



# A human rights view on the potential of social cash transfers for achieving the millennium development goals

Rolf Künnemann, Ralf Leonhard

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In cooperation with the Working Group "Social Cash Transfers":  
Brot für die Welt, Evangelischer Entwicklungsdienst, FIAN International, medico international



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In cooperation with the WG Social Cash Transfers

The purpose of the Working Group Social Cash Transfers Social is to promote civil society expertise and debate on the subject. Human rights instruments are used for analysing social cash transfers in the context of other forms of social protection and social security.



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## **Preface of the Publishers**

The experience of recent years shows clearly that additional efforts are necessary in order to reach the Millennium Development Goals (MDGs) by 2015 – efforts both by developing countries and by the rich countries. The incidence of poverty is increasing in Africa and that since 1990 the extremely poor in Africa have become even poorer. This is a matter of great concern. On a global scale hunger has grown – if the number of the hungry is taken as an indicator. For other MDGs the respective indicators had also shown little improvement at the MDG midterm point in 2007. We draw the conclusion that additional strategic approaches and the use of new instruments have to be considered. Otherwise the goals mentioned under MDG1 – halving the proportion of people with income below 1 \$P per day and halving the proportion of those who suffer hunger – and the other MDG requirements will be missed by a clear margin.

One approach to poverty reduction is payments of direct income transfers to persons in need. In recent years such transfers have gained importance in a some low income and middle income countries – not only in Latin America where some comprehensive programmes of this nature are in place, but increasingly in Africa and Asia, too. More and more direct income transfers, particular cash transfers, are studied in the context of the growing importance of direct budget support in development aid and are often seen as a means to increase the efficiency in budget support. It seems to be worthwhile and advisable to conduct a closer investigation of the developmental potential in direct income transfers.

While the World Bank, the UK development agency DFID, and other European donors put considerable efforts in dealing with this instrument, the experience of German development cooperation is so far largely limited to pilot projects, and a broader discussion in German civil society has yet to start.

Based on the discussions and the preliminary work of the Working Group “Social Cash Transfers”, Brot für die Welt and the Evangelische Entwicklungsdienst (EED) would therefore like to publish the following study to provide some fundamentals for a qualified debate about such transfer measures and to initiate a more intense discussion.

This study should be seen as contribution for discussion. It takes economic, social and cultural human rights as basic terms of reference for the evaluation of social cash transfers, which are seen as one of the instruments in social protection systems. It provides an overview over the current international debate and gives deeper insights into the practical implementation on the basis of three country studies. It takes into consideration the differentiated and critical views of science and civil society. This publication should not be understood as a policy paper nor does it anticipate any later positioning of the publishers. The statements on the subject matter and the judgments reflect the opinions of the author/authors.

We wish that this publication will contribute successfully to stimulating the German and the international debates on the developmental and human rights importance of direct income transfers, to a sound judgment on the potential of this instrument and to its adequate integration into development cooperation.

**Mechthild Schirmer, Brot für die Welt**

**Richard Brand, EED**

Bonn / Stuttgart, January 2008

*Recall the face of the weakest person whom you may have seen and ask yourself if the step you contemplate is going to be of any use to her. Will she gain anything by it? Will it restore her to a control of her own life and destiny?*

Mahatma Gandhi

## **Executive Summary**

Over the past ten years, social cash transfers have spread in middle income countries and pilot programmes have been carried out in low income countries. SCTs have shown impressive developmental results in a number of fields closely related to the MDGs 1 to 6. Social cash transfers reduce poverty and hunger, stimulate the production of essential products and services for the poor, stimulate school attendance and promote gender empowerment and social fairness.

Moreover social cash transfers (SCTs) turn out to be efficient tools to reduce the drastic income inequalities which plague a great number of developing countries as is shown in the context of Brazil. Whether these programmes can become effective to this effect, depends on whether or not sufficient budgetary resources are put into these programmes.

The study at hand describes social cash transfers in the context of the Millennium Development Goals, looks at the main characteristics of important SCTs such as those in urban China, Mexico and South Africa and provides details on some SCTs in Brazil, Malawi and Zambia, based on available evaluations and on interviews with different stakeholders carried out specifically for this publication. The study deviates from many other publications on the subject by taking an explicit human rights approach. It provides human rights criteria for an analysis of social transfers and in particular SCTs. It applies these criteria to ongoing international discussions on issues like targeting, selection, universality, conditionality, coverage, cost, benefit withdrawal, crowding out etc. The study points to the importance of full coverage and criticizes the wide-spread emphasis on targeting by selection. It rejects conditionalities and suggests the use of universal SCTs wherever possible. It points to the importance of establishing proper tax systems as the other side of tax-benefit coin, and suggests gathering experience with market-based targeting through universal programmes financed by a proper mix of consumption taxes and other taxes.

Three country studies investigate the strong and the weak points of SCTs in two very different contexts: A Latin American middle income country (Brazil) and two African low income countries (Zambia and Malawi). The Bolsa Familia programme in Brazil and the Kalomo pilot programme in Zambia have partially functioned as models in their respective contexts. Other important experiences such as the SCTs in Mexico, South Africa or urban China can only be mentioned in passing. The Kalomo pilot is particularly important as it is one of the first SCTs in low income Africa in environments of generalized country-wide poverty. For such circumstances the study recommends pilot projects on universal transfers to address some of the weaknesses of the programme.

The study recommends that Official Development Assistance (ODA) makes social cash transfers a central policy element both with a view to achieving the MDGs and as a necessity under human rights. SCTs are not to replace but to complement other measures of ODA. The study further specifies the related tasks of ODA in the fields of human rights capacity building, right based monitoring of SCTs, piloting innovative programmes such as universal basic income programmes, establishing proper tax

systems, securing long term financial commitments for budgetary assistance – possibly through an international fund.

Strong recommendations are made to insist in rights-based transfers making the recipient a rights-holder independent of local elites in the SCTs' selection and distribution systems. In the hands of a corrupt or politicized implementing bureaucracy these programmes can otherwise turn into a tool for oppression. The best way to overcome such risks would be to get away from narrow and little transparent selective targeting and to strengthen the transfers to the recipients as human beings, rather than as being poor.

The study calls upon national and international civil society organisations to insist that states, individually and through international cooperation, build up rights based SCTs for hundreds of millions of absolutely poor and malnourished persons who are still denied their human right to social security. Moreover, some civil society organisations have experience in carrying out cash transfers schemes. They should make this experience available to states building up their social cash transfer systems.

Social cash transfers are of central importance for states to meet their obligations under international or national law to fulfil the right to an adequate standard of living including food, housing and clothing. Moreover they facilitate the realization of many other human rights - economic, social and cultural rights (such as the rights to health and to education) or civil and political rights (such as the rights to political participation or to a fair trial). Even though SCTs are just one element in the states' set of policy measures to meet these obligations and are far from sufficient in this context, such transfers are certainly necessary. Nevertheless, SCTs can have a number of weaknesses and may lead to practices contrary to human rights. A strong human rights culture is necessary to avoid such side-effects and to prevent human rights violations in and around SCTs.





# Part 1: Social cash transfers in development

## 1.1 Social cash transfers: The rise of a new paradigm?

### 1.1.1. The boom of social cash transfers in the Global South

The past ten years have seen an impressive expansion of social cash transfer programmes in the Global South. Table 1 is based on DFID's database<sup>1</sup>: While there were 14 social cash transfers outside OECD countries in 1996 (mostly social pensions), 20 new programmes have been introduced since then.

Cash transfers<sup>2</sup> provide non-contributory<sup>3</sup> payment in the form of cash to the poor or to those who risk falling into poverty. The objective of these programs is to increase the households' real income.<sup>4</sup>

*Social cash transfers (SCTs) in the sense of the following study are state-run cash transfer programmes whose main aim is to guarantee a minimum level of consumption to the recipients<sup>5</sup>. Usually they are part of the states' social safety nets.*

Among the social cash transfer programmes there are specific programmes (Minimum income programmes – MIP) which guarantee a minimum level of consumption for each person in the territory of the programme. Whereas most SCTs are linked to something like a means test<sup>6</sup> in order to assess the income level of the candidate, basic income programmes are minimum income programmes which are “universal” in the sense of providing payments to all persons in the territory without means test. Another type of social cash transfer programmes are conditional cash transfers (CCTs): They introduce (in addition to a means test) conditionalities on the educational behaviour and uptake of health-services of recipients. Moreover there are social cash transfers, which do not aim at all poor households in a region, but at specific households, or at senior persons (social pensions) or at children. They are marked “household”, “pension” or “child” in table 1.

Social cash transfers are fundamental for the non-contributory part of social protection which is usually called social assistance. Social assistance programmes<sup>7</sup> are also known as “safety net programmes” or “social welfare programmes”. Social assistance and social insurance (for health care, unemployment benefits, contributory pensions etc.) together provide the social protection system of a state. Social security is sometimes used synonymously to social protection.

In order to adjust to the different situations of households, social cash transfers in the OECD countries usually consist of a guaranteed minimum income programme (MIP) and various “benefits” (for housing, families, lone-parent, child care etc.). Almost all “old” OECD countries (with the exception of the Greece, New Zealand and the USA) provide a guaranteed minimum income programme.<sup>8</sup> The new ones (Mexico and Turkey) are in the process of building up their social cash transfer programmes.

1 Barrientos et al.2006

2 Terminology has not fully settled in the literature. For broader definitions and a detailed perspective on the “landscape” of cash transfers, cf. Tabor 2002, *Assisting the Poor with Cash*.

3 A programme is non-contributory, if a person can participate without making or having made economic contributions to a collective fund (such as payments for social insurance).

4 Programmes not included in this definition of cash transfers are cash for work programmes (specific “public works programmes”), as they require an economic contribution (labour) from households as a condition for transfers. Public works provide unskilled manual workers with short term employment on projects such as roads, irrigation etc.. “Conditional cash transfers”, however, are included, because the behaviour on which participation is conditional here is not economic in nature.

5 Families with children, senior citizens, families under a certain income threshold etc.. There are specific studies on SCTs for children (Barrientos 2004, Case 2003, Acevedo 2006, Pearson et al 2006, Schubert 2007) and senior citizens (Helpage International 2003, Kakwani et al 2005).

6 For means testing, cf. the glossary in part 5.

7 Barrientos et al 2006 “Social Assistance in Developing Countries Database” provides an excellent insight into the major social assistance programmes in operation outside the OECD.

8 A good overview is provided by World Bank 2006, “Social Safety Nets in OECD Countries”, the World Bank Social Safety Net Primer Notes, No.25

European countries spend 19% of their GDP on social protection, the USA 9%, Latin American countries 5.7%. Social assistance amounts to 3% of GDP in the EU, 1.6 % in Latin America<sup>9</sup> – and an even lower percentage in Asia and Africa.

**Table 1: Major social cash transfer programmes<sup>10</sup>**

COUNTRY	NAME	TYPE	START
<b>Argentina</b>	Pensiones asistenciales	Pension	1994
<b>Bangladesh</b>	Old age allowance scheme, destitute women	Pension	1997
	Female secondary school stipend programme	CCT	1994
	Cash for education	CCT	2002
	Primary education stipend project	CCT	2002
<b>Bolivia</b>	Bono Solidario	Pension	1997
<b>Brazil</b>	Previdencia rural	Pension	1991
	Beneficio de prestação continuada PBC	Pension	1993
	Bolsa Escola	CCT	1995
	Child labour eradication programme PETI	CCT	1996
	Bolsa Familia	CCT	2003
<b>Chile</b>	Integrated extreme poverty eradication	MIP	2002
	Programa de pensiones asistenciales	Pension	1975
<b>China</b>	Minimum living subsidy scheme	MIP	1993
	Rural subsidy to guarantee poor peasants' life	MIP	2004*
<b>Colombia</b>	Familias en acción	CCT	2001
<b>Costa Rica</b>	Régimen no contributivo por pensiones	Pension	1974
<b>Ecuador</b>	Bono de desarrollo humano	MIP	2004
<b>Honduras</b>	Programa de asignación familiar I / II	CCT	1990
<b>India</b>	National Old Age Pension Scheme	Pension	1995
<b>Indonesia</b>	Social Protection Development Programme	MIP	1998
<b>Jamaica</b>	Program of advancement thru health and education	CCT	2002
<b>Lesotho</b>	Non-contributory pension scheme	Pension	2004
<b>Malawi</b>	Malawi SCT pilot scheme	MIP	2006*
<b>Mexico</b>	Progresá / Oportunidades	CCT	1997
<b>Mozambique</b>	Payments to war-displaced, destitute households	Household	1990
	Food subsidy programme	Household	1997
	Minimum income for school attendance	Child	2002
<b>Namibia</b>	Universal old age pension	Pension	1990
<b>Nepal</b>	Old Age / Widows allowance / disability pension	Pension	1995
<b>Nicaragua</b>	Red de protección social	CCT	2000*
<b>Pakistan</b>	Pakistan bait-u-maal	MIP	1992
<b>South Africa</b>	Social pension	Pension	1992
	Child support grant	Child	1998
<b>Uruguay</b>	Programa de pensiones non-contributivas	Pension	1986
<b>Zambia</b>	Pilot cash transfer scheme Kalomo district	MIP	2004*

### 1.1.2. Some characteristics of social cash transfer programmes

When describing the nature and size of social cash transfer programmes, the following seven figures provide a useful overview:

1. The “eligibility criteria”: These are indicating which persons are eligible for a positive net transfer<sup>11</sup> under the programme. Quite often there is only one “eligibility class“(for example persons in households with an income below a certain “eligibility line”). Sometimes there are two or more eligibility classes with two or more different levels of transfer amounts (for example bolsa familia). In addition to the eligibility classes based on the means of a person and structure of household, there may be

<sup>9</sup> Cf. World Bank 2006 Social Safety Nets Primer Notes op.cit., and Lindert et.al. 2006

<sup>10</sup> The date given refers to the start of the respective pilot project. Programmes which are still at a pilot stage are noted with\*

<sup>11</sup> Whereas the transfer amount is the cash transferred to the recipient person, the net transfer is the transfer amount minus the taxes paid by the person to contribute to the funding of the programme. In universal programmes all members of a certain population are recipients, whereas net transfers only reach a certain eligible subgroup, where eligibility is constructed into the tax system funding the programme. This issue will be revisited below.

conditionalities which have to be satisfied by persons in certain income classes in order to be eligible.

2. The “minimum income”: The guaranteed level of per capita consumption provided de jure or de facto for the recipients of the SCT. This “minimum income” can be indicated in terms of international purchasing power (1 sP)<sup>12</sup> and as a percentage of per capita household consumption in the country.

