# CHAPTER 4. LESSONS LEARNED: THE USE AND OUTCOMES OF UNCONDITIONAL CASH TRANSFERS

It is important to establish whether unconditional cash transfers reach and benefit children before looking at how the schemes work and how they could be scaled up. Do children benefit (directly or indirectly) from unconditional cash transfers? Do cash transfers have any negative effects on children's well-being? The nature of this study does not permit rigorous answers to these questions. Quantitative impact assessments were not conducted but the fieldwork did allow exploration of these issues in discussions with programme administrators, beneficiaries and other community members.

## 4.1 Spending Patterns and Children

A striking finding from all our case study programmes is the diversity of uses to which cash transfer income is put. These can be categorised into eight clusters:

- Food (maize-meal, vegetables, meat)
- Groceries (soap, paraffin, matches, candles)
- Household items (blankets, clothes)
- Services (health, transport, education)
- Assets (chickens, pigs)
- Income-generating activities (farming, trading)
- Social costs (funerals, community groups)
- Savings

As a general rule, the evidence from this study suggests that the first priority in terms of spending cash transfers is on meeting immediate consumption needs, especially food, but also groceries and small household items. Experience from Mozambique, where children are counted as indirect beneficiaries of the food subsidy, showed that on the whole beneficiaries spend the money on food that is shared and items that can be used by all the family.

Indeed, when food is scarce priority is given to younger children and adults skip a meal (MMAS/ UNICEF, 2004). Other items purchased, such as soap or shoe polish, meant that children felt more able and comfortable going to school.

> *"the Subsidio de Alimentos helps all my children, because the firewood, water and food I purchase are consumed by all family members".*
>
> Chronically ill widow in Chokwe (Collier and MacAskill, 2005).

**Box 6: What is Spending on Children?**

Three types of spending by households can be identified that affect children:

***Child-specific:*** Spending that would not be made unless there is a child in the household, such as spending on education, child health care (including maternal health) and nutritional needs;

***Family expenditure for child well-being:*** Household food security, basic necessities like fuel, water, shelter, and the health of the carer;

***Family expenditure (enabling or productive):*** Asset-building or replenishing, debt repayment.

For children, what is important is the outcome – whether their families or carers feel they can afford to care for them, whether they can go to school, get medicines and treatment when ill, and whether their needs are prioritised or relegated behind the needs of other children and older household members.

Even with very small transfers, some of this is likely to be spent on basic services (health and education expenses), even in countries such as Zambia where education is supposed to be free.

Part of this income might also be allocated to investment in income-generating activities. In Mozambique, for instance, women justify putting some of their food subsidy cash towards petty trading activities by saying that they can buy more food for themselves and their children with the profits they generate. In Ethiopia, Meket Project participants spent some of their cash transfers on buying seeds for the farming season. This raises an interesting point, that spending patterns will vary through the year, especially in farming areas. For instance, food purchases will be highest in the 'hungry season' when granaries are empty, and lowest just after harvest. In Zambia, a recent evaluation found that 29 per cent of the transfer was spent on livestock and agricultural inputs (MCDSS/PWAS/GTZ, 2005).

Larger and/or predictable regular transfers can achieve a bigger impact in terms of investment in health, education and income generation, because of their cumulative value over time. This is why guaranteed payments, delivered regularly and on time, are crucial. People who receive regular cash transfers can gain access to credit at local stores, or can set aside something each month towards a major asset purchase (such as livestock for breeding, or a plough for farming).

*Spending of Old Age Pension Income in Lesotho*

*Items purchased with pension income:*

- *Food (maize, vegetables, meat)*
- *Soap*
- *Paraffin*
- *Candles and matches*
- *Chickens*
- *Medicines*
- *Clothes*
- *Blankets*

*Services purchased with pension income:*

- *Health treatment (formal and traditional)*
- *School needs (uniforms, books)*
- *Transport costs*
- *Burial society contributions*
- *Funeral services*
- *Membership of community groups*

It is possible that some cash transfer income could be 'misused' by being squandered on alcohol, for instance, so that other household members and children derive no benefits at all. This critique is more often made against cash transfers than food, the assumption being that food is more likely to be consumed by children in the household, while cash is more likely to be spent on non-essential items. However, there is little empirical evidence to support this (rather condescending) assumption, and it is important to emphasise that we found no evidence of this kind of abuse of cash transfers by beneficiaries in any of our case study programmes. Instead, individuals and households appear to make careful and strategic decisions about how to use this additional income for the best interests of the household, either immediately (buying more food and groceries) or for the longer term (buying chickens or a goat, investing in farm inputs, or paying schooling expenses for grandchildren).

