

Cash transfer programmes in high inflation contexts

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Question

What evidence and lessons are there regarding how large-scale cash transfer programmes (especially humanitarian) have adapted to remain relevant in situations of high and accelerating inflation?

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1. Overview

The use of Cash Transfers (CTs) in developing regions arose as the understanding grew that some other types of aid programmes were not effectively attaining their goals. For instance, emergency food aid was responding to famines, but it was unable to add to food stability. Over time, the persistently poor became ever more reliant on food aid. Some Sub-Saharan African countries with early experiences with cash transfers, such as Malawi, had also confronted this problem and turned to cash transfers. However, the value of cash transfers can also wear down significantly in a high inflation environment. Unless the cash transfers are indexed to food prices, food transfers may be more suitable. Thus, cash transfers are not a universal solution, and local factors limiting their effectiveness need to be carefully considered (Garcia and Moore, 2012). As a result, countries such as Ethiopia currently use a combination of cash and food transfers (Sabates-Wheeler and Devereux, 2010).¹

This report mainly relies on grey literature and various reports issued by development agencies that implement Cash Transfer programmes – due to the nature of the query and the lack of academic literature particularly on how cash transfer programmes adapt to inflation contexts.

Key highlights:²

- **Pakistan** runs a big cash transfer programme – called the **National Cash Transfers Programme**, which historically adjusted to inflation levels.
 - The programme is estimated to reach 2.7 million beneficiaries and is supported by DFID with over £300 million over the 2012-2020 period.
 - In the past, the financial resources available for the programme have been steadily rising to make sure that the cash transfer payments keep pace with inflation.
 - Particularly, DFID's Stability and Growth programme helped to reduce the impact of economic reforms on the poorest, for example, incentivising the government to **raise stipends to keep pace with inflation**. The annual review of the programme from 2018 indicated that the Government of Pakistan may stop the Stability and Growth programme, in accordance with IMF's reform programme and austerity budget. This, unfortunately, means that future stipends may not keep up with inflation – reducing the real purchasing power of beneficiaries.
- The **Productive Safety Net Programme in Ethiopia** is a very big cash transfer scheme which had been under routine adjustment because of high inflation levels in the country in recent years – particularly on cereals and food items consumed by the poor.
 - Beneficiaries are estimated to be 8 million individuals. In its current 4th phase (running between 2015-2020), DFID is supporting it by about £276 million.

¹ The rise of cash transfers overlaps with the growing importance of social protection programmes on development agendas around the world (Barrientos and Hulme, 2009). The proliferation of cash transfers is a phenomenon that has arisen within the global south, where countries have set up programmes that meet their own unique needs (Hanlon, Barrientos, and Hulme 2010).

² Some fruitful very large cash transfer programmes (e.g. PSNP in Ethiopia and HSNP in Kenya) had seen multiple extensions. In these cases, the report discusses primarily about the latest versions of the programmes for which adequate material (in terms of Business cases and annual reviews) are available. However, this report also additionally refers to some insights from the older versions of the programme.

- A **key component of the programme monitors the adequacy of the transfer** value by monitoring its purchasing power (i.e. loss due to **inflation**).
- The Government of Ethiopia, which runs the programme, has been adjusting the value of the transfer/wage in line with inflation.
- The **Hunger Safety Net Programme** in **Kenya** is another big cash transfer programme that had also been adjusting the size of transfers because of inflation.
 - It is estimated to support 600,000 individuals – where about 60% are women. In its current 2nd phase (2013-19), DFID supports the programme with over £119 million.
 - Shocks linked to **inflation** are tackled by programme design – where DFID holds a **contingency budget of 6% of the total costs**.
 - By design, the programme uses an annual inflation rate of 5%. However, the annual review from 2018 advised to use actual inflation rates instead.
- The **Livelihood Empowerment Against Poverty** programme in **Ghana** had carried out cash transfer schemes that at times corrected for inflation.
 - DFID had contributed over £30 million for the programme over the 2012-17 period – benefiting about 100,000 individuals, 60% of whom were women.
 - Although the programme’s business case and recommendations from annual reviews noted the need for regular/annual amendments to transfers (in line with inflation), actual revisions were only made after consultation with stakeholders.
- The **Keeping Girls in School** programme in **Malawi** had a cash transfer/bursary component which responded to periods of high inflation in the country.
 - About 200,000 girls in primary school had benefited from the cash transfers by the programme. DFID noted that different donors took part in addressing different programme components and programme funding was over £36 million.
 - Due to severe **inflation** in the Malawian currency/Kwacha, DFID decided to allow project budgets and **disbursements to be done in Pound Sterling**. In some cases (especially due to forex gains), this move saved a considerable amount of project budget.
- Some of the major cash transfer programmes in the **Southern African region** have adjusted for inflation. In other cases, e.g. government cash transfers in Zimbabwe, there is little evidence of inflation related adjustments.
 - In **Botswana**, the Old Age Pension Programme, which was a big cash transfer programme (costing 0.4% of GDP), has assisted poor elderly people – while maintaining the real value of the transfers through annual adjustments for inflation.
 - In **Zambia**, major cash transfer programmes have been carried out in five districts – reaching tens of thousands of households in their pilot phase alone. The nominal value of transfers was raised by 10% every couple of years for inflation.
 - In **Zimbabwe**, a diverse array of cash transfer programmes existed. However, there is no clear evidence on how these programmes adjusted to Zimbabwe’s recurrent episodes of hyperinflation. What little evidence there is hints that cash transfers never kept up with inflation. Major donor supported cash transfer programmes in the country (e.g. the DFID supported Protracted Relief Programme) had at times resorted to conducting transfers in foreign currency. Unfortunately, this alternative is no more tenable since the government has repudiated the use of foreign currencies for cash transfers.