3. The mean transfer per recipient in sP and as a percentage of the guarantee line.

4. The “coverage” of the programme: The percentage of persons eligible under the programme which are in fact recipients.

5. The “targeting share”: The percentage of the total volume transferred which reaches the eligible group.<sup>13</sup>

6. The “reach”: The number of persons reached by the programme.

7. The “cost” of the programme as percentage of GDP. Cost here is the amount transferred to recipients plus the administrative cost.

These characteristics are used in the boxes “SCT at a glance” in this study. The boxes are meant to provide an overview of few important social cash transfer programmes.

### **SCT at a glance: China**

Di Bao (Minimum Income Guarantee Scheme) was introduced in 1999 in all Chinese cities – after a pilot in Shanghai 1992 and subsequently in other cities. The SCT wants to guarantee a minimum income of 141 \$P per person per month. This is 58% of the per capita household consumption for China as a whole.

The eligibility line is 141 \$P per person per month. This is about 25% of the mean income per registered person in the respective city. Eligible are all persons below this income who are registered in a city. Unregistered migrants from rural areas are excluded. The mean transfer is 15.7 \$P per person per month.

DiBao covers 27% of all eligible persons (coverage 27%). 64% of total transfer payments reach the eligible group (targeting share: 64%). For those eligible persons which are reached by the program, it meets only half the gap to the eligibility line.

The SCT reaches 22 million persons as of 2003 - 6% of the urban residents.

The cost of the program is 0,1% of GDP.

Di Bao does not seem to create a disincentive for people to have additional earnings or leave the programme.<sup>14</sup>

DiBao is currently expanded to the rural areas through a complimentary program “Rural Subsidy to Guarantee the Poor Peasants’ Basic Life”. A recent report<sup>15</sup> identifies five main problems:

- A unified law to regulate implementation is lacking.
- In many central and western provinces the program has not been established.
- Even where the programme is implemented there are irregularities and corruption and many eligible peasants don’t receive a transfer.
- The provision of the transfer is considered a charity by the authorities not a basic right of the people. Transparency is lacking.
- Financial resources are lacking: It is very difficult for the villages (most very poor) to fund the SCT by themselves. Funding from the government is lacking.

12 1 \$P (sometimes noted as \$ 1 PPP) is the purchasing power parity of 1USD in the USA. For further details, please consult the glossary in part 5.

13 If the transfer is uniform on all recipients, the targeting share equals the “targeting rate”, the percentage of eligible persons among the recipients.

14 Data here are taken from Chen, Ravallion, Wang 2006, Di Bao: A Guaranteed Minimum Income in China’s Cities?

15 Source: Asian Commission for Human Rights, University of Wuhan

### 1.1.3. The impact of social cash transfers

Over the last decade social cash transfers spread throughout Latin America, parts of Asia and the less-poor countries of Southern Africa. In recent years pilot projects started to indicate their potential for African low-income countries. There is growing enthusiasm for SCT in the development community and among a growing number of governments. And this enthusiasm is increasingly based on experience:

#### *Reducing poverty and hunger*

Social cash transfers bring about significant reductions in income poverty. Social pensions in Brazil have doubled the income of the poorest 5% in Brazil and increased it by 50% in South Africa. Mexico's Progresa Programme reduced the poverty gap among beneficiaries by 36% between 1997 and 1999. Mozambique's GAPVU urban cash transfer programme increased household incomes in poor towns by up to 41%.<sup>16</sup>

Social cash transfers provide measurable welfare benefits in the fields of nutrition and health. Evidence indicates that SCT are often used for nutrition and health priorities. The benefits are often shared by other household members across generations. In South Africa, having a recipient of a social pension in the family has been correlated to a three to four centimetre increase in height among children<sup>17</sup>. The Kalomo pilot project<sup>18</sup> showed that the recipients (mainly older people caring for children affected by AIDs) made rational spending decisions on health for their families.

The welfare effect of increased purchasing power, of course, depends on sufficient supplies in the markets (such as adequate food) or on the availability of services (health posts, schools).

Social cash transfers and similar long term social protection may reduce the need for emergency relief. SCT reduce vulnerability to external shocks. This could facilitate the handling of emergency relief both by national and international actors.

Impact evaluations confirm these programs' success in reaching the poor and improving consumption, education, and health, especially in middle- and upper-middle-income countries where high inequality dampens the poverty reduction effects of economic growth. In Colombia, for example, beneficiaries increased average consumption by 15 percentage points more than control households, and children under age two grew taller by up to 0.78 centimetres. In Ecuador, enrolment in secondary schools grew by 10 percentage points between 2003 and 2005.<sup>19</sup>

#### *Stimulating the production of essential goods and services by and for the poor*

Social cash transfers stimulate growth both through investment in supply side (in agricultural tools, animals) and through stronger demand.

SCT are likely to stimulate food markets instead of damaging them.

SCT in South Africa have increased the search for (and acquisition) of jobs by the recipients (in particular women).<sup>20</sup>

Social cash transfers reduce economic vulnerability and increase the propensity of households with economic capacities to take risk in economic activities. An important feature of social cash transfers mentioned both by observers and recipients is the reliability of payments. Impoverished families can start planning again and investing

16 These examples are taken from DFID 2005 – Social transfers and chronic poverty.

17 Barrientos, Lloyd-Sherlock 2002, Non-contributory pensions and social protection, Issues in Social Protection Series, ILO.

18 Cf 3.2. below

19 WB Annual Report 2006

20 Samson 2007, Tackling poverty with social transfers

(in additional income generating activities, or in the education of their children) instead of being trapped in a situation where they have to make ends meet for the next day.

### ***Reducing income inequality***

Social cash transfers are very efficient in reducing income inequality: Many countries in the global south are plagued by a high income inequality. Besides providing a threat to equity and to social cohesion, high inequality distorts the operation of the economy to the disadvantage of the poor. SCT tackle this problem efficiently: A recent evaluation of the social cash transfers in Brazil, Chile and Mexico over the past ten years showed that even though the total budget of SCT was very small (0,4% of the GDP in Brazil and Mexico) the SCT was responsible for a fall in inequality (measured by the Gini coefficient<sup>21</sup>) in both countries<sup>22</sup>, between 1995 and 2004 of 0,5 Gini points from 59,3 Gini points for Brazil<sup>23</sup> and 54,6 for Mexico). This shows that the transfer is very efficient in reducing inequality. Its efficiency is unusual even for social protection programmes. The reason why its impact has not been bigger is the fact that only a comparatively small part of the GDP was deployed to the programme.

### ***Stimulating school attendance***

Social cash transfers benefit education and increase school attendance. In rural Brazil social pensions to over 5 million elderly poor are strongly associated with increased school enrolment, particularly of girls 12-14 years. Early findings from the pilot “Kenya Cash Transfer for Orphans and Vulnerable Children” show how the transfers increased school attendance. Absenteeism declined by 16% in the first nine months of the Kalomo SCT pilot scheme in Zambia.<sup>24</sup> In Namibia a significant proportion of old age pensions is spent on children’s education.<sup>25</sup>

SCT reduce child labour: Evidence from Ecuador’s Bono de Desarrollo Humano (BDH) indicates a 17% reduction of child labour.<sup>26</sup>

### ***Promoting empowerment and fairness***

The empowerment of women through increased their control of household finances. In Somalia provision of cash grants to women helped the poor to repay debt and improve food intake, but also empowered them to invest in health care.<sup>27</sup> In Latin America most cash transfers are paid to women.

Overcoming the “truncated welfare state”: In most countries there is social protection – but only for an elite of state employees and for those working in the formal sector of the economy. Much if not most of the population, however, relies on informal labour, which is not covered by social insurance arrangements. And it is normally these families, which are the most vulnerable ones. They are excluded from social insurance and depend on social assistance – if it exists. Public spending on social transfers amounts to 5,7% of GDP in Latin America (and to about 16,3% in continental Europe). In countries like Colombia, Chile, Argentina, Brazil, which spend 11,5% of their GDP social protection, 85% of social protection spending is concentrated on social insurance (old age, disability, unemployment). In countries like Peru, Mexico, Costa Rica, which only spend 3,7% of GDP on social protection, social insurance still

21 Please consult the glossary in part 5 for a description of Gini coefficients and Gini points.

22 Sergei Soares et al, 2007, Conditional Cash Transfers in Brazil, Chile and Mexico

23 For more details on Brazil, see 3.1.1

24 The mentioned SCTs were in no way conditional on the respective behaviour of the recipient households. All three examples are taken from DFID 2006, Using social transfers to improve human development, Social Protection Briefing Note 3, 2006

25 Stephen Devereux, Social pensions in South Africa and Namibia, IDS discussion paper 379, 2001

26 Norbert Schady, Maria Caridad Araujo, Cash transfers, conditions, school enrolment, and child work: Evidence from a randomized experiment in Ecuador, 2006

27 Chapman, 2006, Using social transfers to scale up equitable access to education and health services, DFID 2006

captures 78% (mainly pensions).<sup>28</sup> Expanding social assistance in those countries is also a requirement of fairness.

SCTs can provide a unifying force in social policy: Social protection is often highly fragmented – leading to lack of transparency both for the recipients and the administration with the corresponding losses in effectiveness and efficiency. Even though large scale SCTs should not be seen as a cure-all, they can provide a unifying force in social protection.

### ***Reducing transfer cost***

Social cash transfers cost less to administer than other social assistance measures. A 2003 joint study<sup>29</sup> by IFPRI and WFP reviewed available evidence on performance of social assistance programmes from 47 countries across Africa, Asia, Eastern Europe and Latin America. The study found that SCTs are the most cost-efficient programmes compared to public works and food subsidies: Administrative and other cost amounted to 30% of the volume transferred to the eligible group, compared to 70% in food subsidies and 140% in public works.

### **SCT at a glance: South Africa**

South Africa has two major – widely studied – SCT: The social pension and the child support grant.<sup>30</sup>

The social pension is an old-age pension started in the early 1990s. Its maximum transfer in 2002 was 225 \$P per month per person (24% of average income). The transfer is reduced if the income of recipients is above the means tested threshold.

Eligible are women over 60 and men over 65 with a means test<sup>31</sup> applied to self-reported income. There were 1.9 million recipients in 2002. Uptake among the African community is almost universal. The social pension is widely shared within recipient households improving nutrition and health status, facilitating household investment, improving school enrolment and reducing child labour.

Cost: 1.4% of GDP in 2002.

The child support grant is paid to care-takers of children aged 13 or less in poor households. The transfer amounts to 72 \$P per month and child. In 2003 2.5 million children were covered.

The child support grant increased the incidence of women searching for a job by 6% and women finding a job by 3%.

Cost: 0.7% of GDP.

## **1.2 Social cash transfers - magic bullets for reaching the millennium development goals?**

### **1.2.1 Serving two target groups with one instrument**

Social cash transfers serve two recipient groups among the poor. There are first of all those who are unable to make use of income generating opportunities offered by national or international developmental measures because they possess little labour capacity to be used outside the immediate care-work necessary to sustain the

<sup>28</sup> Kathy Lindert et al. 2006

<sup>29</sup> The findings of this study are summarized in Coady 2003: „Cost-effective safety nets“.

<sup>30</sup> Barrientos et al, Social Assistance Database, 2006; Sampson 2007; Perspectives of cash transfers: the development impact of social cash transfers

<sup>31</sup> For an explanation of means testing, cf. part 5: Glossary

family members: Households with a large number of children or with sick or elderly persons to be looked after by a single mother – or AIDS affected households where the productive generation had died and the grand parents are left with the orphans<sup>32</sup>.

Sending children to school, and improving their health and nutrition are seen as important developmental activities because they can help break the intergenerational cycle of poverty. Schools, however, are often linked cost like books and uniforms. Moreover families lose income from sending children to school and not to work – income which may be very important for the families in desperate situations. For many poor households it means a lot to spend money and take the time off to travel a distance to a health post – although this would improve the outlook for the children – and for the adults in the household.

The second recipient group consists of households possessing free labour for income generation, but for whom the cost and possibly the lost benefits for employing this labour outside are comparatively high - taking some time off to look for a job, or pay a bus ticket to get to the new job – or taking investment risks without any security of assets or regular income. Schools, health posts, jobs and investment opportunities in one's own little business, however, are important services offered by national and international development measures. For the families described, they are useless, because they can hardly be made use off. These are the households missed so far by developmental activities – and they often happen to be the poorest of the poor.

Social cash transfers address these situations without having to distinguish between the different realities of the two recipient groups mentioned. In fact, the experience, related in 1.1 and in the country studies below indicates, that SCTs can be a crucial and well targeted tool to overcome these impediments to development, because they provide secure income which greatly reduces the relative importance of opportunity cost and risks in taking up pro-developmental activities.

### **1.2.2 The millennium development goals at midpoint: A reason for concern**

The millennium development goals (MDG) were introduced by the community of states to address the sobering fact that a key concern of development - poverty reduction - has been realized far too slow, and in some countries not at all. The MDGs want to enhance country's efforts, priority setting and choice of policies in order to make developmental activities more effective for poverty reduction. For this matter they provide indicators with milestones for progress (from 1990 to 2015) on what is to be understood as important elements of an adequate standard of living. The results indicated in the previous section are relevant for a number of MDGs<sup>33</sup>, most notably

MDG 1a: Halving the number of persons with incomes below 1 \$P.

MDG 1b: Halving the proportion of the undernourished (as defined by the FAO)

MDG 2: Ensure that by 2015 all boys and girls alike will be able to complete a full course of elementary school.

MDG 3: Eliminate gender disparity in all levels of education no later than 2015.

MDG 4: Reduce by two thirds the under-five mortality rate.

MDG 5: Reduce by three quarters the maternal mortality rate.

32 An indicator for such households is the "dependency ratio" – the ratio of the number of persons in a household considered unfit to work divided by the number considered fit for work, multiplied by 100. By definition children under 18 are not considered fit for work – they are supposed to undertake schooling or training.

33 Unless noted otherwise, data in this section are from UNDP, The Millennium Development Report 2007 and the World Bank, World Development Indicators 2006

MDG 6: Have halted and begun to reverse by 2015 the incidence of HIV/Aids, malaria and other diseases.

Developmental practitioners in recent years have got increasingly worried that many of their measures failed to reach the poorest quintile<sup>34</sup> of the population – or if so, then only in the sense of “trickle down”. Trickle down, however, may not be sufficient to achieve the millennium development goals.

A more concentrated and targeted effort is sought for: The share of consumption of this first quintile in the global south fell from an average of 4.6% to 3.9%. In Sub-Saharan Africa, the first quintile accounts for as little as 3% of national consumption.