It should be noted that no scheme collects systematic and detailed data on children. The Kalomo Pilot Project in Zambia collects more than others, tracking the nutritional status of children under five and school attendance of older children. The following sections look at different aspects of the outcomes of cash transfers.

## 4.2 Household Poverty and Food Security

### Household food security

An important use of transfer income in all our case studies is to purchase food for the subsistence needs of beneficiaries and their dependants, including children. Given the fungibility of cash, the impact of cash transfers on food consumption can either be from direct purchases of food or through freeing up money that was previous spent on non-food expenses. It can also be used to purchase assets that can be sold for food at a later date. In Ethiopia, one cash transfer recipient said: "*If I did not get this money, I would have sold my goat to buy food",* confirming that the transfer is performing the function of

protecting household assets, which is one objective of the Meket Project. In theory, the higher the value of the transfer and the more frequently it is disbursed, the bigger the potential impact on household food security.[12] If a cash transfer programme is well targeted at the 'ultra-poor' (who face chronic food deficits), it follows that the bulk of the cash will probably be spent on food, which has positive implications for household food consumption.

Mozambique's Food Subsidy Programme was first introduced following the abolition of the urban food ration programme in the early 1990s. The intention was to provide supplementary income to allow people to purchase the food that was no longer provided to them under the ration system. This is why it is called a food subsidy, although it does not subsidise food prices and there are no restrictions on how this money is spent. The value of the transfer has never been explicitly linked to the price of food, though it has been suggested that it should be – ie, that the cash should buy a proportion of a basket of basic food items, and that it should be adjusted as prices change. As of June 2005, the transfer for a single-person household could purchase 1,633kcal of maize per day, or 77 per cent of the minimum daily requirement (2,100kcal). Since the transfer only doubles (from Mzm 70,000 to Mzm 140,000) for households with four or more members, the maize that could be purchased would meet only 31 per cent of kcal requirements in a large household. This means that the income transferred must be seen as supplementary, since it does not fully cover household subsistence needs. For households with no other sources of income, this would not be sufficient.

The Kalomo Pilot Scheme in Zambia has explicit household food security objectives, the main aim being "to reduce extreme poverty, hunger and starvation". The transfer was initially set at a level adequate to purchase one 50kg sack of maize each month (ZmK 30,000), the reason being that the poorest 10 per cent of people in Southern Province consume on average one meal a day, so the intention was to provide them with a second meal. Beneficiary households with less than four members can now meet all their cereals-derived kilocalorie requirements, whereas households with six people would cover only 46 per cent of these needs (Nabugwere and MacAskill, 2005). As partial compensation for this, households with children now receive more cash than those with no children (ZmK 40,000 per month). Seasonality introduces a further complication: when granaries are empty, food prices are highest. (This is also the case in Malawi and Ethiopia, but less so in Lesotho.) However, one benefit of the Kalomo Pilot Scheme is that beneficiaries now retain their maize crop after the harvest, using their transfer income to meet essential expenses, rather than selling maize cheaply and buying it back at high cost later, as in the past. This strategy provides some protection against food price seasonality.

Box 7 outlines the ways the Lesotho pension has reportedly improved food security. Although the pension is intended for the sole use of the pensioner (so its value does not rise alongside household size, unlike our other case study programmes), it is of course distributed among all household members, so the impact on pensioners (and children) varies according to household size and composition. In large households with many dependants, food purchased using the pension is shared among more people, so each individual gains less. Another point made by several pensioners was that bulk purchases are cheaper, but the pension is too little to buy in bulk.