2. Cash Transfer Programmes: Brief Definition

Cash transfer programmes offer non-contributory cash grants to beneficiaries to satisfy minimum consumption needs. Sometimes these programmes are also known as **social cash transfer** or **social transfer programmes**. The transfers are non-contributory in the sense that recipients do not pay into a system that afterwards awards them the transfers. They partially or wholly exclude self-funded pension systems or other forms of deferred compensation. This definition includes non-contributory pensions, poverty-based transfers, and family grants. Beneficiaries do not have to work to receive transfers; thus, public works and guaranteed employment programmes are excluded. Nevertheless, other requirements or conditions may be placed on beneficiaries before they can receive their cash transfers. (Garcia and Moore, 2012)

Cash transfers are typically provided with relief or development goals in mind. **Emergency cash transfers** are delivered to help households smooth their consumption – in the face of a major crisis, while cash transfers **for development** are commonly given at regular intervals for an extended period (i.e. longer-term basis). Many cash transfers in Sub-Saharan Africa contain elements designed for both purposes. (Garcia and Moore, 2012)

Cash transfer programmes could be conditional or unconditional. **Unconditional cash transfers (UCTs)** deliver cash to all eligible and registered recipients. **Conditional cash transfers (CCTs)** deliver benefits just to beneficiaries who have fulfilled prearranged conditions, known also as co-responsibilities. Typical conditions include the requirement that children regularly attend school; that they get prescribed medical check-ups; or that a household adult attend educational seminars on topics like basic nutrition, health, and other topics. (Garcia and Moore, 2012)

3. Case Studies: How Cash Transfer (CT) Programmes Adapt to Inflation

3.1 National Cash Transfers Programme (Pakistan)

Brief Programme Summary: (PNCTP Business Case, 2012 & Annual Review, 2018)

- Full title: Pakistan National Cash Transfers Programme (PNCTP)
 - Programme Value: £300.3 million
 - Estimated No. of recipients: 2.7 million by 2020, 1.05 million of them primary school children
 - Start Date Nov. 2012 & End Date: Mar. 2020
 - Programme Code: 203029
- DevTracker link to business case: <https://devtracker.dfid.gov.uk/projects/GB-1-203029/documents>

Programme Details: (PNCTP Business Case, 2012)

Under PNCTP, DFID is offering up to £300.3 million to the Benazir Income Support Programme (BISP). BISP is a government programme, which delivers basic income support to poor women

and their families. 87% of BISP funding is supplied by the Government of Pakistan while the rest (13%) comes from donors such as DFID, the World Bank and Asian Development Bank. Beneficiaries are identified through a poverty scorecard using data from the National Socio-Economic Registry (NSER). Through this additional income support, women can spend more on food, health, education, clothing and other essential needs. **BISP assists the poor to mitigate the impact of inflation** and economic shocks on their household expenditure – thus, safeguarding them from falling deeper into poverty.

