social Protection and Economic Growth in Poor Countries”. Social Protection Briefing Note Series Number 4. Department for International Development (March), United Kingdom.

DFID (2005). “Social Transfers and Chronic Poverty: Emerging Evidence and the Challenge Ahead”. Department for International Development, United Kingdom.

DFID (2005b). “Partnerships for Poverty Reduction: Rethinking Conditionality”. Department for International Development, United Kingdom.

DFID (2005c). “How To Note on 'Lessons Learnt' – Planning and Undertaking a Drivers of Change Study”. London.

DFID (2000). “Disability, Poverty and Development”. Department for International Development, United Kingdom.

Duclos, Jean-Yves (2002). “Vulnerability and Poverty Measurement Issues for Public Policy”. The World Bank.

Duflo, E. (2003). "Grandmothers and Granddaughters: Old Age Pensions and Intrahousehold Allocation in South Africa". Author financial support from Foundation Thiers and the Alfred P. Sloan Foundation.

Duflo, E. and M. Kremer (2003). “Use of Randomization in the Evaluation of Development Effectiveness”. Operations Evaluation Department (OED), World Bank, Washington D.C.

Elwan, A. (1999). “Poverty and Disability: A Survey of the Literature”. Social Protection Discussion Paper Series, The World Bank.

Esim, S. (2000). “Paper Prepared for the Inter-Agency Workshop on Improving the Effectiveness of Integrating Gender into Government Budgets”. International Center for Research on Women (ICRW).

Ezemanari, K., A. Rudqvist and K. Subbarao (1999). “Impact Evaluation: A Note on Concepts and Methods”. Poverty Reduction and Economic Management Network. World Bank, processed.

Foster, J. E., J. Greer and E. Thorbecke (1984). “A Class of Decomposable Poverty Measures”. Econometrica, vol. 52, no. 3, pp. 761–76.

Foundation for Assistance International and CASE Kyrgyzstan (2003). “Beneficiary Assessment of Unified Monthly Benefits, Socially Protected Prices and Payment System of Housing Allowances”. Final Report on the Project for Technical Assistance, Credit 3389-KG (July 4), Bishkek.

Fraker, T. and R. Maynard (1987). “The Adequacy of Comparison Group Designs for Evaluations of Employment-Related Programs”. Journal of Human Resources, vol. 22, no. 2, pp. 194–227.

Friedlander, D. and P. K. Robins (1995). “Evaluating Program Evaluations: New Evidence on Commonly Used Nonexperimental Methods”. American Economic Review, Vol. 85, No. 4, pp. 923–37.

Gaiha, R. and K. Imai (2006). “The Maharashtra Employment Guarantee Scheme”. Policy Brief 6, Inter-Regional Inequality Facility, (February).

Gaiha, R. and K. Imai (2005). “A Review of the Employment Guarantee Scheme in India”. Policy Case Study: Labour Markets and Employment, Inter-Regional Inequality Facility.

Galasso, E. and Martin R. (2005). “Decentralized Targeting of an Antipoverty Program”. Journal of Public Economics 89: pp. 705–27.

Galasso, E., M. Ravallion and A. Salvia (2002). “Assisting the Transition from Workfare to Work: A Randomized Experiment”. Working paper (April 19).

Gebre-Medhin, B. and Swinton, S. M. (2001). “Reconciling Food-for-Work Project Feasibility with Food Aid Targeting in Tigray, Ethiopia”. Food Policy, vol. 26, pp. 85–95.

Gelbach, J. B. and L. H. Pritchett (1995). “Does More for the Poor Mean Less for the Poor?”. World Bank.

Gentilini, U. (2005). “Mainstreaming Safety Nets in the Social Protection Policy Agenda: A New Vision or the Same Old Perspective?”

Gertler, P., S. Martinez and M. Rubio (2005). “Investing Cash Transfers to Raise Long Term Living Standards”.

Giordano, O., A. Torres and J. Colina (2005). "Labour Markets and Employment: Two Case Studies of Chile Joven (Chile) and Proyecto Joven (Argentina)". Inter-Regional Inequality Facility.

Glewwe, P., P. Olinto and P. Z. de Souza (2003). “Evaluating the Impact of Conditional Cash Transfers on Schooling”.

Goldblatt B., S. Rosa and K. Hall (2006). “Implementation of the Child Support Grant. A Study of Four Provinces and Recommendations for Improved Service Delivery”. Centre for Applied Legal Studies, University of the Witwatersrand and Children’s Institute, University of Cape Town.

Gorman, M. (2004). “Age and Security: How Social Pensions can Deliver Effective Aid to Poor Older People and their Families”. A HelpAge International report.

Government of Brazil (2006). “Secretaria Nacional de Renda de Cidadania (SENARC)”. http://www.mds.gov.br/secretarias/secretaria04.asp

Government of India (2002). “Poverty Alleviation in Rural India - Strategy and Programmes”. Chapter 3.2, Planning Commission.