The level of achievement on the mentioned MDG at about midterm is indeed a reason for concern: The share of the population (excluding China) below a daily income of 1\$P fell from 26.1% in 1990 to 21.1% in 2002: Only 38% of the reduction required under MDG 1a for the period 1990-2002 (assuming linearity) was reached. In Sub-Saharan Africa, prevalence of under-nourishment fell only 20% of the value required for the period 1990-2002<sup>35</sup>, if MDG 1b was to be reached. Globally the prevalence of underweight children fell from 33% (1990) to 27% (2004), which is at 70% of the reduction necessary in the given period. Similarly the prevalence of under-nourishment in low and middle income countries fell from 20% to 16% between 1990 and 2004 – both figures including China.

School enrolment improved, but data are poor and wide-spread absenteeism of enrolled students is often not properly recorded. In Sub-Saharan Africa net enrolment for elementary school increased from 47% in 1990 to 64% in 2004, but 22.7 million boys and 25.1 million girls are still out of school, making MDG 2 and 3 a formidable challenge for Africa. Similarly for rural areas in general: Worldwide nearly one third of children in the rural areas are out of school – the majority of them girls. This is to be compared to 18% in urban areas. The gender impact of SCT can be positive in the sense of women’s empowerment as envisaged in MDG 3, if the payments are made on an individual level or to the women in the family, as is the case in Latin America.

Under-five mortality (per 1000 life births) fell from 106 in 1990 to 83 in 2005, while it should have fallen to 70. The lack of progress has been mirrored by neglect of many basic health services in parts of the global south. In Sub-Saharan Africa child mortality fell from 185 only to 166 (instead of falling to 122 as required by a linear approach to the MDG 4.)

### 1.2.3 The possible role of social cash transfers in achieving the MDGs

The impacts of social cash transfers deserve further study and evaluation. Nevertheless the observations presented in 1.1 (and in the country studies below) indicate that SCT have a direct bearing on the MDGs mentioned and could be very effective, because they improve the situation for exactly those households where such improvement will have maximum impact on the respective indicator. MDGs 4,5 and 6 can benefit from the increased uptake of health services by the most vulnerable groups – at least in areas where such services are available. Social cash transfers have also been seen to impact in the areas of DGs 2 and 3. The most obvious impact can occur in the reduction of absolute poverty. In Zambia, an SCT at the level of 0.38 \$P would allow more than 25% of the population to escape absolute poverty.<sup>36</sup>

34 A quintile is 20% of the population, see part 5: Glossary

35 FAO, State of Food Insecurity 2006

36 The calculation of the author is based on Künneemann, Basic food income – option or obligation? FIAN 2005. Moreover data about poverty gaps given in World Development Indicators 2006 were used. The cost of such a programme would amount to 7% of Zambia’s GDP. International co-financing is advisable.



## SCT at a glance: Mexico

Progresa (in 2002 renamed Oportunidades) was introduced in 1997 to support poor households with children in rural areas. The programme pays subsidies conditional on children attending school and mothers and infants attending regular primary health care. In 2002 the programme was extended to urban areas and reached 5 million households in 2004 (including more than 40% of rural households). Households are selected by feedback via community feed back up to a fixed quota for each municipality based on prior socio-demographic analysis.

The number of undernourished persons in Mexico is estimated at 5 million (FAO).

The transfer has three components:

Each elderly person in a selected household receives 15 \$P<sup>37</sup>.

Each selected household receives 24 \$P “food support” conditional on attending training sessions on nutrition and health.

Each selected household receives a scholarship for each child in school (usually more for girls than for boys) rising with the grade from 12 \$P per child in elementary school to 98 \$P for girls in grade 12.

Transfers are paid to the female heading the household.

Average per capita consumption in Mexico was 450 \$P per month in 1999.

Cost: 0.32% of GDP in 2000.

Key findings are<sup>38</sup>: 8% of transfers go to the bottom 20% and 80% go to the bottom 40%. The programme provided mean benefits equivalent to 20% of household income, reducing the poverty gap by 36%. 70% of households showed improved nutrition. School attendance has risen by about 8 percentage points from a base of 67% for girls and by about 4.5 percentage points from a base of 73% for boys. Participating households showed reduced stunting for children between 1 and 3 years. Among new-born babies incidence of illness declined by 25%. Adults report 18% fewer days in bed due to illness. Women report greater control over household resources.

These multiple effects make SCTs fascinating for many development practitioners. Relearning is not an easy task: The development community has often been understood its role as supplying opportunities for self-help. This was originally meant to complement the traditional “charity”, which was focused on providing funds for the consumption of the poor – or at least for the deserving poor<sup>39</sup>. The concept of development itself turned from its clearly focused task of achieving an adequate standard of living for all into an endless process of “expanding options”, which takes for granted that people can make use of them. Development experts often see poverty as a trap, a vicious cycle, both individual and inter-generational. Generating opportunities is useless for people who cannot use them, because they need at least a certain standard of living – and some surplus labour in the family – to do so. Providing this standard of living is therefore crucial for breaking the cycle and enable people to make use of opportunities and services – if they exist – and to secure the livelihoods of people. And this, after all, is the bottom line of development. An exclusive focus on “self-help” leaves “un-viable” households to private charity. Moreover it often reflects a misplaced ideology of work ethics and can deprive the intended users of

37 \$P: Unit of purchasing power parity, cf. part 5: Glossary

38 Harvey et al 2005

39 The old concept of the “deserving poor” is still an underground legacy for SCTs, for example in the context of “conditionalities”. An enlightening social history of this concept can be found in Robert Jütte, *Poverty and Deviance in Early Europe*, Cambridge University Press 2000.

development services of the very opportunity for making use of them – thus beating the very purpose of self-help. In recent years, Brot für die Welt carried out some 12 hunger studies<sup>40</sup> among the poorest of the poor in different parts of the world. The results show how important it is to secure a certain minimum standard of living as a prerequisite for income generating activities.

Some enthusiasts see social cash transfers as a “magic bullet” to reach the MDGs in the period left. Nevertheless it should remain clear that both sides (the “self-helpers” and structural policy makers on the one hand – and the SCT-community and social policy people on the other) have complementary functions. It should never be forgotten that the lasting effects of social cash transfers depend on their reliability - and that SCTs only serve the recipients where and when food is available in the markets, health services and schools are close and of good quality, access to productive resources and to employment are available. Both sides are complementary – but with a stronger role for SCT than in the past.

#### **1.2.4 Developmental drawbacks of selections and conditionalities**

One school of thought – mainly promoted by the World Bank - has tried to further enhance the health and education impacts of social cash transfers by making school attendance and use of health and other services conditionalities for receiving the SCT. School attendance (or – more precisely - education) and improved health are important both in themselves and as a means to higher income in future. There is lack of empirical evidence whether and to what extent such enhancement through conditionalities occurs<sup>41</sup>: Households do react in the desired way as a response to increased income – and even without conditionalities. Even if conditionalities further strengthened school attendance and the use of health services, conditional cash transfers (CCTs) have disadvantages, and there is considerable disagreement in the development community<sup>42</sup>. The main points of developmental criticism are:

(i) If a conditionality on say education is not met by one of the children (for whatever reasons) and their households will be excluded, the other developmental benefits of cash transfers like poverty reduction, improved nutrition, improved health, gender empowerment, increased labour market participation etc. will fail. In a community where a larger number of households fails to meet the conditionalities, the strengthening of local markets may also fail.

(ii) The families “punished” by exclusion from the program are sometimes the poorest of the poor and screening them out is counterproductive. Such measures certainly do not help the respective children.

(iii) Introducing conditionalities deprives the poor of the freedom to take the appropriate decisions to increase household welfare. It starts from the assumption that poor people are irresponsible and don’t know what is good for their family. Normal SCTs show that this assumption is false for most of them.

(iv) Conditionalities fail to take into consideration that the respective services in many areas may be very weak and cannot be met at reasonable cost / opportunity cost by the households, so that the most vulnerable areas / households would be excluded.

Among the SCTs introduced since 1996, there are 7 household oriented free SCTs, 7 CCTs, 3 pension schemes and 2 child grants. The World Bank has supported conditional cash transfer programs since the late 1990s in Brazil, Colombia, the Dominican Republic, Ecuador, El Salvador, Jamaica, and Nicaragua (the last, a pilot

40 Some of these studies are published in Brot für die Welt (ed.), *Gesichter des Hungers*, 2005

41 The only empirical study to indicate a significant added effect through conditionalities is Schady, Araujo 2006.

42 Samson 2006, Schubert and Slater 2006.

project). Unfortunately, the educational<sup>43</sup> and health effects of cash transfers are often paraded as if they were exclusively due to the conditionalities. Other developmental impacts of SCTs, which are negatively affected by the conditionalities, are not taken into account.

How are the recipients of transfers chosen? The main concern of targeting is that all eligible persons are reached. If this is not the case, then there is an “exclusion error”: An exclusion error occurs, if an eligible person is not reached by the programme. An inclusion error occurs, if a non-eligible person gets a transfer. Exclusion errors are serious matters affecting the effectiveness of an SCT, inclusion errors are a matter of avoiding unnecessary cost – a matter of the efficiency of the SCT. Nevertheless much of the discussion in the extensive literature on targeting deals with inclusion errors, while exclusion errors receive less attention – although they can be a matter of life and death for the victims. If the SCT operates on a very tight budget exclusion errors and inclusion errors are equivalent: If transfers reach people outside the eligible group this means that funds are lacking for people inside the eligible group. In reality the criteria for eligibility are often difficult to handle: Even proxy means-testing is quite inaccurate, reliance on local authorities or committees for selection is often questionable, lacks transparency, can be affected by political manipulations, can generate dependency. Moreover the selection process can have humiliating aspects for the individual and can be divisive for the community: Malawi farmers rejected selection in relation to subsidized input on the grounds that they were all poor and that it would be divisive.<sup>44</sup>

There is disturbing evidence on selection in India due to efforts of “vote catching” by politicians abetted by administrators and by plain rent-seeking: Data from some 4000 households in 12 villages indicate that beneficiaries of subsidized food distribution were predominantly from middle income quintiles – and even worse in the field of social pensions.<sup>45</sup> Cases of malfunctioning selection in India leading to the starvation deaths among the victims were reported by FIAN.

For this matter it may be preferable to avoid selection in SCTs, in particular in situations of generalized poverty as in rural Africa. Such a policy was recently suggested by one of the leading experts on targeting on the basis of a study of 13 African countries.<sup>46</sup> Universal SCTs are paid to all households in a village or a region and establish a basic income. Universal programmes are much more likely to reach all of the poor without manipulation and humiliation. They are sometimes criticised for lack of efficiency, because payments are made to the not-so-poor. It should, however, be kept in mind that the real transfer to a household is the difference between the payment it receives and the tax it pays for financing the programme – for example through consumption taxes. A proper structure of consumption taxes and other taxes can help focus the real transfers on the poor.

Social cash transfers emerge as an important component in each developmental strategy directed towards the MDGs. At the same time it should be recalled that their impact depends on the provision of other state services (quality schools and health services, employment, access to resources). Moreover they cannot replace structural policies which allow people to feed themselves. Even though it is true that SCT have been used as compensatory measures in neo-liberal policy packages<sup>47</sup>, SCT should be seen as a right – no matter under which macro-economic regime.

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43 Reimers et al 2006 challenge the educational impact of conditionalities and point to unhealthy administrative consequences of mixing up poverty eradication with behavioural incentives.

44 Nyasulu et al 2003. Dedza safety nets pilot project

45 Harvey et al 2005

46 Kakwani et al 2006, Evaluating Targeting Efficiency of Government Programmes

47 Sadoulet et al 2001, Cash Transfer Programs with Income Multipliers: Procampo in Mexico

## Part 2: Social cash transfers in a human rights perspective

### 2.1 Social cash transfers in the context of human rights

The right to be free from hunger is a fundamental human right. It is the bottom line of the right to an adequate standard of living.<sup>48</sup> Both rights are binding international law for all 153 states parties to the ICESCR. While ratification of the Covenant began in 1968, the last fifteen years have seen a wave of commitments by states to the rights protected in the Covenant. During the 1990s, 50 new states ratified the Covenant. Between the years 2000 and 2007 another twelve states ratified, most importantly China and Indonesia. Once a state has ratified the Covenant it has to report every five years to the Committee on ESCR on how it has implemented the rights recognized in the Covenant into national legislation, policies and practice. The UN Committee is a body of independent experts which will review the state report, raise concerns and give recommendations to the state party on how to better implement the provisions of the Covenant. The UN Committee is also charged with the legal interpretation of the Covenant. The experts publish General Comments which deal with specific rights or aspects of ESCR. Over the past 8 years three important rights were dealt with by the Committee: The right to food in General Comment 12, the right to education in General Comment 13, and the right to health in General Comment 14. Currently a General Comment on the right to social security is drafted by the Committee. So far there has been no General Comment on the right to an adequate standard of living

There are also good arguments to consider some of these rights binding even for the few states who are not parties to the Covenant: Without an adequate standard of living the enjoyment of any other right is severely limited, if not impossible. There may be disagreement about the level of adequacy, but there is no disagreement that the right to adequate food is part of it.

Over the past decade the right to food has been conceptually clarified by UN General Comment 12 (1999) and further policy implications have been spelled out by the Right to Food Guidelines<sup>49</sup> which were unanimously adopted by the community of states present at FAO Council 2004.

The human right to food holds unconditionally (art.11, ICESCR does not contain any conditions). In particular it is not linked to work or any other prerequisites. Moreover the right to adequate food does not only include the right to get food, but - in the context of the right to earn one's living through work - also the unconditional right to access productive resources to feed oneself.

Human rights and states obligations are two sides of the same coin. There is a tripartite classification of states obligations under a human right: For the right to food, states have to respect, protect and fulfil access to food. The first two obligations have to do with avoiding or preventing destructing of people's access to food. In our context the most important states obligation is the fulfil-bound obligation: It has been spelled out in General Comment 12§15. Altogether these states obligations can be summarized as follows:

1. States have to respect a person's access to food and productive resources (obligation to respect).
2. States have to protect a person's access to food against being destroyed by a third party (obligation to protect).

<sup>48</sup> UDHR, art.25, ICESCR art.11

<sup>49</sup> FAO 2004, Guideline 14 deals with social safety nets.

3a. States have to fulfil-facilitate for everybody the access to and use of resources to secure livelihoods.

3b. States have to fulfil-provide such access to food and resources for persons who are excluded from this access for reasons beyond their control (obligation to fulfil-provide).

Obligations for the rights to health and education are structured in a similar way. Access to food remains the most basic of all rights – in fact the right to be free from hunger is the only human right in the Charter of Human Rights which is termed “fundamental”. These obligations are obviously important in the development process towards the MDGs. For social cash transfers, the obligation to fulfil-provide is most important. This obligation requires among other measures that states establish transfers (in cash and/or kind) to the maximum of available resources which guarantee for such persons a minimum consumption including at least access to adequate food. In many circumstances cash transfers may offer a better solution than transfers in kind<sup>50</sup> and are one of the best options to implement the obligation to fulfil-provide.