DFID Pakistan's investment concentrates on two of BISP's programmes:

- The **unconditional cash transfer (UCT) programme**: BISP identifies recipients using the NSER. The female head of the family or an ever-married woman in the identified household gets a quarterly stipend of Rs.4700 (£35) every three months. She can, then, make choices on how to spend this money on essential necessities. This **support is instrumental to ease the impact of inflation** and protect poor families from falling deeper into poverty.
- The **conditional cash transfer (CCT) programme** for education: BISP's eligible families get an extra stipend of Rs.750 (£5.50) per child every three months for their children to enrol in and attend primary school. The stipend is conditional on at least 70% attendance in each quarter. The CCT programme runs in 32 districts across Pakistan: Balochistan (6 districts), Khyber Pakhtunkhwa (7 districts), Punjab (7 districts), Sindh (6 districts), Gilgit-Baltistan (3 districts) and Azad Jammu and Kashmir (3 districts).

Evidence on Adaptation to Inflation: (PNCTP Annual Review, 2018)

Pakistan's current **government has regularly raised the financial resources available for BISP**. This is to cover the expanding number of beneficiaries as well as to **make sure that the value of payments keeps up with inflation**. The government's expenditure on BISP was considerable – constituting the equivalent to 0.35% of Gross Domestic Product (GDP), 3% of the Federal tax revenues, and 19% of the entire Federal Public Sector Development Programme (PSDP) in 2015-16. 50% of the financial aid via **DFID's Stability and Growth (S&G) programme** goes to BISP to dampen the impact of economic reforms on the poorest, for instance, **incentivising the government to increase stipends to along with inflation**.

The unconditional cash transfer (UCT) programme is growing so that more poor families obtain a basic cash transfer for spending on food, health, clothing and other essential items. This **support is needed to help mitigate the impacts of inflation and economic shocks on household expenditure**. Another objective is to incentivise enhancements in the regularity and security of payments.

Lessons Learnt: (PNCTP Annual Review, 2018)

- The allocation of adequate funds by the Government of Pakistan to fund BISP's expansion had to be monitored. The expansion of both the UCT and the CCT programmes put pressure on the budget when the government had an austerity budget. The **end of the S&G programme which** enabled the Government to **raise stipends to keep pace with inflation** (as part of the IMF programme) **meant that future stipends may fall behind the rising costs of food and other necessities**. Engagement with the Ministry of Finance and

negotiation of new disbursement linked indicators were needed to ensure that the stipend kept pace with inflation.

- Building **beneficiaries' ability to increase their incomes** is expected to free the **fiscal space** in the medium term – **so that the Government can continue raising stipends to keep pace with inflation** and expand BISP's CCT programming. During the Mid-Term Review of the programme, consideration will be given to how BISP will work in the latter part of the Pakistan National Cash Transfers Programme (PNCTP) with provinces to deliver a broader package of support that **help beneficiaries build stronger livelihoods and exit BISP**.
- **DFID has encouraged** BISP to make a rapid **transition from the Pakistan Post to electronic payments** for greater **efficiency** in beneficiary payments.
- Effective, **regular communications with beneficiaries**, effective **feedback loops** and grievance redress mechanisms were essential to ensure that BISP continued **to deliver effectively for the beneficiaries**.

3.2 Productive Safety Net Programme (Ethiopia)

Brief Programme Summary: (PSNP Business Case, 2015 & Annual Review, 2018)

- Full title: Ethiopia Productive Safety Net Programme (PSNP) Phase 4
- Programme Value: £276 million
- Estimated No. of recipients: 8 million people
- Start Date: 2015 (15.12.14 design) & End Date: 2020
- Programme Code: 204290
- DevTracker link to business case: <https://devtracker.dfid.gov.uk/projects/GB-1-204290/documents>

Programme Details: (PSNP Annual Review, 2018; PSNP Business Case, 2015)

The Productive Safety Net Programme (currently in the fourth phase) is the Government of Ethiopia's flagship programme for social protection, food security, resilience against drought and other shocks, and livelihood development for the poorest households. PSNP originated in 2005 through the consensus between the Government and donors that successive annual emergency food aid appeals were not an appropriate or effective way of dealing with chronic hunger. The programme delivers a structured response to expected food insecurity and shocks, reducing the need for expensive emergency response.

The PSNP allows poor households with able bodied adult members to work on community-planned public works in return for cash or food transfers for six months of the year, timed to overlap with the lean season. As from the start of 2017/18 year, the transfer value is equivalent in value to 15kg of cereals per household member per month (pegged at the price of wheat), or its cash equivalent. Public works activities are planned and designed to deal with vulnerabilities and contribute to the development of communities. The labour-intensive public work activities include soil and water conservation measures, school room construction or rehabilitation, community

water projects, community road construction and rehabilitation, small-scale irrigation, health post construction and renovation.

