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Department for International Development

Transferring cash and assets to the poor

Key facts

£192m
the Department's expenditure on social protection programmes (which includes transfer programmes) in 2010-11

4.5%
of the Department's total bilateral spend on social protection programmes in 2010-11

16
countries in which the Department plans to support transfers by 2014

£192 million	The Department's expenditure on social protection programmes (which includes transfer programmes) in 2010-11
4.5 per cent	Of the Department's total bilateral (country-to-country) spend was on social protection programmes in 2010-11, increased from 4 per cent in 2006-07
Nine	The number of countries in which the Department currently supports major transfer programmes. It plans to make major or minor use of transfer programmes in 16 of its 28 priority countries by 2014
£634 million	The projected lifetime spend on the eight programmes examined, covering the period 2004–20, in four countries (Bangladesh, Ethiopia, Kenya and Zambia)
250,000 – 8.3 million	The range in size (number of people supported with transfers) of the eight programmes examined
Five	The number of the Department's headline objectives set out in the programmes we examined, out of seven, that showed positive change in independent evaluations. The other two objectives showed mixed results
Two	Cost-benefit analyses carried out within the eight programmes examined

Summary

1 Over the last decade, donor approaches to poverty reduction have focused on supporting developing country governments to deliver public services. Aid practitioners and donors, including the Department for International Development (the Department), are now increasingly interested in transferring resources directly to people living in poverty. This would complement support to public services like health or education. Direct transfers can include cash, food and livestock and use shorter and more transparent delivery chains than other aid approaches. Transfers place income, or the means to generate income, into the hands of the most poor and vulnerable people, and differ from more widely prevalent development models which aim to strengthen services, like health or education. Transfers can have a quicker impact on the lives of the poor than more traditional approaches aimed at strengthening public services.

2 Much international research shows that, when able to choose, people use cash and assets to improve their living standards, for example, buying food, searching for work or using education and health services. Experience from middle-income countries, such as Brazil and Mexico, since the early 1990s, show short term and sustained poverty reduction resulting from these interventions. The challenge for the Department has been to use this approach in the low-income countries in Africa and South Asia, which are its priorities and where there has been limited evidence on costs and outcomes. In 2010-11, social protection spending, which includes transfer programmes, was some £192 million, around 4.5 per cent of its bilateral (country-to-country) spend. It currently has major transfer programmes in nine countries.

3 This report examines whether the Department is achieving value for money through transfers by reducing poverty and increasing well-being at reasonable cost. This involves reaching people in need and giving optimal support, in a timely and scheduled way, as well as assessing whether it knows the short- and longer-term effects of its interventions. The report also considers the sustainability of transfer programmes in developing countries. Our examination included detailed work in four countries where the Department has major transfer programmes.

Key findings

Reaching those in need with transfers efficiently

4 In programmes where evidence was available, we found targeting arrangements were robust, successfully identifying people who met the criteria of need. Within regions selected, high levels of community involvement in setting and applying criteria meant that decisions were transparent and accepted. The programmes are achieving this in particularly remote and challenging places. Evaluations found limited inclusion of ineligible people. The Department and its partners decide which regions and communities to cover, usually on the basis of poverty indicators. Programmes do not reach all of the poorest and potentially eligible people, due to financial or capacity constraints or the need to pilot programmes before expanding.

5 Many components of cost data are recorded, but the Department has not obtained sufficient cost analysis to establish whether the cost of delivering transfers is optimal and is under-informed about efficiency. We found some examples of cost analysis on programmes examined, but also important gaps:

- Pilot schemes have not clearly identified the cost of administering transfers once in steady state.
- The full cost of delivering transfers, including officials and communities' time, is not systematically captured and analysed.
- In most programmes there was no quantified analysis balancing the costs of targeting against spending on transfers. More precise targeting costs more to administer and these costs should be considered when choosing between targeting methods, alongside political debates. The Department's programmes have not made well-informed decisions on such trade-offs.
- Management information systems for transfer programmes are in their infancy. They focus mainly on progress towards targets for enrolling beneficiaries, rather than measuring performance in managing scheme entrants and leavers, or timely delivery of payments.

The Department recognises these issues and, in October 2011, produced guidance for country teams on measuring and maximising value for money in cash transfer programmes.

6 Electronic payment can be a more efficient and reliable method for delivering transfers to isolated populations. It is not yet widely used in the Department's programmes, although there are further plans to do so. Introducing electronic payment in low-income countries can be challenging, and needs existing financial institutions, phone networks and a framework of regulation that are receptive to poorer people. One of the eight programmes we examined, in Kenya, already used it and three more have plans. The Department has played a wider role in increasing access to financial services in Kenya. Electronic payments are accessible, reduce direct and hidden transaction costs, improve financial control and reduce risks of fraud or theft of funds. Conversely, manual payments are inherently prone to inefficiency and risk.