Government of Mexico (2006). “Las Buenas Noticias también son Noticia Impacta el Programa Oportunidades de forma favorable a niños”. Lunes, 17 de Abril de 2006, http://www.presidencia.gob.mx/buenasnoticias/?contenido=24496, accessed April 29, 2006.

Government of Mexico (1997). “Decreto por el que se Reforma el Diverso por el que se Crea la Coordinación Nacional del Programa de Educación, Salud y Alimentación como Órgano Desconcentrado de la Secretaría de Desarrollo Social”. Published August 8.

Government of Uganda (2001). “Uganda: Poverty Status Report”. Ministry of Finance, Planning and Economic Development, (March).

Graham, C. (2002). “Public Attitudes Matter: A Conceptual Frame for Accounting for Political Economy in Safety Nets and Social Assistance Policies”. Social Protection Discussion Paper Series, No. 0233. Washington, D.C: The World Bank.

Grosh, M. (2005). “Part II: Considerations of Different Methods for Social Safety Nets”. The World Bank, Washington, D.C.

Grosh, M. (2004). “Targeting for Social Safety Nets”. WBI Safety Nets Course.

Grosh, M. (2003). “Targeting Methods for Transfers”. Social Safety Nets Primer Notes No.10, The World Bank. Washington, D.C.

Grosh, M. (1994). “Administering Targeted Programs in Latin America: From Platitudes to Practice”. The World Bank, Washington, D.C.

Grosh, M., A. de Janvry and T. M. Atinc (undated). “The Case for Safety Nets as Part of Social Policy”. World Bank Panel Presentation.

Grosh, M., J. Hoddinott and T. M. Atinc (undated). “The Role of Safety Nets in Social Policy”. World Bank.

Grosh, M. and A. Schwartz (2005). “Social Pensions”. In World Bank Core Course on Safety Nets.

Guerrero Serdan, A. G. (2001) “School Attendance in Rural Mexico: an Evaluation of the PROGRESA Program”. Master of Arts Research Paper, Institute of Social Studies, The Netherlands.

Habibi, N., C. Huang, D. Miranda, V. Murillo, G. Ranis, M. Sarkar and F. Stewart (2001). “Decentralization in Argentina”. Discussion paper no. 825, Economic Growth Center, Yale University.

Haddad, L. and M. Adato (2001). “How Efficiently Do Public Works Programs Transfer Benefits to the Poor? Evidence From South Africa”. IFPRI.

Harutyunyan, L. (undated). “Case Study Summary: Armenia Family Poverty Benefit. Brief for the World Bank Regional Study”. Program Implementation matters for Targeting Performance: Evidence and Lessons from the ECA Region.

Harvey, P. (2005). “Cash and vouchers in emergencies”. Discussion Paper, HPG Humanitarian Policy Group.

Harvey, P., R. Slater and J. Farrington (2005). “Cash Transfers – Mere ‘Gadaffi Syndrome’, Or Serious Potential for Rural Rehabilitation and Development?”.

Heita, D. (2005). “Concern as Namibia Cuts HIV Disability Grants”. Reuters.

Hernandez, G., G. Merino, A. Santiago and M. Szekely (undated). “Design and Evaluation of Social Programmes”. Ministry of Social Development, Mexico, page 7, http://www.iadb.org/res/publications/pubfiles/pubP-243.ppt#7

Hoddinott, J. (1999). “Targeting Principles and Practices”. Technical Guide #9, International Food Policy Research Institute.

Holzmann, R. (2006). “The Conceptual Foundations of Social Safety Nets: Social Risk Management”. Social Protection, World Bank, Washington, D.C.

Holzmann, R. and S. Jorgensen (2000). “Social Risk Management: A new conceptual framework for Social Protection, and beyond”. Social Protection Discussion Paper No. 0006, The World Bank, Washington, D.C.

Holzmann, R. and M. Rutkowski (2006). “The Political Economy of Pension Reform”. Presentation at PREM Learning Week, May 4.

ILO (2000). "World Labour Report 2000: Income security and social protection in a changing world". International Labour Office, Geneva.

International Monetary Fund (2005). “Bangladesh: Poverty Reduction Strategy Paper: Unlocking the Potential, National Strategy for Accelerated, Poverty Reduction”. General Economics Division Planning Commission, Government of People’s Republic of Bangladesh.

Inter-American Development Bank (undated). “Family Allowances Program – Phase II”. Inter-American Development Bank Loan Document.

Inter-American Development Bank (2004). “Brazil Support for the Social Protection System”. (BR-L1004).

Inter-American Development Bank (2004b). “IDB Approves $1 Billion Loan For Expansion And Consolidation Of Social Protection In Brazil Based On The Bolsa Familia Program”. Press release on December 15.

Inter-American Development Bank (2003). “A New Generation of Social Programs”. Ideas for Development in the Americas, Volume 1, Second Quarter.