The programme also fulfils the needs of those who are poor but cannot work. Extremely vulnerable households without able-bodied adults get direct support throughout the year without the need to participate in public works. Women who take part in community works are entitled to leave the work and receive cash or food assistance from the fourth month of pregnancy. The programme supports about 8 million chronically food insecure beneficiaries in 350 chronically food insecure districts and their chronically food insecure communities.

Alongside cash or food transfers and public works, the programme is providing a set of livelihoods interventions that enable poor households to save, develop business plans, access microcredit, diversify sources of income, and move out of poverty. PSNP also includes an emergency response mechanism for exceptional years – this was, for instance, deployed in 2017/18. Under the current phase, DFID contributes £276m to a total programme cost valued at £2.5bn. PSNP is supported by 11 donors, with an increasing financial and in-kind contribution from the Government of Ethiopia. A Donor Coordination Team supports coordination and programme management and leads liaison between the Government and development partners (DPs). Support to PSNP4 is central to DFID Ethiopia's business plan and is instrumental to headline nutrition results.

Evidence on Adaptation to Inflation: (PSNP Annual Review, 2018; PSNP Business Case, 2015)

Under PSNP 4, the thresholds for different procurement processes have been increased, to reflect the effect of inflation – because these thresholds were set out under the previous phase (i.e. for PSNP 3). One important component of the programme (Indicator 2.3) monitors the adequacy of the transfer value by monitoring its purchasing power. In 2017/18, the real value of the transfer diminished by over 25%. Between March 2017 and March 2018, the food prices soared by 19.9%; the price increase for bread and cereals was even higher at 24.9%. Based on World Bank analysis of CSA Consumer Price Index 2018, the wage rate could purchase only 11.5 kg of cereals on average. Consequently, no regions could purchase the full 15kg on the wage rate paid in 2017/18. Nevertheless, the government recognised this issue and pushed up the wage rate by 20% for 2018/19. There are still concerns at the Federal, regional and sub-regional level that this rise is not adequate to mitigate the impact of inflation. This issue needs resolution through a policy decision on updating the wage rate periodically because of inflation and zonal differences in market conditions.

However, there has been an important shift towards paying PSNP clients in cash. Cash is more flexible than food, giving clients more choice and control, reducing risk and overheads. In 2015/16, 38% of PSNP recipients were paid in cash, 39% in food and 23% with a combination. In 2016/17, 60% of beneficiaries received cash, 20% received food and 20% received a combination. Along with this shift, electronic payments are being introduced to the programme so that cash is paid using e-payment technology – instead of hand delivering cash. This is also expected to surge saving by beneficiaries, lower overheads, delays and risk.

Lessons Learnt: (PSNP Annual Review, 2018)

- The Government had to review the effect of inflation and local market conditions on the value of transfer periodically, at least on an annual basis.
- Policy parameters for adjusting the cash transfer/wage-rate had to be clearly defined to protect the purchasing power of transfers.
- Peace and security, continuity of programme leadership, government's own motivations for delivery at pace, and political support are instrumental for resolving recurring issues in the programme, particularly delays in cash and food transfers, and for maintaining the value of the transfer to manage the negative impacts of inflation.

3.3 The Hunger Safety Net Programme (Kenya)

Brief Programme Summary: (HSNP Business Case, 2012 & Annual Review, 2018)

- Full title: The Hunger Safety Net Programme (HSNP) Phase 2
- Programme Value: £119.85 million
- Estimated No. of recipients: 600,000 people, 60% women
- Start Date Nov. 2013 & End Date: 2019
- Programme Code: 204258
- DevTracker link to business case: <https://devtracker.dfid.gov.uk/projects/GB-1-200762/documents>

Programme Details: (HSNP Project completion Review, 2018; Business Case, 2012)

The Hunger Safety Net Programme (HSNP) is the biggest component of DFID's 10-year support to the social protection sector in Kenya. It is an unconditional cash transfer (CT) programme, where cash is provided to bank accounts of very poor people and can be spent on the needs of the household with no limits. HSNP intends to lower poverty, hunger and vulnerability of the poorest households living in four counties of Kenya (Marsabit, Mandera, Turkana and Wajir) in the arid and semi-arid lands (ASALs). ASALs are regularly food insecure and rates of acute malnutrition usually surpass emergency thresholds. This is mainly because of environmental shocks (e.g. recurring droughts), market shocks (e.g. inflation on food items) and security shocks.