When analysing social transfers with human rights, the following criteria should be kept in mind:

- **Completeness:** Everyone should be able to rely on a transfer scheme which guarantees a minimum level of consumption through one or several transfers. The transfer system of a state should be complete in the sense of providing this level either as an individual programme or as combination of several programmes. States should present a national strategy plan on the realisation of these transfers.
- **Sufficiency.** The level of social cash transfers should be sufficient to provide an adequate income securing access to adequate food and the satisfaction of other elements of an adequate standard of living (not provided otherwise) in dignity.
- **Unconditionality:** to sustain an adequate standard of living each deprived person should receive a transfer without having to satisfy any conditions (other than her lack of an adequate level of consumption).
- **Objectivity:** If targeting takes place on the basis of selection, the selection criteria should be objective, non-discriminatory and open to scrutiny.
- **Full coverage:** Transfers have to reach each person with an income level below the stipulated minimum (“person in need”). If such a person is not reached by complete transfers this may constitute a violation of human rights.
- **Justiciability/enforceability:** Each person entitled to transfers according to national strategy plans who does not receive such transfers should have the right to sue the State and receive immediate redress. Individuals should be made aware of their rights and how and where they can lodge a complaint.
- **Role of state’s authorities:** Transfers are often the last resort for persons in need. Transfers can only be guaranteed if provided by authorities of the nation state – with budgetary or technical assistance of the international communities whenever necessary.
- **Not compensatory:** Social transfers must never be politically misused as justification for excluding people and communities from their economic participation and from their access to (and use of) productive resources. They don’t release governments from their obligations to respect, protect and fulfil

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<sup>50</sup> For an overview on arguments about the choice of different social transfers, cf. for example Harvey 2005, Chapman 2006

people's access to and use of resources so that people and communities can secure a decent standard of living on their own.

Human rights criteria imply that transfer systems should be simple and transparent for the rights holders. They should be easily accessible for the persons in need. Information concerning the transfer system should be easily available and comprehensible for everyone. In order to ensure that transfers reach the beneficiaries, robust and transparent systems of accountability should be in place. Effective monitoring by competent authorities will enhance the security of the transfer system. There should also be quasi-judicial and judicial remedies available regard to the bureaucratic functioning of transfer systems. Bureaucrats should be held accountable for the intended or unintended failures that can result in the exclusion of a person or group of persons from the transfer programme.

Human rights must be realised in human dignity: Social cash transfer systems should therefore minimize social stigma. Social cash transfer systems should not establish procedural or financial disadvantages or risks for recipient persons to realize their human right to feed themselves through economic activities. Targeting systems should be designed to avoid exclusion errors. The net transfer in a universal programme (which almost surely avoids exclusion errors) can be targeted to the poor by properly financing it through consumption taxes exempting the poor. This smart way of targeting seems to have advantages over an error-prone, stigmatizing prior or divisive targeting through selection.

Social transfer systems should be established expeditiously on the basis of the maximum of resources available today and not with a view to economic growth. Social cash transfer systems are a necessary<sup>51</sup> ingredient to all social transfer systems. Delays in the implementation of SCTs are only permissible if the state lacks the respective resources and has unsuccessfully sought to obtain international support. In that regard the State has the burden of proof.

## **2.2 A human rights review of some ongoing debates about social cash transfers**

There are a number of debates on SCTs which will gain a lot from taking up human rights consideration. The question whether transfers should be done in cash or kind is not one of them. Although the issue has been debated for years, it now seems to have taken a pragmatic turn at least as far as food is concerned - recognizing that in certain situations food transfers remain necessary, but relying as far as possible on cash transfers as providing a stimulation for local markets and larger flexibility to the recipient – preferably the woman heading the household.

### **2.2.1. Targeting, coverage and cost**

A rights-based approach throws a new light on cost and on targeting. Many SCTs are still not seen as programmes to implement human rights obligations, but as charity. After the crucial business of the state has been budgeted, a certain sum is assigned to social transfers. On the basis of such a fixed (and usually very small budget) the SCT is designed. Human rights require that budgeting should start with the basic human rights of each resident – in particular her fundamental right to be free from hunger – and the respective transfer budget be calculated to guarantee full coverage at a sufficient level. A sufficient margin of upward flexibility should also be included to avoid denying eligible persons access to the programme. Once this has been done, other parts of the budget can be taken up. The question whether or not the transfer

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<sup>51</sup> This necessity arises at least as long as food and other basic goods and services are not provided directly by the state, but through a money economy.

is efficient is secondary to the need to provide full coverage. If shoe-string budgets are assigned to SCT as a matter of “charity”, as is still normally the case<sup>52</sup>, programme designers and implementers often see themselves almost in a situation of “triage”: Every (possibly poor) person falsely included implies misery and possibly death for an even poorer person for whom there is no transfer left. Against this background of shoe-string budgets, it should not come as a surprise that targeting has been a major debate in the context of social transfers.<sup>53</sup>

Once completeness and sufficiency have been assured, the question of efficiency will come up: Now that we know how to do the job – can we do it at a lower cost? Cost in relation to cash transfers is a tricky issue: Shall the sum of transfer payments be counted as cost – or only the transfer volume (which is calculated by adding up the individual net transfers<sup>54</sup> to the recipients). The transfer volume indicates the sum transferred from the rich to the poor. There is little doubt that administrative expenditure is real cost. An indicator for administrative costs could be the administrative expenses as a percentage of the net transfers to the eligible group. The “targeting rate” indicates how much of the transfer is really reaching the eligible persons. This rate, however, does not tell us, where the rest goes. It could benefit people who are still poor, though a little less than the eligible group, or it could be sacked by the rich or it could fall pray to corruption by state officials or middlemen.

**Table 2: Comparison of cost related indicators<sup>55</sup>**

	Administrative cost and other related costs*	Targeting share**
Food subsidies	70%	38%
Public works	140%	62%
SCT	30%	71%

\*) Cost is given in percentage of transfer. Other related costs in public works include lost earnings and management and material cost

\*\*\*) Targeting share is the percentage of the total transfers reaching the eligible group

The answer to the question, who receives how much in terms of net transfers, obviously depends on the tax system. Universal cash transfers<sup>56</sup> provide targeting only through the tax system: Consumption taxes play a major – and growing role – not only in middle income countries, but also in low income countries – and they apply not only to the rich, but also to the poor<sup>57</sup>. A proper balancing of the tax system could in some situations be sufficient to generate effective targeting – based on the market: Items of basic needs could be tax free whereas other items (usually not or much less consumed by the eligible group) would be taxed. Universal programmes can come close to guaranteeing full coverage if the tax system is properly tuned - simply because the pervasive exclusion errors during selection will not take place.<sup>58</sup>

Under human rights, states have to deploy the maximum of available resources to secure an adequate standard of living through social transfers. If a state’s resources turn out to be insufficient to do so, the state has to turn to the international community for financial (and perhaps technical) support. This implies a correlate duty of the community of states to establish the necessary support.

52 Almost all SCTs spend far below 1% of GDP. An exception is the South African social pension scheme with 1.4%.

53 for example Coady et al 2004, Kakwani et al 2006, Clay 1999, Jayne et al 2001; Le Roux 2002,

54 A net transfer is the difference between the payment received and the tax paid by the recipient to contribute to the financing of the programme.

55 Coady 2003

56 Universal cash transfers are transfers without prior assessment of the recipient's income.

57 In Brazil the poorest quintile carries a tax of 25% of initial income; cf. Immervoll et al 2006.

58 No selection also means no selection cost. So the officials could be employed more meaningfully. Avoiding selection also avoids other possible side effects of selection (political and personal blackmailing, dividing communities, disincentives reducing or stopping participation) problematic for human rights.

### 2.2.2. Conditionality, the “deserving” poor – and the acceptance of social cash transfers.

SCTs provide the necessary tool to guarantee a minimum level of consumption and thereby basic elements of the fundamental human right to freedom from hunger and the human right to an adequate standard of living. CCTs have added conditionalities to household oriented SCTs to strengthen their educational and health impacts. Conditionality is a controversial issue in the developmental community for a number of reasons. From a human rights point of view, there is nothing wrong with providing monetary incentives for the use of schools and health centres. It might even be discussed whether and how parents should be punished for not having their children attend school – as children have a right to compulsory education.<sup>59</sup> What is unacceptable, however, is to deny a person (parent or child) a fundamental human right, as occurs through the imposition and enforcement of conditionalities on SCTs – at least as long as there is no other SCT available which would guarantee minimum consumption. Such practice violates the right to an adequate standard of living.

It is contested, whether incentives to a minimum income programme are really necessary. Experience shows that families change their use of schools and health centres if a certain minimum income is available to them. There are hardly any data<sup>60</sup> which show that conditionalities lead to a significantly higher level of school attendance or use of health services than would result from an unconditional minimum income programme with the same level of transfer. Even if a significant additional effect could be reached, the introduction of conditionalities (instead of an additional bonus beyond the minimum income programme) would not be justified.

A second argument used to defend conditionalities is that they provide “legitimacy” to the transfer. The supposition of such a need indicates ignorance about – or rejection of – economic and social human rights. Human rights, as we have seen, entail a states obligation to implement social transfers. There is no need to look for “legitimacy” to establish transfers – as they are developed to implement human rights obligations. That households give something in return for receiving a transfer, is coherent with the important principle of reciprocity – give and take, buy and pay. Nevertheless human societies – even before the advent of human rights - have had areas of life where reciprocity was not the guiding principle.

It is sometimes not clear whether proponents of this argument at the World Bank and elsewhere believe themselves that such legitimacy is needed – or just assume that the public at large, the middle class or the political leaders feel that way. For them CCT would then be a strategy to introduce SCTs “by stealth rather than by big bang”<sup>61</sup>. Whether or not such a view of the public at large is correct may depend on the society and deserves further study. In any event, such a strategy strengthens age-old prejudices on deserving and undeserving poor and fosters an attitude contrary to human rights. In the light of such prejudices political leadership and human rights education are called for and every effort must be made to introduce rights-based SCTs.

The difference between deserving and undeserving poor is alien to human rights law. The right to an adequate standard of living is not conditional. Sending children to school and using health services are widely seen as a merit in the population and among the

59 ICESCR 13.2(a), which also stipulates that primary education has to be free. It should be recalled that in many countries primary education is not free, but requires the purchase of uniforms, books and sometimes fees, so that parents incur real cost, besides the opportunity cost forgone by the children not working or helping in the household. It should also be understood that health services are sometimes linked to fees. School fees and user fees for health post are obstacles which reduce the transfer or even put the recipient in a position to be blackmailed or corrupted. Progreso only operated in those areas of Mexico where there were adequate health and education provisions. But areas lacking such basic services are exactly those where people are most vulnerable.

60 Schady et al 2006

61 Graham 2002, Public Attitudes Matter: A conceptual frame for accounting for political economy in safety nets and social assistance policies.



recipients themselves. The poor are not irresponsible. The ongoing promotion by the World Bank of conditionalities in SCTs is a challenge to all states committed to human rights – at least as long as there are no other programmes providing an adequate standard of living for persons lacking this access for reasons beyond their control.

### **2.2.3. Dependency and demobilisation**

SCTs have been criticized for creating “dependency”. There are different forms of dependency. As persons in family, community or society, all of us are dependent in some way. A regular income (no matter for what reason) provides some independence – except from the source of income. Dependency from the state or a local authority commanding the SCT, is not necessarily worse than being dependent on a husband, a rich relative or on begging the neighbours<sup>62</sup>. A rights-based SCT generates a justiciable right – and this replaces dependency by guarantee. In reality, SCTs are prerequisites for real freedom, because one’s basic standard of living has become independent of success or failure in small-holder agriculture, or in other economic activities.

The liberating effects of SCTs, of course, depend on the extent to which they are rights-based. If the introduction of an SCT means the replacement of informal social safety nets – including extended family arrangements, solidarity and begging – by an SCT which is locally governed by arbitrary and manipulative bureaucrats or politicians, the effect may be counterproductive to political freedom and local democracy. In such situations social movements in Brazil have noted a decreasing readiness of the recipients to mobilise against the irregularities of local authorities: Recipients are afraid that they will lose the SCT. There is a history of clientelism and corruption related to SCTs. Such abuses can only be checked if these programmes are rights-based: Recipients are rights holders, programmes are transparent and provide access to legal remedies for victims of violations

Related to the dependency debate is the question whether SCT are a disincentive for people to take initiative to improve their lot. This issue is usually debated along ideological lines. The effect is known from some social assistance schemes in Europe. Evidence for SCTs in middle or low income countries rather points in the opposite direction: The transfers rather function as an incentive to seek work and to take risks and invest in one’s own business.<sup>63</sup>

Here it should be recalled that the obligation to fulfil-provide includes only the provision of cash or kind to persons who cannot provide for themselves, but also the provision of basic resources to fend for themselves. In addition, the obligation to fulfil-facilitate requires that states secure an enabling environment for all - including access to and use of resources. The fulfil-bound obligation under the human right to an adequate standard of living should therefore not be falsely identified with transfers of cash or goods for consumption, even though this is the bottom line of the obligation.

### **2.2.4. Withdrawal of transfers**

Most social cash transfer schemes in the global south don’t have much experience yet in the field of benefit withdrawal. Some schools of thought recommend a maximum time for eligibility under the SCT. Such policies, however, would violate human rights. Transfers, of course, are diminished or withdrawn once a recipient moves into a lower eligibility class or stops being eligible – for example by additional income. If transfers are substantial, as they should be, a complete withdrawal of transfer in such a situation can mean a drastic change in personal consumption. Often there is considerable risk

62 The evaluation of the Kalomo pilot indicates that begging was reduced through the SCT, and that this was welcomed by all parties concerned; MCDSS/gtz 2006.

63 Samson 2007

not to get readmitted into the programme, even if the new income fails. Admission procedures are often not transparent and are linked to high uncertainties. In view of this risk, a sizeable risk of losing the newly gained income source may make it preferable for the recipients to opt for the secure income from the SCT. The risks, time lapses and efforts necessary for readmission will therefore be a disincentive for taking risk in income generating activities and leaving the programme: Such social cash transfers could generate an impediment for a person realising her human right to earn her living through work. Such disincentives will not develop, if the programme is universal: In this case the felt tax on additional income (which is equivalent to the withdrawal of the net transfer) will not create drastic changes in consumption nor is there any risk to face problems in future readmission as the person never leaves the programme.

