EXECUTIVE SUMMARY

Unconditional cash transfers are rapidly gaining support as a response to chronic poverty, food insecurity and AIDS in high HIV-prevalence countries of east and southern Africa, where most governments lack the resources to implement comprehensive social security systems, and the coping capacities of families and communities are severely over-stretched. Various cash transfer schemes have been introduced or are being piloted in the region, often but not always with support from international donors and NGOs. This is partly a response to the growing unmet need for social protection, and partly a reaction against institutionalised food aid, with several governments and donors shifting in favour of meeting 'predictable hunger' with predictable cash transfers.

This study reviews unconditional cash transfers in 15 countries of east and southern Africa, examines four programmes in more depth (in Ethiopia, Lesotho, Mozambique and Zambia), and draws lessons for policy from this comparative review. The methodology is qualitative; this report does not provide a quantitative analysis of these programmes. Since unconditional cash transfers are a relatively new policy instrument in Africa, several knowledge gaps exist. Specifically, rigorous impact assessments, comparative cost-benefit analyses (e.g. of cash transfers *versus* food aid and other in-kind transfers), and monitoring of intra-household spending patterns (especially by gender), are lacking and are urgently needed.

One argument in favour of cash transfers is that they give people more choice than food, and evidence from this study suggests that cash is put to a wide range of uses, from purchases of food, groceries, clothes and seeds to meeting the costs of services like education and health. Much of this spending benefits children, both directly and indirectly. This applies even to pensions targeted at older people, since grandparents are increasingly caring for orphans and other vulnerable children. Other cash transfers are targeted at the 'working poor', and are partly invested in farming and small enterprises. These complex spending patterns generate a range of benefits, as well as multiplier effects that stimulate the local economy.

An argument often made against social transfers is that they create resentment and dependency. In most cash transfer programmes reviewed for this study the eligibility criteria are transparent and accepted as fair by community members. Support for targeted cash transfers is further enhanced where unconditional transfers for people unable to work are complemented by other social programmes, such as public works opportunities for those who can work. Also, since the people who support vulnerable children and community members are often poor themselves, social transfers can help to reduce this burden of care. Rather than creating dependency, cash transfer programmes are a crucial response to rising dependency ratios in contexts of high HIV-prevalence.

Concerns that cash transfers might be inflationary are not supported by this study, probably because most programmes transfer small amounts of cash to limited numbers of people. On the other hand, the purchasing power of cash transferred varies over time (e.g. season to season) and from place to place (between rural and urban areas). This variability in purchasing power, both within and across programmes (from under US$ 3 per month in Mozambique's Food Subsidy Programme to US$ 111 in South Africa's social pension), means that their impact on household wellbeing ranges from negligible to highly significant. There is a case for index-linking the value of cash transfers to food price movements, and for

setting the transfer equivalent to the cost of a minimum basket of food and non-food items, adjusted for household size.

Effective implementation of predictable cash transfer programmes requires adequate and sustained financing, administrative and management capacity, and political commitment. Finely targeted cash transfers may be more fiscally affordable than universal transfers, but delivering these transfers every month, in full and on time presents challenges, especially where physical infrastructure and logistical capacity are constrained. Implementing ministries (e.g. Social Welfare or Community Development) are often weak and lack bargaining power with Ministries of Finance to increase programme budgets. Where government capacity and budget allocations for monitoring and supervision are limited, these programmes can be vulnerable to 'leakages' and corruption.

Projects implemented by NGOs (and/or donors), on the other hand, enjoy the advantages of working closely with communities, but because of this locality-level focus they inevitably exclude large numbers of vulnerable people living outside their project areas. The advantages of local engagement are difficult to replicate when scaling up to the national level – there appears to be a trade-off between outreach or coverage and community participation in programme design and implementation (e.g. identification by communities of eligible beneficiaries).

Ensuring that the most vulnerable children benefit from cash transfer programmes does not necessarily mean a transfer has to be targeted at them directly. Schemes – and social protection packages – should be chosen and designed based on an analysis of vulnerability and burdens of care in a context of increasing AIDS and their impacts on different groups of children. Experiences from conditional cash transfers in Latin America suggest that linking transfers to child attendance at schools or clinics can achieve additional positive outcomes for children. 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. Another way of achieving multiple impacts with a cash transfer is to link their delivery with the delivery of basic services (such as an immunisation drive, HIV and AIDS awareness, or nutrition education) or complementary services (eg banking). For child wellbeing, cash transfers are a key economic intervention as part of a range of social protection measures that includes access to and quality of health, education and other services for all children, child protection (including legal) and psycho-social support.

To 'make cash count', schemes need to be improved (or designed) in a number of ways. Cash transfers should be integrated into a comprehensive package of context-specific social protection interventions. Pilot projects should be scaled up and institutionalised within government structures. Partnerships should be built for effective delivery (involving government, donors, NGOs, the private sector and communities). The need to invest in management capacity should not be underestimated. Finally, it should be recognised that a predictable cash transfer is a 'social contract' between a government and citizens that must be upheld, not just another donor-driven experiment to be abandoned when the project cycle ends.