Inter-American Development Bank (2003b). “Social Development”. Sustainable Development Department, Inter-American Development Bank, Washington, D.C.

International Federation of the Red Cross and Red Crescent Societies (2003). “Ethiopian Droughts: Reducing the Risk to Livelihoods through Cash Transfers”.

International Social Security Association (2004). “Proceedings: 28th General Assembly”. Beijing.

Ismail, S., M. Immink, I. Mazar and G. Nantel (2003). “Community-Based Food and Nutrition Programmes: What makes them Successful?” FAO Food and Nutrition Division.

ISSA (1999). “Social Security Programs Throughout the World”. ISSA. website: http://www.ssa.gov/international

Jalan, J. and M. Ravallion (1999). “Income Gains to the Poor from Welfare: Estimates for Argentina's Trabajar Program”. Indian Statistical Institute and World Bank.

Jenden, P. (2002). “Revisiting Koisha Wereda, Wollaita: The potential of employment safety nets for asset protection”.

Jones, P. (2005). “The Design and Implementation of Effective Safety Nets Lessons from TRABAJAR: A Workfare Program”. LCSHD.

Jordaan, P. and E. Roos (2005). “Fix my ID, or she dies”. Beeld and www.news24.com, November 30, 2005.

Kabeer, N. (2003). “Gender Mainstreaming in Poverty Eradication and the Millennium Development Goals: A Handbook for Policymakers and other Stakeholders”. Commonwealth Secretariat, International Development Research Centre, Canadian International Development Agency.

Kakwani, N., F. V. Soares and H. H. Son (2005). “Conditional Cash Transfers in African Countries”. International Poverty Centre, Working Paper No. 9, United Nations Development Programme.

Kakwani, N. and K. Subbarao (2005). “Aging and Poverty in Africa and the Role of Social Pensions”.

Khogali, H. and P. Takhar (2001). “Evaluation of Oxfam GB Cash for Work Programme”. Kitgum/Pader District, Uganda, 2000/1.

Kidd, S. (2006). “Social Protection and the White Paper”. Social Protection Team, Policy Division, Department for International Development (DFID).

Kirkpatrick, C. and D. Hulme (undated). “Basic Impact Assessment at Project Level”. CARE International.

Klugman, J. (1999). “Social Safety Nets and Crises”.

Kusek, J. Z. and Ray C. Rist (2004). “Ten Steps to a Results-Based Monitoring and Evaluation System: A Handbook for Development Practitioners”. World Bank, Washington DC. (http://wwwwds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/08/27/000160016_20040827154900/Rendered/PDF/296720PAPER0100steps.pdf)

Lacayo, C. (2006). “Red de Protección Social”. Inter-Regional Inequality Facility Policy Brief, Number 3.

Lambert, J. (2006). “Doing the unthinkable: Cash transfers in Somalia”. Presentation at a DFID Workshop on Social Protection in Fragile States. February, Nairobi.

Lanjouw, P., B. Milanovic and S. Paternostro (1998). “Poverty and Economic Transition: How do Changes in Economies of Scale Affect Poverty Rates of Different Households?”. Working Paper, The World Bank, Washington, D.C.

LaLonde, R. (1986). “Evaluating the Econometric Evaluations of Training Programs with Experimental Data”. American Economic Review, vol. 76, no. 4, pp. 604–20.

LaLonde, R. and R. Maynard (1987). “How Precise Are the Evaluations of Employment and Training Programs: Evidence from a Field Experiment”. Evaluation Review, Beverly Hills, CA: Sage Publications.

Larrañaga, O. (2003). “Focalización de Programas Sociales en Chile: El Sistema CAS”. Social Protection Center, Latin America and Caribbean Region, The World Bank, Washington, D.C. Processed.

Leach, J. (1998) “Bolivia’s Bonosol”. Presented at the Transfers & Social Assistance for the Poor in the LAC Regional Workshop.

Lecuit, L., J. Elder, C. Huzrtado, F. Rantrua, K. Siblini and M. Tovo (1999). “Demystifying MIS: Guidelines for Management Information Systems in Social Funds”. World Bank Technical Paper No. 443, WTP443 September.

Levy, S. and C. Barahona. (2002). “Targeted inputs programme (TIP): Main report of the evaluation programme”. Processed.

Lindert, K. (2005). “Beyond Cash: Enhancing Transfers to Promote Long-Run Poverty Reduction”. World Bank.

Lindert, K. (2005b). “Brazil: Bolsa Familia Program – Scaling-up Cash Transfers for the Poor”. LCSHS, World Bank.

Lindert, K., E. Skoufias and J. Shapiro (2005). “Redistributing Income to the Poor and the Rich: Public Transfers in Latin America and the Caribbean”. The World Bank.

Luckhaus, L. (2000). “Equal Treatment, Social Protection and Income Security for Women”. International Labour Review 139, pp. 149–77.