Many people would like to see the recipients feed themselves rather than receive net transfers. In fact, the recipients have a human right to feed themselves – but not a duty to do so. Sometimes it is claimed that SCTs keep recipients from feeding themselves. Besides the issue of readmission and the withdrawal rate which is felt as a tax, there is yet another possibility why this could happen: People may be satisfied with the level provided by the SCT and don't see the need for economic activities. At the level of SCTs currently implemented in the Global South the first effect is rather unlikely. In fact, the transfer is usually used to enhance economic activities as mentioned in 1.1. The effect of “benefit withdrawal rate” can be lowered, by continuing for a period of time the transfers to persons who have found a job and/or generated additional income. The DiBao programme in China – although with a rather strict cut off point – is implemented uses such practice for a rather low benefit withdrawal rate<sup>64</sup> thereby reducing risks to the human right to feed oneself. A universal basic income programme would lower the benefit withdrawal rate even further.

### **2.2.5. Crowding out informal social safety nets**

Transfers from relative, friends, and neighbours have often been necessary for vulnerable persons / households to survive. Such assistance is sometimes offered by the benefactor, sometimes asked for by the recipient, and it can include outright begging in the village or elsewhere. SCT have been welcomed by communities because they reduce begging. Begging is both a financial and social drain on the community. As the communities are often impoverished, so are many benefactors who give to the destitute poor. In such situations the SCT replaces the informal transfers mentioned<sup>65</sup>. It therefore reaches in effect – at least partially – the benefactor rather than simply adding the transfer amount to the prior income of the recipient.

Some observers have criticized the disappearance of “informal private transfers” as beneficial social customs which might be implied by state-run transfers – which would soon be “crowding out” such private transfers. Unless the state forces relatives or neighbours etc. into private transfers, such non-state transfers cannot implement a human right to social security: Persons would not be rights holders, but essentially remain beggars dependent on charity. There are other fields to practice private transfers to people in need – areas less existential than persons' minimum incomes. It should also be kept in mind that the persons, on whom many of the destitute rely for informal transfers, are poor themselves. They often welcome the crowding out of informal transfers or of begging as a relief (see 3.2 below).

64 Chen et al, 2006, DiBao

65 For a detailed qualitative study in the context of the Kalomo SCT (section 3.2) cf. Wietler 2007

### 2.3. SCTs, the human right to social security and the MDGs

The human rights community has only recently started to pay more attention to SCTs – mostly in the context of the human right to social security. The human right to social security is enshrined in art.22 of the Universal Declaration of Human Rights and in art.9 of the ICESCR. A major international instrument is the 1952 Social Security (Minimum standards) Convention (C102) of the ILO. C102 was important mainly for the development of social security systems in the OECD countries: 30 of the 43 states parties are industrialized countries. Most of the standards in C102 relate to social insurance of employees, so much so that social security is sometimes subsumed under labour rights. The right to social security was largely identified with OECD type benefit systems workers in the formal sector. In many countries of the Global South, however, employment in the formal sector is more the exception than the rule. Only the lucky few are covered by social security arrangements in their employment – the “rest” of the population (usually the majority) has no social protection – and in some countries even the social security arrangements for workers are minimal: Central American countries spend only 1,9% on social protection, The others spend around 4 times the amount on social insurance (contributions plus subsidies) that is spent on social assistance. Such a situation can be aptly described as a “truncated welfare states”: Social protection for those who need it most is lacking.<sup>66</sup> SCTs are necessary to fill this gap. The ILO in its 89<sup>th</sup> International Labour Conference 2001 suggested a social assistance package to address this situation. The package contains universal pensions of old persons and persons with disabilities, grants for school children. A 2006 micro-simulation in Senegal and Tanzania found that these SCTs would cost around 3,3% of the GDP.

SCTs have not been widely studied so far in the human rights community. The Committee on Economic, Social and Cultural Rights has prepared a draft General Comment on Social Security, but has not agreed on it yet. The “Draft guidelines: A human rights approach to poverty reduction strategies”, prepared by the UNHCHR, mention cash transfers, but without going into detail. One of the FAO Right to Food Guidelines concerns safety nets and hence social cash transfers, even if these words are not used. A promising document in our context is the UNHCHR’s draft “Righting the MDGs”. Under the MDG 1a it refers to the right to social security in South Africa and underlines the developmental importance of the non-contributory grants in this country.

Human rights contributions in the field of SCT are also made by practitioners applying a rights based approach. International NGOs like HelpAge International and intergovernmental organisations like UNICEF, the ILO and UNDP subscribe to a rights based approach to development – and in particular to SCTs. Among the governmental developmental organisations Dfid and gtz emphasize a concern with rights.

SCTs in the Global South are to some extent inspired by SCT’s in OECD countries. The social security systems of most OECD countries, however, are beset with a number of human rights problems which victimize recipients and can even discourage people to exercise their right to an adequate standard of living by accessing these SCTs. Introducing SCTs in non-OECD countries therefore provides an opportunity to learn from such difficulties and to consider a general debate on SCTs in the context of human rights. SCTs can become an important element of a country’s human rights regime. Their developmental potential can best be understood by considering country studies.

<sup>66</sup> Brazil for example spends three times more on public subsidies for social pension systems of employees than on all SCTs together. The total pensions deficit in Brazil is 5,6% of GDP whereas the funds provided for SCTs amount to 1,8% of GDP (Lindert 2006). (Barrientos 2006, Dfid Database 2006)

## Part 3: Country studies

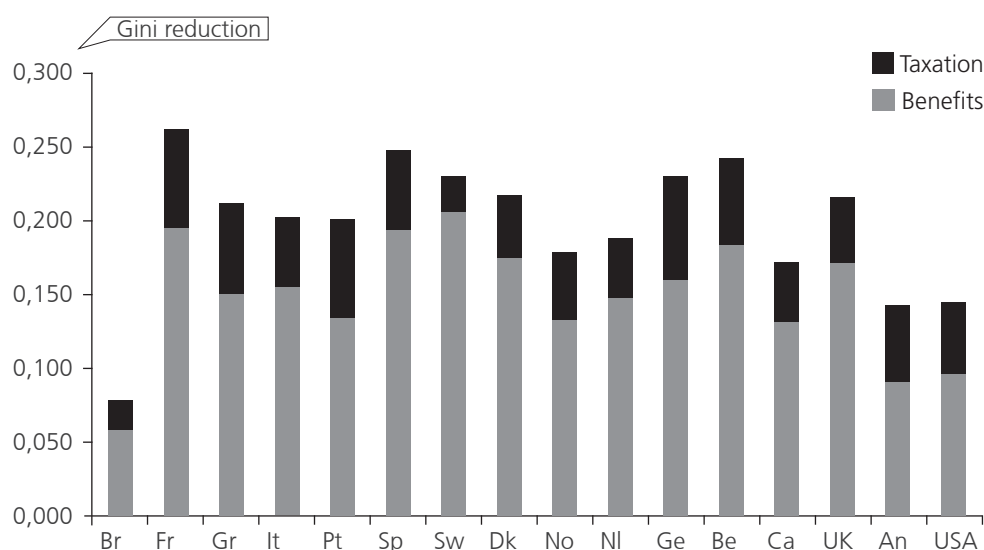
In the context of this study, three SCTs were investigated in some detail in the respective country. In doing so, official and semi-official evaluations were supplemented through interviews with different stakeholders in the three countries as far as possible. With “Bolsa Familia” in Brazil and the SCT pilot projects in Zambia, two very different SCTs were chosen, where each of them had and still has a motivating function for countries of Latin America or Africa. The experience with Africa which is of particular importance was deepened further with a look at the Mchinji programme in Malawi.

### 3.1. Brazil – Bolsa Familia

#### 3.1.1. Background information and introduction

Brazil belongs to the countries with the most drastic income inequalities.<sup>67</sup> This is to some extent a consequence of the colonial history of Brazil: Genocide of the American Indian population, centuries of slavery, huge land holdings on the one hand and landlessness on the other. The social heritage of these centuries has still not been overcome. Instead, the colonial dynamic continues in a modern form<sup>68</sup> – and this is the second reason for the persistent poverty. In 2004, around 32% of the population in Brazil<sup>69</sup> lived with a monthly income of less than 180 sP<sup>70</sup> (130 R\$) per person. The monthly income of about 25% of the population was under 138 sP (100 R\$). 14% of the population doesn't even receive a monthly income of 65 R\$ and 7% of the population is malnourished (FAO). This contrasts with a GDP per month per person of 661 P.<sup>71</sup>

**Figure 1: The reduction in the Gini coefficient due to direct taxes and benefits**



Source: Baldini, O'Donoghue and Mantovani (2004) and Beer *et al.* (2001)

<sup>67</sup> World Development Indicators 2006.

<sup>68</sup> In Brazil conditions similar to slavery de facto still exist. Expropriation and eviction of rural population (including indigenous communities) through large land holdings, agrobusiness and mining grossly overshadow efforts towards agrarian reform and rural development.

<sup>69</sup> The data used here is based on Soares *et al.* 2006. By international standards, a monthly income under 30\$P is considered to indicate absolute poverty and under 60\$P poverty.

<sup>70</sup> For an explanation of the purchasing power unit 1 \$P, please check the glossary.

<sup>71</sup> World Development Indicators 2006

The third reason for the drastic inequality in incomes can be found in the Brazilian tax-benefit system. Taxes and social programmes usually lead to a reduction of inequalities in the primary (initial) income distribution<sup>72</sup>: Redistribution happens on the one hand by means of progressive<sup>73</sup> tax systems and on the other hand mainly through social security systems which reduce poverty. The following diagram and table 3 show<sup>74</sup> for Brazil and some other countries, the inequality in the market income, as well as the reduction of inequality through the tax-benefit system and its two components. Brazil stands out in both levels: It has not only the biggest inequality of primary income, but also the smallest reduction of this inequality through its tax-benefit system. Its redistributive effect is only half of the tax-benefit system in the USA and a third of the German system.

**Table 3: Reduction of inequality by means of the tax-benefit system (Gini index)**

	<b>BRAZIL</b>	<b>USA</b>	<b>UK</b>	<b>D</b>
Gini, primary income	67	51	59	55
Reduction Gini	8	14	22	23
Gini after reduction	59	37	37	32

The majority of Brazilians now lives in the cities. In the cities the inequality is very obvious, too. Even in affluent cities the level of unemployment, poverty and homelessness is high.

In 2003, Brazil has seriously started reforming its social system through SCTs. Without the decades of mobilisation and lobby work by civil society these new developments would not have been possible. The partners of the editors of this study did their share in this process. These campaigns eventually were reflected in the current government's approach to hunger. The critical work of civil society organisations, however, continues: In many municipalities the transfers are still misused by the local political elites to establish dependencies and thereby weaken political enemies – such as the landless peasants' movement. These and other problems in the implementation of the SCTs will be further discussed below.

The measures taken in 2003 are supposed to turn the fundamental rights of the 1988 Constitution into practice. The Constitution includes a fundamental right to social assistance and access to health and educational institutions guaranteed by the state. Percentage of poor people in 2006 was at 26,9%, which is the lowest amount since 1987<sup>75</sup>. The cause was above all the increase in jobs in 2004 and 2005, growth of workers' real income and the expansion of social transfers, in particular of the SCT "Programa Bolsa Familia"<sup>76</sup>. Brazil accomplished the MDG 1a (halving the incidence of absolute poverty) already in 2005: the percentage of population with a monthly income below 30 \$P decreased from 13,4% in 1990 to 6% in 2005.<sup>77</sup>

### 3.1.2 How can one get access to the SCT?

The programme "Bolsa Familia" (family support programme) was established in October 2003 through consolidation of four similar predecessor programmes (PETI, Bolsa Escola, Bolsa Alimentação and Cartão Alimentação).

72 before taxes and social transfers

73 The rich potentially have to pay higher taxes as the poor.

74 Immervoll et.al (2006)

75 Pedro Soares, Pobreza cai ao menor nível desde 1987, Folha de Sao Paulo, September 19, 2007

76 Bolsa Familia contributed 20% to this decrease in inequality. Paes de Barros et al. 2006

77 Ministerio de Desenvolvimento Social e Combate a Fome, press release, 30.08.2007

If accepted to the programme, families with a monthly income of R\$ 50 (71sP) per person receive a basic transfer of R\$ 50 (from 2006 onwards: 86 sP, 60 R\$). For each child and pregnant woman, there is an additional monthly bonus in the amount of R\$ 15 (21 sP).

Families can only benefit from at the most of three bonuses, so that the entire transfer for a family can amount only up to R\$ 95 (132 sP).

Families with a monthly income per person between (50 R\$ und 100 R\$) receive solely a bonus for each child and pregnant woman. Maximal three bonus transfers can be paid, so that the highest amount transferred can reach 45 R\$ (63 sP). This can look as follows. A couple without children and with a monthly income of 150 R\$ does not receive any transfer. An extremely poor couple without children (with family income below 100 R\$ can get 25 R\$ per person. A family of four with monthly family income of 280 sP is entitled to a transfer of 30 R\$.<sup>78</sup>

The average transfer per family so far amounted to 64 R\$ and thus the average family income of the recipient group increased from 302 R\$ to 366 R\$<sup>79</sup>. On average, this meant a transfer of 16 R\$ for each person (for a family of four). After the tax around 12 R\$ per person remain as additional purchasing power.<sup>80</sup>

Both the structure and the amount of transfer are not suitable to make Bolsa Familia serve as a minimum income programme. In this aspect, Bolsa Familia is still in the pilot phase. The structure should, of course, ensure for each person a minimum income.

The target group of the programme are families with an income below 100 R\$<sup>81</sup> per person. The programme covers 46 million people in 11,1 million families. This number corresponds approximately to the number of families with an income below 100 R\$ per person. They represent about 25% of the population.

Around 80% of the recipients actually have a household income below 100 R\$ per person.<sup>82</sup> 17% in the remaining 20% of recipients are families in the second quartile - people whose income was slightly above the eligibility line. The target rate would therewith be by far the best of SCTs in Latin America – and of worldwide it would be under the first six.

Bolsa Familia is implemented in a decentralize way with an important role for the 5564 largely autonomous municipalities. It is not uncommon that social programmes are misused by politicians and local elites for vote catching and political clientelism. Elaborate control and management systems in Bolsa Familia increasingly try to stop such abuses. Social supervisory committees play an important role in this context. They are equally comprised of representatives of local civil society and representatives of the municipality and are a part of Bolsa Familia's structure. Their mission is to help monitoring the local powers as well as assist the recipients. There is concern in civil society, however, about the limited independence and the lacking capacity of these committees to monitor the program.