**Box 7: Cash Transfers and Household Food Security in Lesotho**

The Old Age Pension in Lesotho has reportedly improved household food security in three ways – through its positive impacts on food consumption, stabilised access to food, and nutrition.

(1) ***Incremental food consumption:*** The pension has allowed older people to increase the amount of food they eat. This gain was also reported by children living with pensioners; they are no longer sent to school hungry.

(2) ***Stabilised access to food:*** The relative regularity and predictability of pension income has stabilised food consumption and provided a safety net that was not there previously.

(3) ***Improved nutrition:*** Pensioners are purchasing more expensive and nutritious food (such as meat) for themselves and their dependants than before: *"Those without a pension live on vegetables, those with a pension can have meat."*

[12] 'Engel's law' states that the proportion of income spent on food falls as income rises. Adapting this 'law', Michael Lipton defined the poor as those who spend 60 per cent or more of their income on food, and the 'ultra-poor' as those who spend 80 per cent or more on food.

Since the Old Age Pension has been operational for less than one year, recipients have not yet tried to use the pension to negotiate credit in local stores, which is a strategy used by pensioners in Namibia and South Africa. In Kalomo district, social cash transfer beneficiaries sometimes pool their cash to derive economies of scale, and some have joined rotating savings schemes and credit associations.

While the income transferred on social protection programmes is the same for every beneficiary (though it is sometimes adjusted for household size), the amount of food and other commodities that can be purchased varies over both space and time. The real value of the pension in Lesotho varies significantly from one location to another. The difference between a 50kg bag of maize meal in urban Maseru and in rural Qacha's Nek in June 2005 was around M50, or one-third of the monthly pension. Rural pensioners also expend more time and transport costs in collecting their pensions, and in converting the cash into food through purchases at stores. This variability in the real value of cash transfers is a feature of all national programmes, but is less of a problem with localised programmes (such as the district-level case studies in Ethiopia and Zambia).

Food prices throughout rural Africa also fluctuate seasonally, being lowest after the annual harvest and highest during the 'hungry season' (when food is most needed). This variability in the value of cash transfers is one argument in favour of food transfers, especially where markets are weak. In Ethiopia's Meket Project, seasonal food price rises caused some project participants to suggest that they would prefer to receive a combination of food and cash, or food at some times of the year and cash at other times. According to Meket Project managers, if food prices rise too high, the amount of cash transferred will be adjusted upwards accordingly.

## Dietary diversity

It is important to emphasise that food security, especially for young children, is not only about the quantity of staple food purchased, but also about the quality of the diet, including variety of foods. Programmes that enable households to purchase 'food' do not allow for purchases of vegetables and other food items, although these might be 'freed up' by the transfer. If the intention is to improve household nutrition, both quantity and quality components of the diet must be addressed. While we do not have enough data on the intra-household allocation of cash transfer spending, we do know that good nutrition is vital for the cognitive development of children under three years old, so there is a real concern that small cash transfers might not be meeting the dietary needs of nutritionally vulnerable household members. In Zambia a recent evaluation of the programme found that not only did food intake increase but also the quality of the diet improved. There was an increase in carbohydrate consumption (maize etc) but also a substantial increase in the consumption of cooking oil and animal fat (purchased) and the number of households consuming protein rich foods also increased. An increase in dietary diversity was also found amongst programme beneficiaries of the broader Meket cash programme in Ethiopia (Save the Children, 2005).

## Income poverty reduction

Cash transfers can be given either to the 'poorest of the poor' (those who are labour-constrained and destitute, and require external assistance simply to survive), or to the 'middle poor' (those who are working, or able to work, but need support to raise their consumption to a minimum level, or to stabilise their incomes against shocks). In the former case, cash transfers fulfil a vital social welfare function, in contexts where fully developed social welfare systems are absent. In the latter case, cash transfers are often invested, and can contribute directly to economic growth and poverty reduction. This distinction is important because extravagant claims are often made for the poverty-reducing potential of cash transfer programmes. It is true that cash transfers raise incomes directly – but usually not enough to lift people above the poverty line, only to reduce the severity of their poverty. The exceptions are large scale national programmes such as social pensions in South Africa which is estimated to reduce the number below the poverty line by five per cent (Barrientos et al, 2003). It is also true that cash injections into poor households and communities generate income multipliers that imply positive impacts on the poverty of many others, apart from the beneficiaries. However, any claims that transferring tiny amounts of cash to extremely poor people will make a significant contribution to meeting the Millennium Development Goals on poverty reduction (in terms of lifting these people above the poverty line) must be treated with caution.