HSNP is one of the four cash transfer programmes under the National Safety Net Programme (NSNP) of the Government of Kenya. The other three are:

- (i) Older Persons Cash Transfer (OPCT);
- (ii) Cash Transfers for Orphans and Vulnerable Children (CT-OVC); and
- (iii) Persons with Severe Disability Cash Transfer (PWSD-CT).

HSNP has been rolled out in two phases. The initial phase (2007-2013) piloted cash transfers as an alternative to costly and usually poorly targeted food aid that was provided during drought seasons. Regular electronic cash transfers (bi-monthly KES 3,500 or £26 per household) were

provided to about 69,000 chronically poor households (which translates to about 496,800 people, 49% of whom were women) through biometric smart cards.

The subsequent phase (2013 to 2019) extended the reach to nearly 100,000 households (or about 600,000 people, 60% women). These households, termed Group 1, obtained regular electronic cash transfers, with the amount progressively increasing to KES 5,400 or £42 bi-monthly, paid directly into bank accounts. Payments were accessed with a bank card via biometric or PIN recognition. Phase 2 also involved a shock-responsive mechanism, which enabled the programme to expand its coverage during periods of drought to an extra 270,000 households. These households, termed Group 2, were entitled to obtain one-time cash payments (KES 2,700 or £21 per month) when emergency payments were activated.

UK support for Phase 1 was £40.5 million. Funding for Phase 2 was £81.59 million for the initial period from 2013 to 2017. An additional allocation of £18.3 million was made for the period April 2017 to March 2018 when the work to design a third (and final) phase of UK support started. Following changes to the DFID Kenya HSNP advisory and programme management team, a decision was made to further extend Phase 2 to allow the team more time to explore delivery options for Phase 3. The programme was extended for another year (April 2018-March 2019) and the budget increased by £19.8 million. This raised DFID's total support to HSNP 2 to £119.85m.

The third and final phase of HSNP, April 2019 to March 2024, is rooted in a new £200m World Bank programme called the Kenya Social and Economic Inclusion Project (KSEIP), with a UK funding to HSNP worth £74.45 million. KSEIP has an overarching objective of bolstering delivery systems for improved access to social and economic inclusion services and shock-responsive safety nets for poor and vulnerable households.

Evidence on Adaptation to Inflation: (HSNP Annual Review, 2014; 2016; 2017; 2018 & Project completion Review, 2018)

DFID held a contingency budget (6% of total costs) that is set aside to cover: (i) inflation costs; and (ii) transition payments for people moving in and out of the programme due to better targeting.

The transfers received by households (the largest component of the programme) were shown to be significantly affected by (i) the shilling value of the transfer – i.e. inflation; and (ii) the shilling-sterling exchange rate. The real value of the transfer was safeguarded using an assumption of (a) a 5% Kenyan inflation rate and (b) 3% nominal depreciation of the Kenyan shilling against sterling.

Monthly cost per transfer value (per household) increased from KSH 2,300 to KSH 2,450 in August 2014 and KSH 2,550 as of July 2015. DFID's analysis suggests cash transfer is keeping pace with inflation under the NSNP.

Lessons Learnt: (HSNP Annual Review, 2018)

- Although cash transfer payment was based on the evidence/assumption that cash transfers generally offer better Value for Money (VfM) than food aid (with lower admin costs and better

effectiveness), there are some conditions under which this does not hold e.g. if local food prices are significantly higher than international prices before the cash transfer takes place, and if the supply of food through local markets is limited so that cash transfers result in food price inflation.