In the past, the common understanding of social programmes was that they are more or less „charitable” – they were perceived as a gift of powerful politicians to their clientele and to poor people. By now in Brazil, the understanding grows - together with an increasing discourse about economic, social and cultural human rights - that Bolsa Familia is a matter of justifiable claims – even if these claims continue not to be enforceable in courts.

78 If the woman is pregnant this amount is increased to R\$ 45.

79 This household survey was conducted by the Polis-Institute, Manzatti 2006

80 According to Immervoll et al. 2006 the indirect tax burden for the first quintile amounts to about 25%.

81 In 2006 this amount was increased to 120 R\$ and the transfer amounts were slightly increased as well. Since the majority of evaluations are based on the original figures, these will be the terms of reference for this study as well.

82 Lindert et al 2007.

“Now you don’t have to go to a politician any more, the committee comes to you instead, and for me, that is an important difference,” said Enilson Araújo Cruz, a 28-year-old farmworker and community leader. “Before, it felt like we were asking for a favour, but now it’s not a gift, it’s a social policy. We have more direct access and we decide our priorities ourselves, and not the politicians for us.”<sup>83</sup>

A family that wants to take part in Bolsa Familia has to be registered by its municipality into a registry (Cadastro Único). The registry is a central database operated by different authorities under the leadership of the Ministry for Social Development, which includes information about all participants in national social programmes and possible candidates. An interview with the family precedes the registration and is carried out by a team of the municipality composed of municipal employees (teachers, medical workers etc.). The main aim of these interviews is to conduct a means test: families perform a self-evaluation of their income<sup>84</sup>. Interviewers examine and document living conditions of the family – mainly those which give a clue to the evaluation of family income. These interviews should actually take place in families’ households, but due to logistic reasons, the interviews in practice take place in schools, in offices of the administrative districts etc.. In about 10 % of cases, the municipality carries out random visits in order to cross check. After the municipality has documented the relevant information, it registers the family and enters the information into the Cadastro Único – but not without informing the family that the registration doesn’t yet mean that it will be included in the programme. The new data set is then officially consolidated and cross-checked. On the basis of the complete data set and additional information from the region, the Ministry decides if the person can take part in the programme and which transfers it can receive. An important variable is the programme quota of the municipality. A municipality can register as many families it wants – but it is assigned a programme quota in advance which arises from a detailed hunger map of Brazil. The Ministry admits recipients from the municipality only up to this quota.

If the Ministry accepts a family into the programme, the payments by the Federal Economic Fund (Caixa Economica Federal) are transacted through the national banking system. Around 32000 pay points altogether are run independently by pay offices or in cooperation with banks. A credit card is given to the family to enable the access to the monthly payment at a pay point. Usually cards are issued to women, because experience has shown that they spend the money with a greater family orientation than men.

Recognition of the eligibility for the programme through municipal quotas implies that even a person satisfying all criteria may not be approved by the Ministry, because the municipality has already exhausted its allowed quota. Such practice is not conducive to a transparent individual claim and it shows the mistrust of the Ministry (which may be justified) that municipalities are not able to conduct the means tests impartially. Nevertheless, such administrative problems should not be addressed at the expense of the poor and their human right to social security.

83 Larry Rohter, **Effort to Reduce Poverty and Hunger in Brazil Falls Short of Its Goals**, The New York Times on May 29th, 2005

84 Families of the target group are often not formally employed and fail to have any documents indicating their income.

### 3.1.3 Transfer volume and costs

The net transfer to the average family under Bolsa Familia amounts to 48 R\$ instead of 64 R\$. The rest is repaid by the recipient to the state by way of indirect taxes.<sup>85</sup> If the tax system was reformed in such a way, that the lower deciles would be free of indirect taxes, and the upper deciles burdened more heavily, a minimum income for every person could be guaranteed through universal payment of a basic income. Through the fine tuning of indirect taxes, the net transfer volume could concentrate on the eligible families and in this way a full coverage of the eligible group could be achieved with sufficient transfer amounts. Furthermore, net transfers to ineligible persons would be avoided and the net transfer level optimised for each person. Law 10835 of January 2004 envisions a gradual introduction of a basic income<sup>86</sup>. The influential National Council for Food and Nutritional Security (CONSEA) demanded at its Third National Conference<sup>87</sup> in Fortaleza in June 2007, that Bolsa Familia should be developed to turn into a basic income programme. Ministry for Social Development and Combat against Hunger established a “National Secretariat for a Citizens’ Income” to supervise Bolsa Familia.

The average transfer of around 20 \$P (15 R\$) per person corresponds to 5.5% of the average consumption per person in the country. Currently, Bolsa Familia transfers around 0.3% of the GDP<sup>88</sup> to the first quartile. How low that sum is, can be seen for example from the fact that at the same time the state transfers as much as 5.7% of the GDP in form of subsidies to cover the deficits of the old age pension schemes, which benefits only families with employees in the formal sector<sup>89</sup>. As a comparison, social security systems of OECD states transfer around 2.5% of their GDP<sup>90</sup>. To reduce the income inequality to the level common for OECD states, Brazil should relocate more than 10 % of its income in the richest quintile. Financial means are therefore available for a much better equipped SCT and for a basic income as well.

### 3.1.4. A first look at the programme in a human rights perspective

#### Are there complaint mechanisms for victims of irregularities?

Means tests, consolidation of data, decisions about acceptance into a programme and compliance with conditionalities are inherently intransparent and prone to mistakes and manipulation by authorities, although comprehensive control systems of state authorities exist. Victims cannot take legal action. The Ministry offers a central „hotline“ of 94 operators to respond to the recipients’ questions. Ombudsmen of the Hotline (ouvidoria) are responsible for complaints. Currently there are 6 Ombudsmen responsible for 42 million people in the programme.

#### Are there conditionalities?

In 1991, Senator Eduardo Suplicy introduced a draft law for a “Programme to guarantee a minimum income”. It was adopted by the Senate, but not by the House of Representatives. Economist José Márcio Camargo proposed in December 1991 to make regular school attendance of children a precondition for participation in such programmes. In such way, families would get the transfers as a sort of stipend (Bolsa Escola) for sending children to school.

85 If indirect taxes were restructured so as to abolish the indirect tax burden for the poorest quintile, these families would gain 30% in purchasing power. This would amount to 27 R\$ per capita per month (Immervoll et al 2006) – more than double the average net transfer of 12 R\$ per capita (in a family of four) under Bolsa Familia.

86 The basic citizen’s income is a universal payment to all people (rich or poor) with the aim to secure a minimal income to each and everyone. The law foresees to gradually establish a basic citizen’s income, starting with the most affected poverty groups.

87 CONSEA organises national conferences every three years. The 2007 conference was preceded by state conferences with more than 2000 delegates – both non-governmental and governmental.

88 The costs of this transfer (administration etc.) can be compared to the net transfer volume. If this is done for 2005, 13.4% result (where the municipal cost is based on 4 sample municipalities) (Lindert 2007).

89 The two highest pensions in 2003 amounted to around 9.25% of the GDP. Only 60% of this sum is covered by social security contributions. The richest 20% of the population receive 60% of the pensions. Lindert 2006.

90 World Bank 2006, Social Safety Nets in OECD Countries



At the beginning of January 1995, the first two municipalities introduced such CCTs: Brasilia the Programme Bolsa Escola and Campinas/SP the „Programme for a guaranteed family income“. Ribeirão Preto/SP, Santos/SP and many other municipalities followed. The hybrid nature of the minimum income programme and the “stipend” was also adopted by the programme Bolsa Familia, which developed from these starting points in 2003: In order for a family to take part in Bolsa Familia for a longer period, children of school age must attend school 85% of the time and the family must show updated vaccination papers for children up to 6 years of age. Pregnant or breastfeeding women must obtain medical service on a regular basis. Extremely poor families without children must attend training programmes<sup>91</sup> in order to qualify for the transfer.

In Brazil, three reasons are stated for conditionalities:

1. Conditionalities serve as an incentive for parents to take make use of schools and state medical services.
2. Conditionalities serve to legitimise the SCT, since families provide something in return, for which they are “paid for” by the transfer - which corresponds to the general belief in reciprocity.
3. If the families don't fulfil the conditionalities, this serves as a “warning signal” for the authorities to know that such families are facing special problems and therefore need special attention, for example of social workers.

The withdrawal of transfers is, of course, a strong incentive to send the children to school and make use of health services. Nevertheless these three arguments are not conclusive for a programme which has to serve at the same time as a minimum income programme. The difficulties with the first two arguments have already been considered above.<sup>92</sup> The third argument is pointing at an important concern, but it fails to convincingly justify the conditionality: Lacking school attendance and low use of medical services are discovered independently of the conditionalities – through the attention of local authorities or civil society groups. In order introduce an especially intensive support of social workers, problematic families should not be excluded and transfer should not be denied to them or their children.

If a family does not fulfil the conditions, it will firstly receive a letter of the ministry with a warning. If possible, the municipality sends a social worker to the family to find out the reasons for non-fulfilment and if there is a need for additional assistance. If the non-fulfilment continues, the ministry responds with a progressive blockage of the transfer (bloquei, blockage), withholding the payment for two periods (60 days without additional payment respectively) and eventually excluding the family from Bolsa Familia. This procedure usually takes one year and consequently some observers noted that the conditionalities in Brazil were not followed meticulously.<sup>93</sup> It remains unclear if the observers appreciate or regret that. At least the World Bank seems to insist on a stricter compliance with the conditionalities. In June 2006, the Ministry started to withhold payment to 160,000 children and their families.

The human right to food holds unconditionally. In particular it is not linked to work or any other prerequisites. The right to adequate food does not only include the right of people threatened by malnutrition to get food, but also their unconditional right to access productive resources to feed themselves.

91 Sergei Soares et al. 2007, Conditional Cash Transfers in Brazil, Chile and Mexico

92 Paragraph 2.2

93 Schady et al, 2006

### 3.1.5 What kind of human rights critique has come from civil society?

The Brazilian civil society largely welcomes the introduction of a SCT programme throughout the country as an important measure. There has been a discussion on dependencies created by the programme and criticism of the propagandistic misuse of the programme by the government for a policy that denies access to land and to other productive resources to the people, in particular those living in rural areas. The programme shouldn't serve as a compensatory measure for neo-liberal "business as usual", but should develop an economy of solidarity and give people an opportunity to feed themselves. There has furthermore been criticism that the structural component of "Fome Zero" is being marginalized compared to Bolsa Familia.<sup>94</sup> The widely published "Zero Hunger Programme of the Lula administration consists of two parts: Local measures for structural change – and transfer systems. Local peasant agriculture, for example, should benefit from the growing local demand resulting from the transfer programme. The first international evaluation of Fome Zero<sup>95</sup> already pointed to this danger of marginalising the structural components.

Around 85% of the recipients of Bolsa Familia evaluated the programme to be good to very good.<sup>96</sup> In fact, the speedy introduction of Bolsa Familia in the years 2003 to 2006 could have played an important role in the re-election of President Lula in October 2006.

In September 2005, the Standing Commission on the Human Right to Adequate Food<sup>97</sup> presented a comprehensive document with points of criticism and with concrete recommendations for a reform Bolsa Familia. The most important points of criticism could be summarized as follows:

#### **i. Transfers as a Human Right**

Bolsa Familia has not overcome the known deficiencies of clientelistic and assistencialistic transfer programmes. Human rights concepts and a human rights culture should urgently be introduced into the basic documents of Bolsa Familia and into its implementation. Human rights capacity building should be introduced for the authorities involved and especially for the transfer beneficiaries. SCT should be considered as implementing human rights and not as a hand out of politicians who want to be elected or re-elected. 'Complaint mechanisms and legal action for victims of irregularities should be introduced respectively strengthened.

#### **ii. Tendencies for exclusion of particularly affected groups**

The structure of the programme is thought to be inappropriate for some particularly affected groups – especially for indigenous people and Afro Brazilians. Bigger flexibility and a sophisticated approach are required. These communities sometimes live outside the money community. Moreover they have different cultural views – for example about the nuclear family and the importance of the collective. The design of the programme should have taken into consideration such cultural differences, to avoid negative repercussions of the programme for the communities. There was no proper participation of these communities when the programme was set up.

94 The widely published Fome Zero (No Hunger) programme of the Lula government consisted of two parts: Transfer systems and local measures of structural change. Already the first international evaluation of Fome Zero (Zimmermann, 2004) indicated the risk of structural measures being marginalized through Bolsa Familia.

95 Zimmermann, 2004

96 Manzatti op.cit.

97 CONSEA - Comissão Permanente de Direito Humano à Alimentação Adequada, CP 6, September 2005

### iii. Conditionality violate human rights

Human rights, such as the right to a minimum income, are unconditional. The implementation of the relevant states' obligations must not be made conditional on the behaviour of the recipients. The rights to education and to health only generate states' obligations, for example to make available the suitable facilities with appropriate quality. Conditionalities should urgently be revised.

### iv. Adoption of human rights mechanisms for complaints and legal action

The capacity to effectively deal with complaints of recipients, social movements and other institutions must be expanded and developed. The respective competence for the implementation of the state's obligations with regard to the programme must be clarified. Forms of monitoring must be developed as well as possibilities to hold accountable different responsible authorities and persons in the framework of the programme. Mechanisms for complaints must be established, and information about them must be made available to all potential users and propagated in suitable training programmes.

#### 3.1.6 What is the relevance of the programme for the MDGs?

With Bolsa Familia, a new quality has been introduced into the social protection system of Brazil: for the first time in history a nationwide SCT has been established which in reality redistributes a part of the GDP – however minimal - to families with a low income. Meanwhile some first signs of impact in the area of the MDGs have become visible and will be discussed below. They point out that much more could be achieved if the programme was developed further in an adequate way. As pointed out before, the current programme is not suitable – neither in its architecture nor in the level of transfer – to serve as a minimum income programme or to address the drastic income inequalities in the country.

The first evaluations show that the transfers are largely spent on food – and partly on education and health as well. To what extent the latter is connected to conditionalities or is just the automatic consequence of additional income, remains unknown. The amount of the transfer is too small to secure a minimum income, but SCTs are nevertheless important even in such amounts.