**Box 8: Can Cash Transfers Reduce Chronic Poverty?**

***Mozambique***

The Mozambique Food Subsidy Programme explicitly distinguishes between poor people who can work and poor people who cannot work, and a decision was taken to support only those who are unable to work. On the other hand, some beneficiaries can and do graduate out of the Food Subsidy Programme into other social programmes, many of which are also run by INAS. One case recorded in fieldwork was of a woman who enrolled on the Food Subsidy Programme when she fell chronically ill. After she recovered, being still extremely poor, she was transferred to the Income Generation Projects initiative, also run by INAS. The reverse has also happened, when poor people who start on INAS's Employment Programme fall ill or become old and are transferred to the Food Subsidy Programme.

At the household level, the value of the transfer is so small that beneficiaries complained it was "insufficient" or even "insignificant". Originally set at one-third of the minimum wage, it has fallen to just 9 per cent of the minimum wage, and will soon fall further to just 5 per cent when the minimum wage is raised. At the community level, it was noted that the cash transfers are so small that they do not "represent a significant cash injection that could stimulate the local economy".

***Zambia***

The Zambia case study highlights the fact that cash transfers generate income multipliers that have second-round impacts on poverty reduction. For example, of all purchases of maize made with transfer income, 63 per cent are from neighbours, 11 per cent from shops and 7 per cent from rural traders (MCDSS/PWAS/GTZ, 2005). Purchases of livestock and of ploughing services are also made from neighbours. Many of these households are also poor, so this boost to their household income could be contributing to a general reduction in poverty in the community.

The Kalomo district case study concluded that: "the reliable and timely delivery of cash transfers can be a cost-effective tool for securing the survival of the critically poor and incapacitated households (including OVC) … While the transfer does not lift the beneficiary households out of poverty, it does lift them from life-threatening critical food poverty."

The Lesotho, Mozambique and Zambia cash transfer programmes have no explicit ambitions to generate economic growth; they are social welfare programmes designed to provide relief to selected groups of disadvantaged citizens. These programmes reduce extreme poverty, alleviate hunger and protect people against falling into destitution. They also provide poor households with a regular and predictable income, which enables them to plan their spending. These are important objectives in their own right, and these interventions have certainly made the lives of thousands of poor people a little easier. Interestingly, the Meket Livelihoods Development Project in Ethiopia bridges the gap between 'welfarist' and 'developmental' goals, by providing cash for work for those who can work and unconditional cash transfers for those who can not (or should not) work. The cash is expected to be consumed in bad years and invested in good years. By contrast, the Government of Ethiopia's Productive Safety Net Programme (PSNP) has explicit poverty reduction ambitions. The PSNP targets economically active 'middle poor' households who will be assisted for a period of five years, after which they are expected to 'graduate' out of poverty and dependence on transfers. Because the economically inactive are more or less marginalised by this focus on the 'productive' poor, the PSNP has been criticised for excluding the poorest, and neglecting the 'welfarist' function of safety nets in pursuit of 'developmental' objectives.