- The value of the transfer is currently being boosted by a value which takes account of a) a 5% a year to account for inflation based on IMF predications of inflation (CPI) at the time of HSNP's design. b) 3% nominal depreciation of the Kenyan shilling against sterling. Nevertheless, actual inflation rates should instead be used. A procedure has been initiated to involve the wider NSNP – so that re-calculations are done using actual CPI rates. This could potentially persuade other cash transfers to use a similar process.
- HSNP has also, unfortunately, led to some opportunistic price hikes in a few cases – particularly during payment days. Nonetheless, the main inflationary pressures stem from outside factors beyond the control of HSNP programme.
- In the Beneficiary Feedback from field visits, beneficiaries noted that regular and routine transfers were allowing them to be better fed, pay for children's' school fees and medical emergencies, and be better clothed and build better homes. Some funds were used to re-stock livestock holdings.
 - Where beneficiaries had obtained a lump sum payment, most had decided to invest in productive investments that would produce a longer return – for instance, investing in bigger livestock herds; starting a business (e.g. selling food items, clothes, goods); and even driving lessons.
 - All noted that cash was their preference to food and that it presented them with a sense of dignity and choice. All welcomed the lump sum payments but noted that the predictability and timely payment of the regular amount permitted them to plan better and be able to deal with 'emergencies.'
 - None reported that the cash transfer was having an adverse effect on prices and all said they could purchase almost everything they wanted in the market.
 - Most **beneficiaries noted that** due to the drought, food prices have increased significantly and asked if the amount of the **cash transfer could be raised, since the real value has dwindled overtime**. Notwithstanding the limited programme resources, this is important feedback and should inform the assessment on future sustainable funding for the HSNP.

3.4 Livelihood Empowerment Against Poverty programme (Ghana)

Brief Programme Summary: (LEAP Business Case, 2013 & Annual Review, 2017)

- Full title: Livelihood Empowerment Against Poverty (LEAP)
- Programme Value: £36,369,080
- Estimated No. of recipients: 100,000 people, 60% women
- Start Date Aug. 2012 & End Date: Dec. 2017
- Programme Code: 201629
- DevTracker link to business case: <https://devtracker.dfid.gov.uk/projects/GB-1-201629/documents>

Programme Details: (LEAP Business Case, 2013)

On the business case, DFID agreed to provide £30,900,000 over 5 years (FY 2012 - 2016) to expand the coverage of the Ghanaian national cash transfer programme and enhance the effectiveness and sustainability. This will be supplied to fund the transfers themselves with an extra amount allocated to building vital systems and capacity.

The Government of Ghana is seeking to address difficulties and is running a programme that delivers regular, small cash grants to the poorest and most vulnerable people. Yet, the government needs further support to run this programme at a bigger scale and to do so effectively. DFID's backing will enable 100,000 of the poorest people in Ghana, including 60,000 women and girls, to obtain regular cash grants.

People use their grants to buy food and other necessities. The programme is expected to have a noticeable positive impact on food security and nutrition, and on children going to school. Beneficiaries of the programme can also access free health care under the national health insurance scheme. The government plans to link other programmes such as the free school uniform programme to the cash grant programme via a new targeting mechanism. Generally, it is estimated that the impact of the cash transfer programme will be that an extra 269,000 people will be lifted out of poverty over the next 20 years.

DFID's assistance will also guarantee that the cash grant programme provides better value for money by reducing the cost of delivering grants by 75%. This will be done by utilizing technology to allow faster and more reliable transfers. In addition to helping the government to bolster their own monitoring and evaluation, DFID will conduct its own monitoring and fiduciary checks.

Evidence on Adaptation to Inflation: (LEAP Annual Review, 2014; 2015; 2017)

The LEAP Business Case stated that average payment per household will be raised in line with inflation. Yet, according to the LEAP Annual Review of 2015, the cash payment size remained at GHS 36 since end of 2011. **Because of inflation, the real value of the grant has been eroded.** DFID, The Ministry of Gender, Children and Social Protection (MoGCSP) and the Ministry of Finance (MoF) have worked together to make the case for boosting the grant size to GHS 44. Indeed, the Annual Review from 2017 indicated that cash payment size was raised to GHS 44 (£7.76). However, given the continued level of inflation, the real value of the grant is declining again. Maintaining the real value should not be overlooked as the Government continues to expand the programme.

Lessons Learnt: (LEAP Annual Review, 2017)

- **High inflation rate is diminishing the real value of the grant.** Going forward, the **value of the cash grants must be part of the consultations on programme's budget.**
- An analysis conducted towards the end of 2011 revealed that the size of the LEAP grant has been too little to be very effective. So, it has been **agreed that the grants should be revised upwards annually (broadly in line with inflation)** to maintain their value.