Maitra, P. and R. Ray (2003). “The Effect of Transfers on Household Expenditure Patterns and Poverty in South Africa”. Journal of Development Economics, vol. 71, no. 1, June, pp. 23–49.

Maluccio, J. A. and R. Flores (2005). “Impact Evaluation of a Conditional Cash Transfer Program: The Nicaraguan Red De Protección Social”. International Food Policy Research Institute.

Marcus, R. (2004). “The Role of Cash Transfers in Tackling Childhood Poverty”. CHIP Policy Briefing 2.

McCord, A. (2005a). “A Critical Evaluation of Training within the South African National Public Works Programme”. Journal of Vocational Education and Training, Volume 57, Number 4, 2005.

McCord, A. (2005b). “An Examination of the Use of Public Works as a Social Protection Instrument in Situations of Chronic Poverty”. Conference on Social Protection for Chronic Poverty, Institute for Development Policy and Management.

McCord, A. (2005c). “Win-win or lose? An Examination of the Use of Public Works as a Social Protection Instrument in Situations of Chronic Poverty”. Paper presented at the conference on social protection for chronic poverty. Institute for Development Policy and Management, University of Manchester, 23–24 February.

McCord, A. (2005d). “Public Works in the Context of HIV/AIDS: Innovations in Public Works for Reaching the most Vulnerable Children and Households in East and Southern Africa”. Public Works Research Project.

McCord, A. (2004). “Policy Expectations and Programme Reality: The Poverty Reduction and Labour Market Impact of Two Public Works Programmes in South Africa”. ESAU Working Paper 8.

McCord, A. (2004b). “Public Works and Overcoming Under-development in South Africa”. UNDP, HSRC & DBSA Conference on Overcoming Under-development in South Africa’s Second Economy.

Melo, A., A. Brandão, J. Lora, P. Siles and J. Hobbs (2005). “Hunger, in Truth, is the Worst Massive Destruction Weapon, Conditional Cash Transfers: Brazil – Bolivia – Dominican Republic”. A Comparative Analysis of the Design and Implementation of CCTs in LAC (President Lula, at ONU, 2003) LAC.

Michelo, S. (2005). “Baseline Survey Report: Kalomo Social Cash Transfer Scheme”. Ministry of Community Development and Social Services and Deutsche Gesellschaft für Technische Zusammenarbeit.

Ministry of Education (2002). “Identificação e Inclusão de Famílias no Bolsa Escola Federal”. Brasilia, Brazil: Ministry of Education.

Ministry of Finance (2001). “Uganda: Poverty Status Report”. Ministry of Finance, Planning and Economic Development.

Mitra, S. (2005). “Disability and Social Safety Nets in Developing Countries”. Social Safety Nets Core Course, Fordham University.

Mitra, S. (2004). “Disability and Social Safety Nets”. Rutgers University, New Jersey.

Morley, S. and D. Coady (2003). “From Social Assistance to Social Development: Targeted Education Subsidies in Developing Countries”. The Center for Global Development and the International Food Policy.

National Institute of Justice (1989). “Evaluating System Improvement Projects”. August.

Nattrass, N. (2006). “Disability and Welfare in South Africa's Era of Unemployment and AIDS”. CSSR Working Paper No. 147.

Newlyn, W. T. (1985). “Measuring Tax Effort in Developing Countries”.

OECD (Organisation for Economic Co-operation and Development) (1999). “Benefit Systems and Work Incentives”. Paris.

Orr, Larry. (1999). “Social Experiments: Evaluating Public Programs with Experimental Methods”. Thousand Oaks, CA: Sage Publications.

Overseas Development Institute (2005). “Scaling up versus Absorptive Capacity: Challenges and Opportunities for reaching the MDGS in Africa”. ODI Briefing Paper.

Pal, K., C. Behrendt, F. Leger, M. Cichon and K. Hagemejer (2005). “Can Low Income Countries Afford Basic Social Protection? First Results of a Modelling Exercise”. Social Security Department, Issues in Social Protection Discussion paper 13, ILO Geneva.

Paxson, C. and N. Schady (2002). “The Allocation and Impact of Social Funds: Spending on School Infrastructure in Peru”. World Bank Economic Review, vol. 16, no. 2, pp. 297–319.

Pellissery, S. (2005). “The Effects of Process Deficits of Anti-poverty Programmes on the Chronic Poor”.

Pritchett, L. (2005). “The Political Economy of Targeted Safety Nets”. Social Protection Discussion Paper Series, The World Bank.

Quisumbing, A. R. and Y. Yohannes (2004). “How fair is workfare? Gender, Public Works, and Employment in Rural Ethiopia”. International Food Policy Research Institute, Washington, D. C.

Raczynski, D. (1991). “La Ficha CAS y La Focalizacion de los Programmas Sociales”. Esudios Cierplan No. 141, La Corporación de Investigaciones Economica para Latinoamérica, Santiago, Chile.