## Income generation

In most cash transfer programmes, the amount of resources transferred to beneficiaries is insufficient to allow significant investment in income-generating activities. Moreover, beneficiaries are often targeted precisely because they are categorised as economically inactive, such as people over 70 years old (in Lesotho), 'chronically sick over 18 unable to work' (Mozambique), or 'extremely poor households without able-bodied adult labour' (in Zambia). Nonetheless, some proportion of transfer income does get invested in small-scale enterprise development, as working capital (for petty trading) or to purchase essential inputs (such as seeds or fertilizer for farming) and assets (tools, livestock) (see box 9). The impacts on children will depend on how profitable these investments are. If the transfer income is multiplied as a result, more disposable income will be available to buy food and to pay for education and health care and, arguably, prevent children from being required to work to supplement household income. The impact also depends on whether older out of school children, aged 16 to 18, are involved in the investment/or able to invest some of the money in their own projects and develop their own skills.

| Box 9: Investing Transfer Income |
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| ***Lesotho*** <br> Although the pension is too small to accumulate expensive assets or invest in starting a business, small investments do take place. Some pensioners bought chickens to rear, and sell the eggs for profit. Others have started petty trading, buying and retailing sweets, for instance. Many pensioners are still working, well into their seventies, sewing clothes and repairing school uniforms, or making 'Vaseline', and some of their Old Age Pension is used as working capital for these activities. <br> ***Mozambique*** <br> Beneficiaries of the INAS food subsidy in Matole reported using the money to finance their petty trading (eg buying tomatoes for reselling) ie investing it in order to increase its buying power. This suggests that very few poor people are totally 'inactive' – they cannot afford to be. Alternatively, these programmes need to be better targeted at genuine 'social welfare cases', those who physically cannot work for a living and have no other means of support. Others placed the transfer in an informal savings scheme called *xitique* during the harvest season when their fields yield sufficient food – effectively investing in local savings schemes and support systems. <br> ***Zambia*** <br> A monitoring report on the Kalomo Pilot Scheme found that almost one-third of the income transferred to beneficiaries (29 per cent) was invested, either in purchases of small livestock (eg, poultry), in farming (purchase of agricultural inputs, hire of agricultural labour) or in informal enterprises (eg, working capital for basket-making) (MCDSS/PWAS/GTZ, 2005). These investments were second only to food purchases (42 per cent) in terms of spending priorities. Although this might not be what the programme administrators intended, this evidence suggests a potential for this programme to have sustainable impacts on poverty reduction, not just short-term poverty alleviation. |

## 4.3 Access to Services

Access to basic services – both services for children, such as basic education and health care, and services for children's carers and all family members generally – are essential components of any minimum package of subsistence. Even where user fees are not enforced, a number of costs are associated with accessing these services, including transport, medicines, school books, uniforms and hygiene costs. Our fieldwork found that some transfer income is typically spent on these service-related costs. Sometimes this spending is regular and predictable, such as education-related expenses (see Box 10), and often it is irregular, dealing with situations that are potentially extremely damaging to household viability, such as health care for a family member affected by a serious illness. Cash transfers provide some assistance to households in meeting these costs.

| Box 10: Cash Transfers and Access to Education |
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| In Lesotho, pensioners with grandchildren in their care allocate some of their pension money to education expenses for these children (uniforms, books, stationery, hostel fees, school trips).[13] Children living in pensioner households also reported that they eat more and no longer go to school hungry. This is potentially very important, since several studies from around the world have demonstrated a causal link between nutritional status and cognitive performance. Well-nourished children concentrate better at school and perform better in examinations. <br> In Zambia, one 12-year-old boy in Kalomo Basic School told us that some of the ZmK 40,000 his grandmother gets from the pilot project is used for food and books for school, and for school fees. For each child, the family has to pay ZmK 45,000 per term for Parent-Teacher Association contributions and tuition fees. There is also some evidence that the social cash transfer contributed to reduced absenteeism, which declined from 40 per cent to 24 per cent after the programme was introduced (MCDSS/PWAS/GTZ, 2005). Headmasters explained this decline as caused by increased spending of beneficiary households on food, soap, clothing and educational materials, which according to them made it possible for pupils to attend school more regularly. |

[13] It might be that spending on education increases with the duration of the transfer programme – eg, in South Africa and Namibia, where social protection pensions have been operating for longer, pensions are worth more and make substantial contributions towards children's education costs (Devereux, 2001).