3.5 Keeping Girls in School (KGIS) Programme (Malawi)

Brief Programme Summary: (KGIS Business Case, 2012 & Project completion Review, 2019)

- Full title: Keeping Girls in School (KGIS) Programme
- Programme Value (full life): £36,864,997
- Start Date June. 2016 & End Date: Sept. 2018
- Estimated No. of recipients (business case): Cash transfers for 200,000 girls in primary school and 'bursaries' for 18,000 girls in secondary school.³
- Programme Code: 201629
- DevTracker link to business case: <https://devtracker.dfid.gov.uk/projects/GB-1-202623/documents>

Programme Details: (KGIS Business Case, 2012)

The KGIS programme was launched to help eliminate the cultural and socioeconomic barriers hampering girl's participation in primary and secondary schools. This was intended at increasing enrolment of girls in upper primary school (standards 7-8) and secondary school – thus, delaying sexual debut, early pregnancies and early marriages, and presenting an opportunity for a better life for graduating girls and their future children. Among a long list of components, the KGIS was applied through the following cash/bursary transfer components:

- Cash transfers - £8.32 million (2015-2018). Save the Children UK (SC) delivered cash to underprivileged girls in Standards 7-8
- Provision of secondary school bursaries to marginalised girls - £12.9 million (2013 – 2018). Campaign for Female Education (CAMFED) provided bursaries to girls in forms 1-4 of secondary education in 15 districts and operated with local stakeholders to provide psychosocial support and to help identify marginalised girls.⁴

Evidence on Adaptation to Inflation: (KGIS Project completion Review, 2018 & Annual Review, 2013; 2017)

Recent scarcities of foreign exchange and fuel in Malawi (as well as the subsequent devaluation of the Malawi Kwacha by 50%) led to high inflation. The inflation episode mostly affected the cost and timeframe of implementing project activities. With DFID's decision to permit project budgets and disbursement to be carried out in Pound Sterling, only the Kwacha value of the project increased without affecting DFID's funding commitment. By itself, the cost driver was alleviated

³ Also, 100,000 girls with access to enhanced sanitation facilities at school; 3000 mother groups trained to deliver counselling and support to girls; 21,500 in service female teachers trained to act as better role models to girls and thousands more of new female teachers trained (KGIS Business case, 2012).

⁴ Bursaries comprised of tuition fees and entitled provisions; a pair of shoes, two pairs of socks, a skirt and two blouses, sweater, scientific calculator, one mathematical set and one school bag – supplied once to students very two years; ten hard cover books – supplied every year; and ten exercise books, five pens and two packs of sanitary wear – supplied three times in a year

and kept under control. In one case (i.e. 'Development Aid from People to People' project), up to 20% of the project budget accrued from forex exchange gains.

In 2012, the cost of a bursary per student was set at £100 per girl. Following the economic shocks that led to inflation and deflation of the local currency, there was an increase in cost of entitlements in the years 2013-2016. The entitlement costs peaked at £152 in 2016/17. This led to DFID negotiating with the implementing agent of the secondary school bursary to tailor the entitlements to the needs of the students. This helped to reduce the unit costs to £129.

Lessons Learnt: (KGIS Project completion Review, 2018)

- There were **a number of other cost drivers that were not identified during programme design**, including: the cost for providing bursaries (including supplies in bursary packs), **construction inflation** (including material price increases), remoteness of sites, payment mechanism for the cash transfer, strength of the economy, **currency depreciation** and fuel availability.
- KGIS has succeeded in coordinating the cash transfer programme, secondary school bursary support and other interventions through existing systems – instead of creating new parallel structures for programme implementation. This will likely aid in the longer-term sustainability of the project

4. Brief Look at the Experience of CT Programmes in Southern Africa

4.1 Botswana

Botswana runs some of the broadest social cash transfer systems in the region - including separate cash transfer programmes for elderly people, orphans, and people living with disabilities. For example, the **cash transfers through the 'Old Age Pension Programme'** assists a large percentage of Botswana's population. Launched in 1996 after its announcement in the annual budget speech (Devereux and Pelham 2005), the Old Age Pension cash transfer scheme has the aim of **financially supporting elderly people who do not have other sources of assistance**. The commissioner for social benefits, an official in the Ministry of Local Government, manages the programme (Gaolathe 2009). The number of **beneficiaries** rose from about 70,000 in 2000 to **89,471 in early 2009**. Benefits indirectly reach about 42% of the population (Devereux and Pelham 2005). Samson and Kaniki (2008) estimate that cash transfers through the programme costs 0.4% of Botswana's gross domestic product (GDP) annually. Overall, the **transfer's real value, corrected annually for inflation**, has remained between US\$27 and US\$30 (BFTU, 2007).⁵

⁵ The original transfer value was P 100 (US\$30), and this was indexed to civil servants' pay levels. By 2007, the monthly transfer was P 166 (US\$26) (BFTU, 2007).