Rajan, S. I. (2002). “Oldage Allowance Program in Nepal”. Trivandrum, Kerala, India: Centre for Development Studies.

Ravallion, M. (2005). “Evaluating Anti-Poverty Programs”. Development Research Group, World Bank.

Ravallion, M. (2003). “Targeted Transfers in Poor Countries: Revisiting the Trade-Offs and Policy Options”. World Bank.

Ravallion, M. (2002). “Are the poor protected from budget cuts? Evidence for Argentina”. Journal of Applied Economics, Vol. V. No. 1 (May 2002), 95–121, World Bank.

Ravallion, M. (2001). “The Mystery of the Vanishing Benefits: An Introduction to Impact Evaluation”. The World Bank.

Ravallion, M. (1999). “Appraising Workfare”. World Bank Research Observer, vol. 14, no. 40 1 (February).

Ravallion, M. (1998). “Appraising Workfare Programs”. Working paper later published in World Bank Research Observer, vol. 14, no. 40 1 (February).

Ravallion, M. (1996). “Issues in Measuring and Modeling Poverty Analysis”. The World Bank.

Ravallion, M. and S. Chen (2001). “Measuring Pro-Poor Growth”. Development Research Group, World Bank.

Rawlings, L. B. (2005). “An Overview of Conditional Cash Transfers and Social Funds”.

Rawlings, L. B. (2004). “A New Approach to Social Assistance: Latin America’s Experience with Conditional Cash Transfer Programs”. The World Bank.

Rawlings, L. B. and G. M. Rubio (2003). “Evaluating the Impact of Conditional Cash Transfer Programs: Lessons from Latin America”. Policy Research Working Paper 3119, Latin America and the Caribbean Region, Human Development Sector Unit, The World Bank.

Regalia, F. (2005). “Some Thoughts about Conditionalities in Cash Transfer Programs”. Inter-American Development Bank.

Right to Food Campaign (2005). “Overview of the National Rural Employment Guarantee Act 2005”. http://www.righttofoodindia.org/

Rodrick, D. (1999a). “Why Is There so Much Economic Insecurity in Latin America?” Paper prepared for the World Bank, World Bank, Washington, D.C.

Rodrick, D. (1999b). “Institutions for High-Quality Growth”. Paper prepared for the IMF Conference on Second Generation Reforms. Washington D.C.

Ronconi, L., J. Sanguinetti and S. Fachelli (undated). “Poverty and Employability Effects of Workfare Programs in Argentina”. Presentation slides.

Rubalcava, T. L. G. and D. Thomas (2002). “Welfare Design, Women’s Empowerment and Income Pooling”. Paper presented at the 2003 Population Association Meetings.

Ryan, J. G. and X. Meng (2004). “The Contribution of IFPRI Research and the Impact of the Food for Education Program in Bangladesh on Schooling Outcomes and Earnings”. Impact Assessment Discussion Paper No. 22, International Food Policy Research Institute.

Sadoulet, E. (2004). “Notes for Discussion” on “Evaluating the Impact of Development Aid Programs: The Role of Randomized Evaluations”, by Esther Duflo. AFD conference, Paris November 25.

Samson, M. (2006) “Are Conditionalities Necessary for Human Development?”. Third International Conference on Conditional Cash Transfers. Istanbul, Turkey, June 2006.

Samson, M. (2002). “HIV/AIDS and Poverty in Households with Children Suffering from Malnutrition: the Role of Social Security in Mount Frere”. South African Journal of Economics, Vol. 70:7.

Samson, M., K. Mac Quene and I. van Niekerk (2006). “South Africa’s Social Grants”. Inter-regional Inequality Facility Policy Brief Number 1 (February).

Samson, M., K. Mac Quene and I. van Niekerk (2005). “Addressing Inequality: Policies for Inclusive Development – A Case Study of Social Security in South Africa”. Economic Policy Research Institute (EPRI).

Samson, M., U. Lee, A. Ndlebe, K. Mac Quene, I. van Niekerk, V. Gandhi, T. Harigaya and C. Abrahams (2004). “The Social and Economic Impact of South Africa’s Social Security System”. Final Report Executive Summary, Commissioned by the Economics and Finance Directorate, Department of Social Development.

Samson, M., I. van Niekerk, K. Mac Quene and G. Khathi (2004). “South Africa’s Social Security System”. Economic Policy Research Institute report commissioned by the Department of Social Development.

Sancho, A. (1992). “La Ficha Cas Como Instrumento de Focalización del Gasto Social en el Nivel Local”. In Margaret Grosh, (ed.), Platitudes to Practice: Targeting Social Programs in Latin America. Vol. II, Case Studies III, Latin America and the Caribbean Technical Department, World Bank Regional Study Program, Report 21. Washington, D.C.

Sandford, J. (2005). “The Productive Safety Net Programme in Ethiopia: The Public Works Component”. World Bank presentation.