The Meket project in Ethiopia has enabled families to access health care in a timely manner as they have readily available cash and do not have to wait till they sell grain before attending the clinics (Save the Children, 2005). Pensioners in Lesotho spend some of their pension on health services – transport to the clinic, consultation fees and medicines – which is not surprising, given that health status declines with age. Pensioners also use some of the money to pay contributions towards burial societies and funeral costs, as one way of taking this financial pressure off their relatives when they die. A common complaint was that the pension is not enough to meet this broader package of basic needs: *"We can buy food, but not health care."* This complaint could also apply to the health care needs of children in the household.

## 4.4 Social Consequences of Cash Transfers

Cash transfer programmes can affect the individual's status in the community as well as relations between beneficiaries and non-beneficiaries, including impacts on informal support systems.

### Intra-household and gender impacts

How the cash is used is often determined by who receives and controls the transfer. Supporters of food transfers as opposed to cash transfers argue that food can be given to women who cook it and feed their children. They argue that a cash grant is often collected by the male head of household, who might not spend it on the rest of his family. This can be avoided by giving the money to women through the targeting/ delivery mechanisms. Other research indicates that pensions received by grandmothers are more likely to be spent on children. The inherent advantage of a pension – or another transfer that is dependent upon an individual's rather than a household's eligibility – is that both women and men are eligible to collect it. Women also tend to live longer.

Our case studies did not highlight sufficient evidence of intra-household resource allocation. The more general lack of information on intra-household spending/outcomes of cash and other transfers needs to be addressed through monitoring and evaluation systems.

### Caring practices

Information about caring practice is only available from the Meket project in Ethiopia (Save the Children, 2005). This assessment of the practices of young mothers who would have been eligible for the unconditional cash element of the project, found that the frequency of feeding of children has increased since the project began. Importantly, women could spend more time with their children as their need to rely on collecting firewood or dung for an income was reduced. As a baby and firewood cannot be carried at the same time, it is common for infants to be separated from their mothers for long periods of time when the women are collecting fuel.

### Social status and envy

Social protection programmes have social consequences, as well as impacting on household livelihoods and material well-being. Many of these consequences are positive: social pensioners, for instance, often acquire an increased degree of independence and autonomy, and enjoy more respect from their relatives and neighbours. Although many older people do contribute financially to their families (eg, through their manual labour or caring responsibilities), the pension allows them to be more financially self-reliant and, in some cases, to be less of a burden on their families. This has spill-over benefits to other community members who might then contribute less to support their older relatives – which might indirectly benefit children, if more resources are spent on their needs instead. Another impact is to enhance the social status of older people, as indicated by these pensioners in Lesotho.

> *"Before we were treated as if we were dead."*
>
> *"People now respect me."*
>
> Pension recipients in Lesotho

There might also be negative social consequences. In Lesotho, there have been unsubstantiated rumours that pensioners have become targets for thieves and muggers, and some pensioners reported being afraid of being attacked, especially on pay-days.

| Box 11: Exclusion and Resentment in Zambia's Cash Transfer Programme |
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| Some community members asked *"What about us?"* when they heard about the Kalomo Pilot Scheme, complaining that they are also poor *("We are all poor here"),* so it was unfair to exclude them. However, the level of jealousy in Kalomo district appears to be low. Part of the problem is lack of clarity about the criteria for eligibility: many non-beneficiaries interviewed did not understand why their neighbours had been registered on the programme, while they themselves had been excluded. It is very important that eligibility criteria and registration procedures are transparent, and that an information campaign explains these sensitive aspects of the programme to all community members, in order to minimise resentment from ineligible households. |

There is always a risk that a targeted programme that transfers free resources to some community members but excludes others will create social tensions, unless it is sensitively handled so as not to give an impression of unfairness. See box 11. This raises a point about targeting. As will be argued below, communities are more likely to accept transfers that are only given to some community members if the targeting criteria are transparent and based on objective proxy indicators of deprivation or vulnerability, such as age, physical disability or illness, orphanhood or widowhood. The criteria in Mozambique's Food Subsidy Programme fit this description. Also, the cash amount transferred "is so small that it doesn't appear to create any social jealousy". Another important factor is that the eligibility criteria appear to be accepted by the communities as robust indicators of vulnerability and need. However, INAS officials were also wary of creating demand that could not be satisfied, given capacity and financial constraints.