The following data hint to the positive impact of the programme on poverty, nutrition, education, work and the situation of women<sup>98</sup>:

#### ***Income poverty:***

The average income of the recipient families has grown from 306 sR to 366 sR<sup>99</sup>. 4.9% of the families reached a monthly income over 120 sP per person (and consequently don't belong to the group of eligible people anymore). For 31.1% of the families, the income has grown beyond 60 sP, but remained under 120 sP.<sup>100</sup>

#### ***Nutrition:***

In an opinion poll conducted among recipients, 85.6% declared that their nutrition has improved.<sup>101</sup> Recipients' monthly expenditures for food (for families whose monthly income is under 50 Rs per person) per family were 32 Rs higher in comparison to

98 If not stated differently, the data in this paragraph are based on CEDEPLAR/UFMG, 2007

99 Institut Polis, Manzatti op.cit.

100 Paes-Sousa, 2006

101 DATAUFF / UFBA, Pesquisa de Percepção dos beneficiários do programa Bolsa Familia sobre condições de segurança alimentar e nutricional; MDS 2006. This study contains detailed data on the improvements which Bolsa Familia has brought about in the field of nutrition.

a similar group of non-recipients. In north-east, where the half of the transfer was transferred, they were higher for 49 R\$ per family and month. For families with an income less than 100 R\$ per person, the difference was 23 R\$ and 26 R\$ in north-east. Researches about child malnutrition are inconsistent.

The percentage of malnourished children should have fallen from 6.8% to 4,8%.<sup>102</sup> On the other hand Andrade et al did not detect with their method a significant improvement of the nutritional situation for children between 6 and 60 months of age.<sup>103</sup> Other studies indicated that In the North East the risk of chronic malnutrition for children between 6 and 11 months of age was reduced by 60%<sup>104</sup>.

### ***Education:***

Among the recipient families with per capita income below 100 R\$ absenteeism from school of children between 7 and 14 years of age was 3.6 percentage points lower than for the same group of children in the comparison group which had not participated in the programme. In north-east it was even 7,1 percentage points lower. For the recipient families under per capita income of 50 R\$ a significant difference was detected only with girls (6.5 percentage points). An evaluation of one Bolsa Escola, one of the predecessor programmes of Bolsa Familia reports a decrease of the dropout-rate by 7.8% and an increase of successful completion of school by 6%<sup>105</sup>.

### ***Labour market participation:***

For recipient families with an income of less than 50 R\$ per person and month, the labour market participation was 3.1 percentage points higher than for the comparison group. For recipients with income between 50 and 100 R\$ per month, the difference to the comparison group was only 2.6 percentage points.

Noteworthy is the difference concerning the labour market activities of women in the south-west/south region: For these women participation was 13.7 percentage points higher than in the respective comparison group.

### ***Decrease in inequality***

A reduction of drastic income inequalities is not part of the MDGs. Nevertheless the reader should recall 1.1.3, where it was mentioned that Bolsa Familia in 2004/5 reduced the Gini-Index by 0.5. Since much less than 0.5 of the GDP was spent on the programme, this result points to this SCT being a very efficient tool for income redistribution.

### ***Improving the situation of women***

Bolsa Familie led to a better negotiation position of women in the recipient households than in the comparison group.

It is good to know that the recipient households have not suffered social stigma in their communities. 41, 6% of them even reported that they have now been treated in a better way.<sup>106</sup>

These first findings give evidence of the positive potential in this SCT. The transferred income, however, seems to be too low to be able to fully implement this potential: It

102 As an indicator for child malnutrition, stunting (inadequate height per age) had been chosen. Inquérito „Chamada Nutricional“ – MDS/MS 2005.

103 Andrade, Chein, Ribas, 2007 Políticas de transferência de renda e condição nutricional de crianças: uma avaliação do Bolsa Família, Cedeplar

104 Ananias, 2006, Transferencia de Renda e Segurança Alimentar, 2006

105 Janvry, Finan, Sadoulet, 2006 Evaluating Brazil's Bolsa Familia Program: Impact on Schooling and Municipal Roles, University of California, Berkeley 2006

106 DATAUFF / UFBA 2006 op cit

may be symptomatic that since the adoption of the programme, the percentage of families, which at least once in the past quarter of the year didn't have enough food for everyone, decreased from 58,3% to 48%.<sup>107</sup> But this still means that lack of food continues to be a problem for almost half of the recipient households.

## **3.2 Zambia – The Kalomo pilot project and its follow up projects**

### **3.2.1 Background information and introduction**

Zambia is a landlocked country in Southern Africa which has undergone drastic political and economic changes in the past two decades. With a population of around twelve million and an area of 752614 km<sup>2</sup> it is sparsely inhabited. Lack of fertile land is not a problem in Zambia. However, in spite of macroeconomic growth during the past five or six years, poverty in rural areas and urban slums has increased. Per capita GDP of US-\$ 890 (2004) ranks Zambia as the 168<sup>th</sup> among 178 countries listed. The human development index of 0,407 is also low (165<sup>th</sup> of 177). Life expectancy at birth is 38.4 years.<sup>108</sup>

Zambia was a middle-income country after independence in 1964 but began to slide into poverty when copper prices declined in the 1970s. Zambia underwent political change from Third World socialism under independence leader Kenneth Kaunda to Frederick Chiluba's (1991-2001) neo-liberal government. Privatisation was a good bargain for those who bought mines and public companies but left the state without major assets.

Under the pressure of the IMF, Zambia raised school fees from a merely symbolic contribution to a prohibitive level in the mid 1990s. As a consequence, enrolment plummeted. And it was only after Zambia signed the Millennium Development Goals in 2000, that the government introduced free primary education (grades 1-7) from school year 2002. Secondary education still is too expensive for many and even free primary education is not accessible for everyone as books and uniforms have to be bought by parents. Teachers in public schools are underpaid and have to complement their incomes with side jobs. Classes are overcrowded and teaching material is lacking. So, although primary education may be free, its quality is poor.

The increase of poverty in rural areas has several reasons, some of them external, some internal. Southern Province used to be the bread basket of Zambia with ample production of grains and of cattle. But a succession of droughts has severely diminished the productive capacity of the region. On the other hand, the changes in the economic system have also produced a crisis among farmers. Subsidies were cut and the government guaranteed price for maize was abolished in the nineties. The same is true for cattle vaccines which used to be free. As a consequence, farmers stopped inoculation of their cattle and the herds were decimated by foot and mouth disease. Disappearance of draft animals has also reduced farmers' capacity to plough their fields.

In recent years the Programme against Malnourishment (PAM), a government-sponsored NGO, has reintroduced depots where farmers can sell their grain at a guaranteed price which is well above what middlemen use to pay when the farmers are in urgent need of cash. But government only buys a certain amount of maize and many farmers remain unprotected. In addition, the roads have deteriorated owing to a near stop of public investment in decentralized infrastructure.

In a certain sense the government is to blame that the farmers have lost their capacity

<sup>107</sup> DATAUFF / UFBA 2006 op cit..

<sup>108</sup> For a detailed study of destitution in Zambia cf. Milimo et al 2004, The incapacitated poor in Zambia

to feed themselves. Most beneficiaries interviewed remember that in past times they were better off and even the neighbours who are not poor enough to qualify for cash transfers, were more affluent more than a decade ago. The SCT, however, is not designed to cover up or compensate for failures in the field of rural development. There are far more farmers who live in extreme poverty than households reached by the programme when it will attain national coverage. SCT is only meant for those who cannot provide for themselves.

### 3.2.2 How can one get access to the SCT?

67% of Zambia's population are considered to be poor, according to official data (survey of the Central Statistical Organisation, CSO, 2003) while 53% are extremely poor. Zambia has one of the worst track records in terms of under-nutrition: 48% of households cannot afford basic food items. The incidence of under-nutrition has been stagnant at this level since the early 1990s. The country has not made any progress towards meeting the MDG 1b (reducing the incidence of under-nutrition by 50%). Instead of reducing the number of undernourished to 2 million, as would be necessary to reach the FAO goal to half the number of undernourished, this number has even increased between 1991 and 2002 from 4 to 5 millions.

The target group for the SCT programme are the 200,000 households which are considered as destitute, i.e. they are extremely poor and unviable, which means there is no one fit to work or there are at least three dependents per person fit to work. That applies mainly to households headed by single mothers or old people who have to care for their grandchildren. With an infection rate of around 17%, of the total population, HIV/AIDS has killed a good part of the productive generation.

GTZ has supported the government at all levels in implementing pilots of SCT in the districts of Kalomo and Monze. The scheme is run by the Ministry of Community Development and Social Security (MCDSS). The Kalomo pilot was launched in May 2004. All recipient households receive 30000 ZMK plus 10000 ZMK per child. The average recipient household size is 4. Assuming that it includes two adults and two children at school age the transfer amounts to 50000 ZMK (27.3 \$P) or 6.8 \$P per capita, some 13.5% of the per capita consumption in Zambia. The targeting rate<sup>109</sup> is between 60% and 70%. In a situation of generalized destitution the difficulties of identifying the eligible group are enormous. The more important question whether all eligible households were covered is even more complicated, and has also received less attention in the official evaluation by the ministry<sup>110</sup>. Management estimates indicate a maximum coverage of 94%. There is, however, a systematic error in the method of estimation which could imply that coverage is considerably below this figure. Among the recipients themselves, 16% thought that there are needy and incapacitated households in their community excluded from transfers and 51% said they did not know.

Presently there are five districts with pilots where different modalities are being tried out. Three of the districts are in Southern Province: Kalomo, Monze and Kazungula. Chipata and Katete districts are in the East, near the Malawi border. Kalomo, which is the pioneer area, focuses on the ten per cent poorest households in each village. It covers at present close to 3000 households out of the potential 3300 households and there are no conditionalities whatsoever attached to the transfers. In Monze, which started in February of 2007, there are soft conditions: some of the money has to be used for education and health. Kazungula is very much modelled after the Kalomo experience with the only difference that it takes place in an extremely marginal area.

<sup>109</sup> The targeting rate is explained in Part 5: Glossary

<sup>110</sup> Zambia Ministry, Evaluation report 2006

Instead of the 1200 households originally envisaged, it only reaches 554, due to government's limited capacity. In Chipata, the transfer amount is slightly higher than in other districts and there is a special child bonus attached 5.50 \$P (10000 ZMK) per month per child in primary school and 11.00 \$P (20000 ZMK) for secondary school, respectively in addition to the general household transfer of 27.30 \$P (50000 ZMK).<sup>111</sup> The pilot is being implemented in an urban context and civil society is more involved than in the other pilots. There is also a focus on incapacitated households. In Katete, the transfer is exclusively directed to 608 persons over 60 years of age and it is given per person, not per household. It started in September, 2007 in semi-rural areas with a transfer level of 32.80 \$P (60000 ZMK).

GTZ, owing to internal policy changes, is going to withdraw from the SCT scheme at the end of 2007. There are a number of donor agencies which have shown interest in joining the group of supporters or of stepping up their contributions. The most important ones are presently DFID and CARE, UNICEF and Irish Aid.

There is some doubt about the commitment of the government to adopt the scheme and scale it up to national level. A Memorandum of Understanding between the MCDSS and the cooperating donors, in which the government committed itself to adopting and scaling-up the SCT scheme, was signed in July 2006 after almost a year of dragging its feet by the government. NGOs see the Minister of Finance as main opponent in the cabinet. The minister of MCDSS is most eager to go ahead with the programme. On the official homepage there is a clear commitment:

"The initial phase of designing the cash transfer scheme and getting it started has been donor driven. However, measures have been put in place in order to increase ownership on the part of the Zambian government. The cash transfer scheme is now embedded in the draft Social Protection Strategy, which forms the basis for the Social Protection Chapter in the new National Development Plan 2006-2011. Government has also budgeted for the cash transfer scheme for the first time in 2007 and has committed US\$ 350,000 for transfers and administrative costs. The Ministry of Community Development and Social Services (MCDSS) is implementing the scheme at all levels and has consequently availed staff to the scheme. The Ministry has also become active in advocating for the scheme and raising awareness among other ministries and other stakeholders".<sup>112</sup>

The SCT is designed to reach the poorest ten per cent of the population. The selection process is participatory and to a high degree transparent. In the pilot areas, meetings are held at village level where people are informed about the scheme (Community Information Meetings). Then the members of the Community Welfare Assistance Committees (CWACs) were asked to elaborate lists with families eligible for the programme. The village headman has to verify the information on the application forms is correct. In a meeting, the CWAC members rank the households according to their degree of destitution. Then a community meeting discusses the ranking. The District Welfare Officer, together with the District Community Welfare Assistance Committee (DWAC) and with representatives from the respective CWAC has to approve these lists. Critical cases are decided by the DWAC. CWACs and beneficiaries are informed.

Exclusion errors in transfer programmes for the malnourished almost always turn out to be human rights violations. Each person can and must be reached - using all available resources.

111 The exchange rate at the beginning of September 2007 was 1US-\$ : 4000 K, 1 € 5000 K. Calculations of \$P and of household consumption are based on World Bank Development Indicators 2006.

112 [www.socialcashtransfers-zambia.org/pageID\\_2680193.html](http://www.socialcashtransfers-zambia.org/pageID_2680193.html)

In a community meeting in Monze, people said it was not in their culture to question the decision of the people responsible. However, the district welfare officer affirmed that in other meetings people had objected. There is also a confidential mechanism that allows people to complain without the persons affected knowing.

Some abuse has been reported in the selection process. In some districts, CWAC members put their families on the lists although they did not meet the conditions for being selected. At least in some cases that was reported and repaired at district level. Still, Kalomo reports an inclusion error of 29%.

The CWACs consist of ten persons in general who are elected by the village community. They are volunteers who receive no salaries or even allowances. They consider it an honour to be on the CWAC and enjoy high social prestige. When the payment is delayed however, they have to bear the complaints of the beneficiaries.

Payment is supposed to be monthly (in Kazungula, quarterly) at pay points – generally schools or health centres. Pay points should not be more than 25 kilometres away. Beneficiaries who are unable to walk can designate a deputy who must be over 17 years old. There is no regular day for the payment. The district informs the CWACs when the money is due. CWAC members then have to inform all the beneficiaries what day they can collect their cash.

In Kazungula, payments have been very irregular. When visited at the end of August, beneficiaries had received their latest transfer in March. CARE, who acts as advisory and assisting agency, blames the MCDSS. Apparently the accountant in charge of compiling the reports delays the payments. The MCDSS is aware of the situation but has been unable to speed up the procedure. GTZ reported that the MCDSS in two other districts was able to keep delays to less than 2 weeks.

The transfers go to the heads of households, more than 50% are women, some households are even child-headed. There is no social stigma attached to the transfers. Many more would like to be included. The selection process is not considered as demeaning or humiliating. People have to answer questions about their families and their assets. CWAC members conduct the interviews and fill in the forms.

So far, no misuse for clientelist politics has been reported.

### **3.2.3 Transfer volume and cost**

The transfer amount has been calculated to provide one additional meal per day. It is not sufficient to make people graduate from poverty. But most of the beneficiaries not only manage to eat but also to send their children or foster children to school, buy uniforms, medicine or even hire labour to till the land. In Monze, people at a village meeting said that before the SCT was introduced children had actually been starving to death and many went naked. Due to the SCT, nobody has died of hunger or malnourishment and practically all the children encountered in beneficiaries' households were dressed.