Santibañez, L., G. Vernez and P. Razquin (2005). “Education in Mexico: Challenges and Opportunities”. Sponsored by the William and Flora Hewlett Foundation.

Sathe, M. D. (1991). “Rural employment and Employment Guarantee Scheme in Maharashtra”. Vijayanagar, Pune, Maharashtra: Development Group.

Schubert, B. (2005). “The Pilot Social Cash Transfer Scheme Kalomo District – Zambia”. Chronic Poverty Research Centre, CPRC Working Paper 52.

Schubert, B. and J. Goldberg (2004). “Scaling Up – Extending Social Cash Transfers beyond the Pilot Area 6th Report”. Report on a Consultancy to Plan the Extension of the PWAS Administered Kalomo Pilot Social Cash Transfer Scheme in the Context of the GRZ/AfDB Zambia Child Welfare Project, Lusaka.

Schubert, B., E. Schüring and J. Goldberg (2005). “Manual of Operations for the Social Cash Transfer Scheme Operating in Kalomo, Southern Province, Lusaka”. Zambia.

Schwarz, A. M. (2003). “Old Age Security and Social Pensions”. Social Protection, World Bank.

Sedlacek, G., N. Ilahi and E. Gustafsson-Wright (2000). “Targeted Conditional Transfer Programs in Latin America: An Early Survey”. The World Bank.

Sen, A. K. (undated). “Disability and Justice”. World Bank presentation.

Sen, A. K. (2004). “Disability and Justice”. Disability and Inclusive Development Conference, keynote speech, World Bank. Washington, D.C. Processed.

Sen, A. K. (1995). “The Political Economy of Targeting”. In D. van de Walle and K. Nead (eds.), Public Spending and the Poor: Theory and Evidence, Baltimore, MD.

Sen, A. K. (1976). “Poverty: An Ordinal Approach to Measurement”, Econometrica, vol. 46, pp. 437-446.

Shepherd, A., R. Marcus and A. Barrientos (2005). “Policy Paper on Social Protection”. DFID.

Shresth, Heet Singh and Vikash Raj (2003). “Social Security and Pension for the elderly in Nepal”. Submitted to: South Asian Network of Economic Institutes (SANEI).

Skoufias, E. (2001). “PROGRESA and its Impacts on the Human Capital and Welfare of Households in Rural Mexico. A Synthesis of the Results of an Evaluation by IFPRI”.

Skoufias, E. and B. McClafferty (2001). “Is Progresa Working? Summary of the Results of an Evaluation by IFPRI”. International Food Policy Research Institute.

Smith, J. W. and K. Subbarao (2003). “What Role for Safety Net Transfers in Very Low Income Countries?”. Social Protection Discussion Paper Series No. 0301, The World Bank, Washington, D.C.

Solange R., A. Leatt and K. Hall (2005). “Does the Means Justify the End? Targeting the Child Support Grant”. Children’s Institute, University of Cape Town.

Solange R., A. Leatt and K. Hall (2005b). "Towards a Means to Live. Targeting Poverty Alleviation to Realise Children’s Rights". Children’s Institute, University of Cape Town.

Stock, E. and J. de Veen (1996). “Expanding Labor-Based Methods in Road Programs”. Africa Technical Department, World Bank, Washington, D.C. Processed.

Subbarao, K. (2003). “Systemic Shocks and Social Protection: Role and Effectiveness of Public Works Programs”. Social Protection Discussion Paper Series.

Subbarao, K. (1997). “Public Works as an Anti -Poverty Program: An Overview of Cross-Country Experience”. American Journal of Agricultural Economics, vol. 79 (May), pp. 678–83.

Subbarao, K. (1996). “Namibia's Social Safety Net: Issues and Options for Reform”. Poverty Reduction and Economic Management Network, The World Bank.

Subbarao, K. (1993). “Interventions to Fill Nutrition Gaps at the Household-Level: A Review of India’s Experience”. In B. Harriss, S. Guhan, and R.H. Cassen, eds., Poverty in India: Research and Policy. Bombay: Oxford University Press.

Subbarao, K., A. Bonnerjee, K. Ezemenari, J. Braithwaite, C. Graham, S. Carvalho and A. Thompson (1997). “Safety Net Programs and Poverty Reduction”. Lessons from Cross-Country Experience, The World Bank, Washington, D.C.

Subbarao, K. and D. Coury (2004). “Reaching Out to Africa’s Orphans: A Framework for Public Action”. The International Bank for Reconstruction and Development, The World Bank.

Suplicy, E. (2004). “Um desafio para os futuros prefeitos”. São Paulo: Folha de São Paulo, 22 September.

Szekely, M. (2006) “To Condition or Not to Condition. Third International Conference on Conditional Cash Transfers”. Istanbul, Turkey, June 2006

Tabor, S. R. (2002). “Assisting the Poor with Cash: Design and Implementation of Social Transfer Programs”. Social Protection Discussion Paper Series No. 223, Social Protection Unit, Human Development Network, The World Bank.