The impact and cost-effectiveness of transfers

7 There is evidence of clear benefits resulting from the Department's longer-term programmes. Short-term impacts are clear in areas such as household diet, expenditure and investment. Evidence also appears positive, if less statistically robust, for longer-term effects like improved livelihoods, health and education. Of the eight programmes we examined, four were externally evaluated. These evaluations showed that for the seven Departmental headline programme objectives measured, five showed positive change, and the other two were mixed (see Figure 7). Examples of positive impacts for beneficiaries compared with non-beneficiaries reported by evaluations include:

- the Chars Livelihoods Programme in Bangladesh has increased real incomes of people living on isolated river islands (chars) by between 15 and 66 per cent on average;
- the Challenging the Frontiers of Poverty Reduction Programme in Bangladesh increased the value of livestock assets owned by households by some 12 times;
- the Productive Safety Nets Programme in Ethiopia reduced the period of food insecurity for beneficiaries by almost a month from the previous level of three months in each year;
- the Orphans and Vulnerable Children Programme in Kenya led to a 13 percentage point difference in poverty levels in terms of increased food consumption compared to a control group; and
- the Social Protection Expansion Programme Scheme in Zambia showed – albeit with measurement problems – that people had increased their spending on consumption by at least 50 per cent in the three pilot districts.

8 The Department has commissioned extensive evaluations of transfer effects, which are robust overall, although some problems with measurement remain. Evaluations generally used comparisons against groups not receiving the transfers, which gives better evidence on results and attribution than we have reported on the Department's other work. Remaining measurement problems include a minority of evaluations without control groups comparing beneficiaries with non-beneficiaries over time, and some inconsistencies between the Department's intended indicators, its internal reporting, and the measures used in independent evaluation. Most evaluations have not yet shown how far benefits are sustained after transfers end.

9 The Department is gaining greater assurance that aggregate project benefits outweigh the costs, but it remains under-informed on key elements of cost-effectiveness. We found limited, robust quantified assessments of the cost effectiveness of the programmes we examined, but six of the seven newer transfer programmes designed since February 2009 have used cost-benefit analysis in investment appraisals. Comparisons between the Department's proposed transfer approach and other options are inconsistent. A key omission is analysis of whether transfers are set at the optimal level. Global research shows that the transfer amount can have strong effects on impacts, but the Department's programmes are generally set with reference to the cost of average household food needs, without analysis as to how far different payment levels might offer better benefits relative to cost. Increasing transfer values may be worthwhile if they have transformative effects on poverty, though affordability and political acceptability are also factors.

Adopting transfers across the Department's country network

10 The Department began using transfers in the early 2000s, as individual projects in a few countries, but did not have an explicit strategy to develop and extend the use of transfers across its country network. For the last five years, transfers have been a growing, but still relatively small part of its bilateral programme. The Department's spending on social protection programmes, (which includes transfer programmes), doubled from £95 million in 2006-07 to some £192 million by 2010-11, increasing from 4 to 4.5 per cent of rising total bilateral spend. The Department has not stated that transfers should always be considered as a component of country programmes. Transfers are a small part of the Department's overall programme and it is not clear that the opportunities to use them have been maximised across the 28 priority countries.

11 Growth of the Department's spend on transfers has been constrained by global limited experience of the approach in low-income countries, and by concerns about capacity and commitment in partner countries. In 2010, the Department considered bids from its country offices for spending over 2011–2015, and now plans to use transfers, to some extent, in 16 of its 28 priority countries. It rejected bids to use transfers where there was limited evidence of applicability and piloting in the countries in question, and inadequate or inconsistent information on delivery costs and risks. The Department's country offices report barriers to introducing

transfer programmes, including a lack of delivery capacity or funding in governments or implementing partners. However, the Department's own experience in countries like Kenya and Bangladesh shows that limited government capacity is not necessarily an impossible barrier.

Sustaining progress in assisted countries

12 As well as delivering benefits to poor people through transfer programmes, the Department also aims to strengthen developing country governments' support for implementing such schemes nationally. More broadly, the Department seeks to reinforce governments' commitment to expanding social protection for the poor.

13 Financial sustainability remains a concern. Of the programmes we examined, country governments were funding transfers in two; in Zambia and Kenya. In Ethiopia and Bangladesh and the other programme in Kenya it is unclear how the programme will be sustained in the long term without continued donor support. Funding for transfers must compete against other calls on donor and national budgets.