The advantage of universal transfers is that they tend to enjoy widespread support, for example, everyone in society stands to benefit from a pension at some point in their life.

## Challenging misconceptions of dependency

'Dependency' is a word often associated with social welfare programmes, and the risk of fuelling a 'dependency syndrome' among beneficiaries is an outcome that governments, donors and NGOs are understandably keen to avoid. Any programme that provides free or subsidised resources risks creating dependency – defined as any changes in behaviour induced by the resource transfer that undermine the beneficiary's self-sufficiency.[14] In Africa, it is widely accepted that large distributions of food aid, especially in non-emergency contexts, can undermine farmers' incentives to produce food and traders' incentives to market food – thus making people dependent on further food aid. Cash transfers avoid this form of dependency, but it might also be argued that people who receive free cash are less likely to use their own initiative to look for work and income. How do our case study cash transfer programmes address this dilemma?

In reflecting on this issue, it is important to distinguish between different types of cash transfer programmes that reach different target groups with different needs. Some programmes are designed to provide financial support to groups of people who are vulnerable because they are unable to work – they are labour-constrained because of illness, infirmity or disability. In such cases, rather than *creating* dependency, cash transfers should be seen as a *response* to rising dependency in communities where poverty and food insecurity are chronic, and where HIV and AIDS have raised household dependency ratios and undermined capacity to cope. People who are targeted for Lesotho's pension, Mozambique's food subsidy, and Zambia's social cash transfers are already dependent by definition, and require external assistance to meet their subsistence needs. Being disengaged from the workforce, they are in no position to stop work (or to look for work) once they start receiving a regular cash transfer, so disincentive effects do not arise. For this 'social welfare' caseload, it is anticipated that receipt of the cash transfer probably needs to be permanent, and often no attempt is made to 'graduate' beneficiaries out of the programme. In the Zambian project, beneficiary households are reviewed annually and may graduate out.

A different type of cash transfer programme targets people who are able to work but whose income is so low (either temporarily or chronically) that they need support to maintain a subsistence level of

[14] For example, it is often argued that the availability of unemployment benefits in European social security systems undermines incentives to work.

consumption. This is the thinking behind the Government of Ethiopia's Productive Safety Net Programme, as discussed above, which transfers cash to poor rural households with the aim of breaking the cycle of dependence on food aid, at both national and household levels. Also in Ethiopia, the Meket Project combines a cash grant for the most vulnerable with employment generation schemes, but with a stronger focus on the most vulnerable. This two-pronged approach recognises that some poor people can benefit from labour market opportunities, but that there will always be poor and vulnerable individuals who will require assistance, some of whom (eg, the terminally ill) will never graduate out of poverty and dependence on support. In both cases, there are strong arguments for providing this support in the form of cash. The 'economically inactive poor' have a range of health-related and other expenses, while the 'economically active poor' can invest some of their cash transfers in assets and enterprises.

Two design features of the cash transfer programmes reviewed for this study minimise the risk that they will induce dependency, in the sense of undermining individual incentives to work. Firstly, as noted, most programmes selectively target groups who are vulnerable precisely because they are economically inactive and unable to work. Secondly, in most programmes the value of the cash transfer is too small to meet all of the household's basic consumption needs. Available evidence suggests that even tiny amounts of cash are divided among many people apart from the primary beneficiary, and these other people are usually dependants themselves (such as pensioners' grandchildren). In Mozambique, beneficiaries complain that the food subsidy cash they receive is inadequate and needs to be supplemented from other sources. The challenge facing programme managers is how to set the transfer amount at a level that makes more than a marginal contribution to subsistence, but not so high that it creates any form of dependency. A different type of dependency could occur, for example, if formal cash transfers 'crowd out' informal support systems, and this possibility is considered next.