Tanzi, V. (1992). “Structural Factors and Tax Revenue in Developing Countries: A Decade of Evidence”. In I. Goldin and L. A. Winters (eds.). Open Economies, Structural Adjustment and Agriculture, Cambridge University Press, Cambridge.

Tietjen, K. (2003). “The Bangladesh Primary Education Stipend Project: A Descriptive Analysis”. Partnership for Sustainable Strategies.

Tutu, Desmond (2006). “The Role of Social Transfers in Fighting Poverty and Promoting Development”. Address by Most Reverend Desmond Tutu, Archbishop Emeritus of Cape Town, to the conference “Universalism Promotes Development”, organised by the Economic Policy Research Institute, Cape Town, November 2–4, 2006.

Unesco (2003). “Minimum Income Support in Africa: Desk Study on Mozambique”. Unesco, Maputo.

UNICEF (2005). “Strengthening National Responses to Children Affected by HIV/AIDs: What Is the Role of the State and Social Welfare in Africa?”. Report on Wilton Park Conference WPS05/30, UNICEF. Website: http://www.wiltonpark.org/documents/conferences/WPS05- 30/pdfs/WPS05-30.pdf

UNICEF (2000). “Poverty Reduction Begins with Children”. New York, March.

van Niekerk, I. (2002). “South Africa’s Tax Capacity”. Economic Policy Research Institute.

van de Walle, Dominique (1998). “Targeting Revisited”.

Widlok, T (2005). “No income, no access: The Local Outcome of Basic Income”. 5 August.

Wilding, J. and M. Ayalew (2001). “Evaluation of Cash Based EGS in Ambassel and Kutaber woredas of South Wollo, Ethiopia”. Ethiopian Red Cross Society and IFRC.

Williams, S., Commissioner Manjoo, M. Mashao, N. Siqwana-Ndulo and T. Maitse (2003). “The Constitutional Framework for Social Security in South Africa”. Submission to the Social Development Portfolio Committee, Report of the Committee of Inquiry into a Comprehensive System of Social Security for South Africa.

World Bank (undated). “OED and Impact Evaluation – A Discussion Note”. World Bank.

World Bank (2006). “World Bank Approves $21 Million for Social Protection”. News Release No: 2006/33/LAC.

World Bank (2006b). “Country Programme Profiles”. Third International Conference on Conditional Cash Transfers. Istanbul, Turkey, June 26–30.

World Bank (2005). “Conditional Cash Transfers on Trial: A Debate on Conditional Cash Transfer Programs”. World Bank.

World Bank (2005b). “Zambia: Poverty and Vulnerability Assessment”. Report No. 32573-ZM.

World Bank (2004a). “Argentina”. CCT database, wb165191, programs EN.doc.

World Bank (2004b). “CCT Conference Summary on West Bank and Gaza”. World Bank.

World Bank (2004c). “Reducing Poverty Sustaining Growth”. Scaling Up Poverty Reduction, A Global Learning Process and Conference in Shanghai, May 25–27, 2004, Case Study Summaries.

World Bank (2004d). “Monitoring & Evaluation: Some Tools, Methods and Approaches”. Washington, D.C.

World Bank (2004e). “Lessons: Scaling Up Successful Efforts to Reduce Poverty”. World Bank.

World Bank (2004f). “CCT Conference Summary on Honduras”. World Bank.

World Bank (2001). “World Development Report 2000/2001: Attacking Poverty”. The International Bank for Reconstruction and Development, The World Bank, Washington, D.C.

World Bank (1995). “Lesotho Poverty Assessment”. Report No. 13171-LSO, Human Resources Division, Southern Africa Department.

Index of Countries

A

Afghanistan: 77, 136
Argentina: 12, 13, 38, 56, 63, 66, 112, 114
Armenia: 37, 56, 58, 126, 166

B

Bangladesh: 9, 11 – 12, 31, 36, 50, 54, 68, 69, 71, 75 – 76, 88, 98, 109, 132 – 133, 145, 158, 159, 161, 167, 172, 175
Bolivia: 54, 63, 169, 170
Botswana: 17, 47, 67, 102
Brazil: 4, 9, 11, 16, 24, 25, 29, 31 – 34, 40, 45, 53, 54, 60 – 61, 63, 66, 67, 70, 74, 79, 82 – 86, 88, 92, 94, 98, 100, 119, 121 – 122, 124 – 126, 132 – 133, 135 – 137, 161 – 163, 165, 167, 169 – 170
Burkina Faso: 61
Burundi: 61

C

Cameroon: 62 – 63
Chile: 53, 56, 59, 63, 102, 161, 165, 169, 171
Colombia: 38, 40, 51, 53, 56, 75, 85, 100, 119, 134 – 135, 148, 161
Costa Rica: 63
Cote d'Ivoire: 61