14 Where partner governments have funded transfers, there can be pressures to expand coverage geographically before programmes reach all those in need in pilot areas. There is often a need to balance efficiency with government ownership and political buy-in. In Zambia, the Department and other donors resisted government pressure to expand the social protection programme too quickly. In 2011, the Government of Kenya announced major increases in its resources for social protection, including for orphans and vulnerable children. However, we did not find assessments of the costs of expanding the programme across most of Kenya while coverage remains incomplete in the initial areas that had the highest levels of orphans. Implementation before pilots are complete can adversely affect equity, efficiency and effectiveness, but can help broaden political support.

Conclusion on value for money

15 The Department is successfully using transfers to reach particularly impoverished populations in challenging places, through delivery chains that are shorter and more transparent than other, more traditional, aid interventions. Transfers show clear immediate benefits including reducing hunger and raising incomes. Where longer-term benefits were evaluated, in the two Bangladesh programmes, people stayed out of extreme poverty after transfers ended. The Department has recently focused more on cost-benefit analysis in project appraisals and is gaining greater assurance that aggregate project benefits outweigh the costs. However, it remains under-informed on some key elements of cost-effectiveness, with insufficient comparison of its approaches with other programme design options and too weak a grip on trade-offs. A greater focus here could lead to further benefit for given expenditure and more efficient delivery. Transfer programmes are demonstrating important characteristics of good value for money in terms of positive benefits for recipients, but significantly weaker management of key cost drivers means the Department has not optimised value for money.

Recommendations

16 Even though transfer programmes should be tailored to each country, we see considerable scope for greater standardisation in the Department's approach to considering and using transfers. In our view the Department should develop a clearer strategy for using transfer programmes. We make the following recommendations.

a **The Department is rightly establishing significant monitoring and evaluation in its transfer programmes, particularly through sophisticated control trials, but important gaps remain.** In gaining better evidence to inform investment choice, design and implementation, the Department should prioritise, taking specifics of the programme into account:

- Comparative cost-benefit analysis between transfers and other programme design options, to support stronger business cases.
- Assessing whether increasing the transfer values or changing the mix of programme components may transform household poverty more, e.g., by stimulating productive investment.
- Stronger and more consistent analysis of the costs of managing transfer programmes as they move through set-up phase to full roll-out, and of trade-offs in cost between tighter targeting and higher administrative costs.
- Improving measurement and outcome evaluation so all key indicators have baselines, and there is consistency between the Department's objectives, indicators used in internal monitoring and those used in external evaluation.
- A more consistent approach to management information systems, especially the metrics used to assess the performance of targeting and payment.

b **Transfers are a small part of the Department's portfolio, and this may not reflect their potential, if well-delivered.** To determine this, the Department should:

- Review transfers across its country network, and across business sectors, to identify the factors driving or impeding their use, and challenge country teams not using the approach.
- Share ongoing learning from cases where the Department's transfer programmes, and those of others, have strengthened government commitment and capacity to introduce transfers.
- Clarify for country teams the level of evidence needed to support proposals for new pilot transfer programmes, given the strength of evidence available in other countries.

c **Electronic payment can be a more efficient and reliable method for delivering transfers to isolated populations. It is not yet widely used in the Department's programmes, although there are further plans to do so.** The Department should:

- Identify and address generic barriers and enablers to electronic payment, drawing on its experience, and communicate practical guidance around its network.
- Always evaluate the option of electronic payment, and where this is not available, consider how to reduce the risks and costs of manual systems.

d **Some schemes are being rolled out to new areas before covering all those in need in pilot areas. Though expansion by partner governments partly represents donor success in influencing change, it can also bring risk and inefficiency.** The Department should:

- State how it would address incompletely covered areas through retargeting, to address the inefficiency and inequity of patchy coverage, while considering affordability and political acceptability.
- Make sure that future pilots test complete transfer models which include arrangements for new entrants and leavers.

e **The Department's transfer programmes in Bangladesh had stronger links between transfers and complementary services than other programmes, and tracked impacts after transfers ended.** The Department should:

- Ensure that initial design considers how impacts can be optimised and sustained; for example, by including training and support and providing services such as health and education, alongside the transfers.
- Learn from ongoing transfer programmes that show where integrating other services and support alongside transfers improves outcomes, and use this to design and improve other transfer programmes.
- Consistently evaluate whether people who no longer receive transfers experience sustained benefits.

f **Transfer programmes in Ethiopia, northern Kenya and Bangladesh lack clear plans to move towards majority country government funding and ownership.** The Department should:

- Express clearer strategies to work towards increasing government funding and ownership or, where this is not the aim, address the implications for sustained donor support.
- Evaluate the affordability of national implementation of transfer schemes, in the context of competing demands on country government resources.