## Informal support systems

The other, related long-running debate in the safety nets and social security literature is whether public transfers 'crowd out' private (informal) transfers, which reduces the net value of the public transfer. This implies that the beneficiary could have survived without this transfer, and that it might distort and undermine traditional values of reciprocity and informal social support. A type of dependency effect could occur when the beneficiary comes to depend on the cash transfer, in the sense that they lose their previous sources of (informal) support. If the transfer programme is withdrawn, and the beneficiary fails to re-establish a relationship with their previous benefactor, he or she might be left worse off than before.

In Lesotho, it is too early to tell whether indications of changing support patterns would lead to 'crowding out'. Extensive research in South Africa on the social pension suggests that this is not the case (Lund, 2002). In Lesotho, one pensioner who previously washed clothes for small amounts of cash complained that people are no longer willing to pay her for this service, since she receives a pension now. In some cases, all family support has ceased, and occasionally these pensioners are expected to increase their financial contribution to household expenses, sometimes reversing the net flow of resources. To the extent that the cash *substitutes* for (rather than *supplements*) private support, its net value to the recipient's livelihood is reduced. There may even be complete substitution, and in extreme cases the recipient could be left worse off than before. On the other hand, if the people providing private transfers are themselves poor, then the injection of cash provides additional support to both poor givers and poor receivers: this is 'good crowding out'. This is particularly the case in areas of high HIV and AIDS where the numbers of chronically ill people and children made vulnerable are stretching informal support systems.

In Zambia, the Kalomo Pilot Scheme has partially substituted for informal support to beneficiary households, but this is regarded by the community as a social good, since it has taken the pressure off them to care for the destitute and give food and cash to beggars. "The community welcomes the scheme because it reduces the overwhelming social burdens and the incidence of begging…There is no evidence that the already weak traditional safety net has been further weakened by the scheme. Neighbours still collect water and firewood for the infirm" (Nabugwere and MacAskill, 2005, p.27).

## 4.5 Child Protection Concerns

Family structures and fostering systems in east and southern Africa are complex; many families take in children of relatives and/or others for a range of reasons, not least because their parents have died or are critically ill. Families respond to availability of resources. The social pension in Namibia and South Africa is known to have affected household composition, as children are sent to grandparents with pension income to support them, and the number of these 'missing middle generation' households rises.

However, a common criticism of social security schemes that are child-oriented (ie, a household/ carer is eligible when a child is living with them) is that they can lead to families taking in more children in an attempt to secure more income from the cash transfer scheme. This is a potentially serious child protection issue.

None of our main case studies targeted children explicitly; three of our four case study programmes (Ethiopia, Zambia and Mozambique) do, however, vary the level of cash transfer payment according to the number of children in the household; Zambia also aims to reach households with very high dependency ratios. The schemes in Lesotho, Zambia and Ethiopia, as well as the pre-pilot that does target children in Kenya, are arguably too new to highlight clear trends of households taking in more children to obtain the transfer. Most of those involved agreed that the Mozambique food subsidy, though it has been in operation for longer, is too small to have this kind of effect.

Some concerns were raised during the research, for example in Lesotho, about children being abused or neglected – being used as domestic labour in return for financial support from relatives. Cases of child exploitation and abuse have been reported in South Africa in households eligible for the Foster Care Grant. It is critical that *all* types of schemes are monitored for this kind of negative effect and actions are taken to ensure that children are protected. In Mozambique's Food Subsidy Programme and Kenya's pre-pilot cash subsidy, the cash transfer is linked to support to families and communities from welfare officers and children's officers respectively.

An additional preventative measure is to reduce the financial incentive. In the Kalomo Scheme, following complaints that the initial fixed payment of ZmK 30,000 per household per month was inadequate for households with children, programme managers considered adding ZmK 5,000 per child, but compromised by adding ZmK 10,000 for households with children, to avoid creating an incentive for households to 'import' children in order to maximise their transfer entitlements. The Mozambique cash transfer programme also has a 'cap' on the total cash transferred. While the Meket Project adds the same amount of cash for each household member, Peasant Association officials maintain lists of household members in Ethiopian villages, making it difficult for household composition to change in response to incentives such as accessing social protection programmes.