E

Ecuador: 11, 40, 57 – 59, 63, 77, 84, 86, 94, 98, 159
Egypt: 56, 58, 158
El Salvador: 27, 63, 94
Ethiopia: 12, 28, 29 – 30, 40, 45, 51, 59, 61, 69, 75, 78, 107, 110, 111 – 112, 114, 136 – 137, 159, 160, 165, 171, 173, 176

G

Gambia: 61
Ghana: 60 – 62
Guinea: 28 – 29, 60, 61
Guyana: 63

H

Honduras: 11, 14, 40, 54, 56, 63, 66, 74, 85 – 86, 88, 90 – 91, 95, 98, 100, 176

I

India: 9, 12, 14, 31, 33 – 34, 50, 70, 72, 79, 102, 104 – 105, 109, 113, 119, 120, 124, 148, 160, 162 – 163, 165, 171, 174
Indonesia: 50, 56, 63

J

Jamaica: 11, 25, 37, 40, 51, 56, 66, 75, 85, 95, 100, 120

K

Kenya: 28 – 29, 45, 61, 78, 84, 86, 88, 98, 101, 148
Korea: 108

L

Lesotho: 9, 14, 16 – 17, 26, 30, 35, 38, 40, 46 – 47, 50 – 51, 67, 70, 76, 122, 129, 176

M

Madagascar: 61
Malawi: 12, 28, 36 – 37, 61, 63, 70, 76, 77, 105 – 106, 114, 115, 161
Mali: 63
Mauritius: 17, 64, 67, 79
Mexico: 10 – 11, 24, 33, 40, 44, 51, 53, 56, 61, 63, 66, 70 – 72, 74, 77, 79 – 80, 82, 84 – 85, 87, 89, 92 – 93, 95 – 100, 119, 129, 134, 137, 142 – 143, 148, 152, 156, 162 – 163, 165 – 167, 173 – 174
Mozambique: 14 – 15, 40, 61, 64, 96, 175

N

Namibia: 9, 17, 30, 38, 47, 83, 120 – 121, 129, 136, 163, 167, 174
Nepal: 9, 14 – 15, 17, 32, 35, 60, 63, 70, 75, 121, 126, 171, 174
Nicaragua: 11, 14, 53, 56, 63, 66, 67, 74 – 75, 79 – 80, 85, 87, 92, 95, 98 – 99, 132, 144
Nigeria: 60 – 61

P

Pakistan: 40, 85, 87, 89, 99, 135
Panama: 63
Paraguay: 51, 63, 95, 100
Peru: 63, 67, 171
Philippines: 63

R

Russia: 56

S

Somalia: 129, 136
South Africa: 4, 8 – 9, 12, 16 – 17, 19 – 20, 26, 30 – 36, 47, 49 – 50, 55 – 57, 60 – 62, 64, 67, 70 – 72, 74 – 76, 79, 83, 101, 105 – 110, 112, 114, 119, 126, 129, 134 – 138, 156, 161, 163 – 164, 166, 169 – 171, 173, 175 – 176
Sri Lanka: 37, 56, 131, 158

T

Taiwan: 62
Tanzania: 63
Turkey: 40, 56, 85, 87, 89, 99, 173, 175 – 176

U

Uganda: 61
United Kingdom: 2, 32, 61, 129, 160, 163 – 164
Uruguay: 63

W

West Bank and Gaza: 40, 56, 176

Z

Zambia: 9, 18 – 19, 22 – 24, 26, 29, 31 – 32, 34, 59 – 61, 75 – 76, 78, 119, 126, 130 – 131, 136, 139, 159, 173 – 174, 176
Zimbabwe: 56, 114



Social transfers are regular money payments – or, in some cases, food or vouchers – provided by governments or other public-oriented institutions to poor individuals and households with the aim of reducing poverty. Around the world developing countries are increasingly recognising the value of this innovation in reducing extreme poverty – with success stories in Africa, Asia and Latin America. This guide serves as a tool for government policy-makers, programme officials and donor agency representatives responsible for designing, implementing, managing and monitoring cash-based social transfer programmes. The guide provides both concrete recommendations as well as a wealth of lessons from international experience.

The Economic Policy Research Institute (EPRI) produced this publication.

Economic Policy Research Institute

EPRI was founded in 1994 to support the process of socio-economic development in Africa. EPRI is committed to analysing Africa's socio-economic conditions and supporting the development of sustainable social and economic policies aimed at poverty eradication, job creation and redistribution while supporting sustained economic growth and macroeconomic stability. EPRI is a non-governmental organisation based in Cape Town and legally registered as a non-profit organisation.

The Department for International Development (DFID) funded this publication.

DFID is the UK Government Department with lead responsibility for international development. DFID's aim is to reduce poverty in poorer countries; in particular through achieving the Millennium Development Goals.

ISBN 0-620-36594-3

9 780620 365949

Electronic copies and further information
on social transfers available at:
www.epri.org.za/socialtransfers

EPRI Press