4.2 Zambia

Zambia implemented pilot **cash transfer programmes in five districts**. The programmes employ various designs with the aim of incorporating lessons learned from the programmes into a scaled-up national program. Pilots jointly **reach more than 12,000 households**. Zambia's Social Cash Transfer pilots build on the Kalomo district pilot. Zambia's Kalomo SCT pilot began in 2003 and extended into four additional pilot districts (Chipata, Katete, Kazungula, and Monze) from 2005 to 2007. Total annual **costs per household amount to Kwacha 660,000 (US\$165)** on average (in Kalomo district). Transfers are made on a bimonthly basis, and they are supposed to be **raised by 10% every two years to account for inflation** (Ministry of Community Development and Social Services 2007). The transfers covered the **price** of a 50-kilogram bag of maize, which is assumed to allow a household of six individuals to consume an additional meal per day (Schüring 2010). Even if not enough to cover the poverty gap, this amount was believed to pull people from extreme poverty (Ministry of Community Development and Social Services, 2007 and German Agency for Technical Cooperation, 2007).

4.3 Zimbabwe

Government-Supported Cash Transfers

Zimbabwe has had a range of cash transfer programmes, including a programme known as the Public Assistance Programme dating back before independence. **Cash transfers through the Public Assistance Programme** was offered a legal support in the Welfare Assistance Act of 1988 (Munro, 2005). Its **coverage plateaued at 69,308 individual recipients in 1994** and fell to 20,562 by 1998. The grants were mainly given to destitute elderly individuals who could not work and did not have families to support them, even if others, such as children in desperate circumstances, people with disabilities, and the chronically sick, were also entitled. The programme was not well publicized, potential recipients had to travel to district offices to apply, and **transfer sizes**, which were **comparatively small** to begin with, **did not keep pace with the high inflation in Zimbabwe. It is not clear if the programme still operational** (Garcia and Moore, 2012).

Some of the other notable government supported cash transfers, which operated around the late 2000s, included the Care for the Elderly Program, Support to Families in Distress, Maintenance of Disabled Persons, Support to Children in Difficult Circumstances, Maintenance of Hero's Dependents, and Drought Relief and Public Works Programme (RHVP 2007). In 2005, the Care for the Elderly programme had 39,468 recipients, Support to Families in Distress had 39,278 beneficiaries, and Maintenance of Disabled Persons had 21,535 recipients. The Drought Relief and Public Works Programme intended to help vulnerable households during times of chronic drought. From September 2005 to May 2006, 2.9 million recipients obtained transfers through this program. Transfer values ranged from Z\$445,720 (US\$45) through Z\$528,571 (US\$53). By early 2007, transfers were usually new Z\$8,000 (US\$23) for adults and new Z\$4,000 (US\$12) for children (RHVP 2007). **It is unclear how these grants have evolved in response to Zimbabwe's hyperinflation and economic hardships** over the last decade (Garcia and Moore, 2012).

Donor-Supported Cash Transfers: The Protracted Relief Programme

DFID has funded cash transfers (and in-kind assistance) through the Protracted Relief Programme (PRP) in Zimbabwe. The programme began in 2004. The program's second five-year phase, funded by more than US\$130 million, began in mid-2008. Contributing partners included 28 international organizations, NGOs, and technical partners that apply the programme through 30 local organizations under the responsibility of a consulting firm (GRM International), which had the task of managing and coordinating the project. (Garcia and Moore, 2012)

The **PRP focus on extremely poor households that are vulnerable to adverse shocks.** The program's aims are to lower the reliance of households on food aid by boosting their food production, to enhance access to basic water and sanitation services, and to care for the chronically ill (DFID 2008). The programme delivered in-kind transfers of farming inputs, training in agricultural activities, and home care for the chronically ill. It also provided cash and vouchers to households that typically received in-kind assistance. **Early work with cash was stopped in 2007 because of hyperinflation, low food supplies, and the breakdown of Zimbabwe's financial sector.** (Garcia and Moore, 2012)

Because of hyperinflation, the programme started to distribute cash in foreign currencies, around March 2009. Households received US\$20 per month. The PRP is **estimated to reach 2 million individuals**, i.e. between 15% and 20% of the country's population (European University Institute, 2010). **Coverage of cash transfers in the PRP are a lot more limited.** In 2009/10, six NGOs applied cash transfers in two rural and eight urban districts, **targeting 3,425 households.** The programme functioned outside of the Zimbabwean government, even if it hoped to ultimately transition into the system. (Garcia and Moore, 2012)

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