There is nothing like an official basket of basic needs in Zambia. However, the Jesuit Centre for Theological Reflection (JCTR) which acts as a highly regarded think tank for social issues, has elaborated an urban basket which is updated periodically. In January of 2007, the cost of basic food items for an average family of six amounted to 506250 Kwachas (approx. 267 \$P). The cost of essential non-food items, comprising housing, water, electricity and soap amounts to another million Kwachas. Not included are other essentials like school fees, transportation and medical costs. A teacher earns between 672.000 and 1.1 million ZMK. A secretary in civil service earns about the same, a nurse can make up to two million ZMK, a security guard up to 750000 ZMK.



Only a small percentage of Zambians are formally employed, the great majority of people work in the informal sector or are unemployed.

The SCT has been designed to keep people from starving by providing one meal per day. The basket of basic needs is far beyond the reach of people who even have a regular income.

It should be recalled that the SCT in its pilot phase is covering the ten per cent poorest households in certain areas of five districts. The plan is to scale it up to national level in the coming five to six years. It is not designed to cover everybody's needs or even the needs of the beneficiaries but rather to alleviate their poverty. In some districts, the District Welfare Office pays school fees for poor children.

### **3.2.4 A first look at the programme in a human rights perspective**

#### ***Are there complaint mechanisms for victims of irregularities?***

There are complaint procedures during the targeting and distribution processes. Recipients are informed in a village meeting what the SCT is about and who is eligible. People can object to persons being excluded from or included in the list of the ten per cent targeted households. But there is no mechanism to enforce one's right to the transfer. Complaints during the payment process can be made to the Community Welfare Assistance Committee, monitoring the payment process. If beneficiary households are not satisfied with the community welfare assistance committee, they can also reach up to the Area Coordinating Committee or the District Social Welfare Office.

#### ***Are there conditionalities?***

In the pilot phase there is one district – Monze – where beneficiaries are supposed to send their children to school and to invest in health. This expectation by the implementing authorities is formulated in form of “contracts”. These are, however, not enforced. It has turned out that everywhere people use the cash to send children to school and to buy medicine. Enrolment has significantly improved. It will be decided after the pilot phase whether or not conditionalities will be attached to the transfers.

### **3.2.5 What kind of human rights critique has come from civil society?**

Zambia's civil society has so far not paid a lot of attention to the project. One reason could be that the pilot program is simply too new, so that civil society has not had the time to get involved and formulate its human rights critique. There are efforts to build a civil society network on social protection, however.

#### ***Right or charity?***

In Zambia, there is an ongoing discussion about constitutional reform. The 1996 Constitution, the third one after independence, is seen as an expression of the position of a party rather than a nation. President Levy Mwanawasa appointed the Mung'omba Constitutional Review Committee in April of 2003 which has come up with a number of proposals that have been welcomed by civil society. Amongst others, there is a plan to extend the charter of human rights to economic, social and cultural rights. They would include the right to social security (Article 66), health (Art. 67), education (Art. 68), as well as food, water and sanitation (Art. 70). Zambia is a state party to the International Covenant on Economic, Social and Cultural Rights but has failed to domesticate its provisions. The government has always been very reluctant to implement economic and social rights due to the economical implications. Wildaf speaks of “forceful resistance of the government to include the economic, social and

cultural rights in the constitution". The argument is lack of funds to comply. In the present constitution, providing for the needy, accessing food, safe water and health are defined as policy directives, not as rights. Ministers have even been quoted as saying: "There is no right to education in Zambia". The commitment to reach the Millennium Development Goals has put government under pressure, however, to step up its investment in poverty reduction, measures against hunger and the containment of HIV/AIDS. Provided pressure from civil society is strong enough, the government of president Levy Mwanawasa, who was re-elected for a five-year term in 2006, may find itself obliged to present the constitutional reform bill to a popular vote or to convoke a Constituent Assembly.

Among the government officials involved in the scheme, both on central and on district levels, there are many who refer to economic and social rights and support the initiative to have them enshrined in the constitution. Some beneficiaries vaguely refer to the transfers as a right but they barely have a notion of what human rights are and what they imply.

Civil society, in particular the three major churches, are very active, however, to have ESCR recognized and made justiciable.

The SCT scheme is an ambitious programme directed towards the poorest of the poor. It is a viable means of preventing people from starvation and thus enabling them to realize their right to food. Whereas part of the civil society and some officials involved in the scheme see SCT as an expression of a human right, government as a whole is still far from recognizing this. As a programme implementing a human right, the SCT scheme ought to provide not only complaint procedures, but also a mechanism for beneficiaries to enforce the payment if it fails to come. As it is, the programme still has the character of charity, not of a mechanism to fulfil a human right.

### ***Satisfaction with the programme***

There is no social stigma attached to the SCT. There have, however, been reports about jealousy and rivalry within the villages. For some people it is difficult to understand why they have not been targeted although they are desperately poor. Headmen have had to mediate in some cases reported.

Both recipients and non-recipients welcome the programme. For the non-beneficiaries, although many believe they should also be included, the SCT takes off a burden because the poorest neighbours used to beg for food.

The SCT is directed towards people who are unable to work or have to provide for a big family. Although the amount is small, it does help people to survive. There is no doubt that people in districts that have not been covered by pilot projects, are eager to be included.

In the villages, people perceive as main shortcomings, apart from undue delays in delivery, particularly in Kazungula, that an eligible group of ten per cent is too small and the amount is too low.

### **3.2.6 What is the relevance of the programme for the MDGs?**

The SCT does not provide guidance on what to spend or not to spend the money. Experience so far shows that people have used the transfers in a responsible way. Some even invested in goats, chickens or hired labour to till their land. This is not being discouraged. People are generally aware that if they can invest part of money in productive resources, they may escape their destitution and will be replaced by a poorer family at the end of the two year evaluation period.

There is a detailed quantitative study by the Ministry for Community Development and Social Services and gtz on the developmental impact of the Kalomo SCT scheme<sup>113</sup> with the following results in MDG related fields<sup>114</sup>:

***Income Poverty:***

The SCT led to a marked increase in household income as indicated in the table. The transfer, as small as it is, established a minimum cash income, which before had not been reached by 84% of the households.

**Table 4: Estimated percentage of recipient households in different cash income classes (total cash income including a transfer of 50.000 K).<sup>115</sup>**

Average monthly cash income over the preceding 3 months	Before SCT	After SCT
Below 50000 K	84 %	0 %
50000 K – 60000 K	4%	64%
Above 60000 K	12%	36%

It should not come as a surprise, however, that the income additional to the transfer decreased – given the fact that this income partially consisted of transfers from neighbours, relatives, other members of the community and organizations, since these households had been largely economically unviable households. The number of households receiving cash from such informal sources decreased by 70%. The average informal transfer came down from 7800 ZMK to 1800 ZMK. This reduction means less dependence of the recipient household and a smaller burden for other community members, most of them poor themselves.<sup>116</sup> The percentage of begging among beneficiary households decreased from 86% to 69%.

***Nutrition:***

There was a marked improvement in nutritional status: Households living with one meal per day decreased from 19.3% to 13.3%, households with two meals stayed the same, while households with 3 meals increased from 17.8% to 23.7%. The average number of meals per day among the target group in Kalomo increased from 1.89 to 2.13.

This improvement is further consolidated by the rising level of satiation after each meal and by the increase in quality of the food consumed:

The percentage of persons feeling hungry after a meal decreased from 56.3% to 34.8%. The share of households who had either enough or just enough went up from 42.6% to 65.2%.

Food intake also improved in terms of quality: The number of families who consumed vegetables and cultivated fruits rose markedly. The consumption of wild fruits (often a last resort against hunger) fell. The use of cooking oil tripled. The percentage of beneficiary households eating proteins seven days a week increased from 23.4% to 34.9%.

113 Zambia Ministry et al 2006, Evaluation Report, Kalomo Social Cash Transfer Scheme.

114 The impact evaluation is somewhat problematic: Due to the lack of a control group external factors such as a drought in 2004/2005 cannot be factored out.

115 Table calculated by the Rolf Künnemann on the basis of data in Zambia Ministry et al 2006, Evaluation Report, Kalomo Social Cash Transfer Scheme, assuming that the average recipient household of four includes two children at school age.

116 This aspect has been investigated in detail in a qualitative study: Wietler 2007

### ***Health:***

The incidence of illness decreased, probably because people now were in a position to pay for transfer to a health post. The same is true for the prevalence of disabilities (with the exception of mental retardation and leper). Partially sightedness was reduced by more than one half - probably because of beneficiary households used part of the transfer to pay for transport to the few hospitals who carry out cataract operations and were able to pay the small fee taken for this operation.

35% of the beneficiaries surveyed answered the question whether they had been sick in the preceding three months with yes. This percentage before onset of the programme had still been 43%.

### ***Education:***

Enrolment rates of 7 to 18 year old children went up by 3 percentage points from 76,1% to 79,2% (in particular for boys). The number of households who did not send at least one of their children (7-18) to school decreased from 41.4% to 33.8%.

Evidence on the level of absenteeism of children enrolled is not conclusive, however. Absenteeism even seems to have increased for those who stayed out of school between 10 and 20 days within 3 months before the interview. These quantitative findings, however, were not confirmed by headmasters interviewed in the framework qualitative analysis: Headmasters asserted that children from beneficiary households attended school more regularly.

Abolishing fees for secondary education would help to make it more accessible.

## **3.3 Malawi: The Mchinji pilot project and its follow up projects**

### **3.3.1 Background information and introduction**

Malawi is a small landlocked country (118480 km<sup>2</sup>) in Southern Africa without any significant mineral resources or agricultural potential. Since independence from Great Britain in 1962, the population has more than doubled to 12.6 million (estimated) in 2007. Population density lies at a high 102 inhabitants per km<sup>2</sup>. Population growth, only at 2.2% has dropped significantly. Almost half the population (47%) is under 15 years old. Life expectancy at birth lies at just over 41 years. According to development experts, the country has great difficulties in achieving macroeconomic growth and development. Agriculture employs 90% of the population and generates 40% of the GDP. 42 % of the population have a per capita income below 1 \$P per day, 22% are ultra poor, which means that they have not more than one meal a day, are unable to purchase essential non-food items like soap, clothing, school utensils, have no valuable assets and must resort to begging. GDP per capita is as low as 160 US-\$. In UNDP's listing of countries according to their Human Development Index (HDI), Malawi occupies place 166 out of 177 countries listed. Nevertheless the incidence of under-nutrition has come down from 50% in 1991 to 34% in 2002 (and from 4,8 million to 4 million in terms of numbers). And there is a chance of meeting MDG 1 (halving the incidence of under-nutrition) if sufficient efforts are undertaken.

Structural adjustment policies imposed by the World Bank have ruined local manufacturing and further contributed to increasing the number of poor. In recent years Malawi has been struck by several droughts (general and regional) and an HIV/AIDS pandemic. 14 per cent of the population are supposed to be infected. This is a slight improvement vis à vis 16 per cent five years ago. AIDS has killed an important part of the productive generation and left more than half a million orphans. Many of these orphans live with their grandparents who are too old and sick to work and

generate sufficient income. As a result, under-nourishment is widespread and the school dropout rate is high. Although primary education is free, there are still costs of uniforms, books and pencils, to be borne by the family. Children are also sent to work at tea estates or tobacco plantations or as maids and servants to urban families. UNICEF estimates child labour to affect 1.5 million minors in Malawi.

The National Human Rights Commission (HRC) in its strategic plan 2006-2010 is focussing economic and social rights. Noris Mangulama, the Principal Child Rights Officer of the HRC, says that the state still has a long way to go in order to guarantee the ESC rights of its population. But no-one of the persons interviewed thinks that the government is to blame directly that people live in poverty.

Mchinji District was chosen for the pilot scheme because its incidence of poverty is national average. It is not a particularly poor or deprived region. The target group comprises people who have not been reached by other social programmes like food for work or fertilizer subsidies.

The scheme is selective as it is only destined to ultra poor and labour restrained households. In each area so far included in the pilot project, an average of ten percent is selected. The targeting is done by village communities. Recipients are the heads of households. The majority of the households is led by women, some are children-led. Minors are under 18 years old, but even older youths are considered children as long as they go to school.

There is no social stigma attached to the participation in the programme. More families would like to be included. So far no major irregularities have been reported in the bureaucratic handling. Clientelism has not been a problem in Mchinji. However, the district of Likoma which consists of two small islands in Lake Malawi has been chosen as the second pilot area although it is economically better off. It is supposed that several Cabinet members who come from Likoma were instrumental in the decision to take the programme to that district.

Its first year of performance was so successful that Malawi's Social Cash Transfer (SCT) Programme got highlighted by UNICEF as one of its most successful undertakings in the past year. It helps that government is clearly committed to spreading the scheme to the entire country. The decentralized structure of Malawi permits that the district authorities act fairly autonomously and can react swiftly when minor problems arise.

The Mchinji pilot has developed to become a showcase project in a comparatively short period. But it still depends to a high degree on the supervision of UNICEF. Institution building is slow and spreading the experience to other districts may not be so easy. There is a bottleneck of qualified personnel for the management in the districts.

There are three conditions for the scheme to be successful: political will, sufficient funds and human resources (capacitated personnel). The political will of the government seems to be manifest. The funds are (almost) guaranteed for the next decade to come. In the long run, government wants to contribute 50%. But it is too early to assess whether it is possible to copy the Mchinji experience in other districts.

### **3.3.2 How can one get access to the SCT?**

The Malawi Social Cash Transfer Programme has been developed out of a plan to provide a minimum income for households with orphans and other vulnerable children (OVC). After the Livingstone Conference on Zambia's Kalomo District pilot project in March, 2006, the Malawi government picked up the idea of implementing a similar system. Only half a year later, the first pilot project was started in Mchinji

District, a rural central Western region of the country at the border with Zambia. It has been introduced and implemented with the logistical and financial support of UNICEF but is entirely run by the state and district authorities. As it is meant to become a permanent state programme, UNICEF has tried to limit dependence on foreign experts to a minimum. The funds are provided by the Global Fund against AIDS, Malaria and Tuberculosis via the National AIDS Commission (NAC).

The scheme provides a monthly unconditional cash transfer to approximately 2400 households in four areas out of nine of the district. During the first days of the month, the money is taken to the villages by a cash-man escorted by two policemen from the district capital. This system is cost effective and fairly non-bureaucratic. After less than a year the local staffs has been able to handle the scheme without external help. They write regular reports and present transparent accountancy.

After one year of operation, the pilot project was extended to six more districts. It shall eventually cover 250.000 households all over the country. The criteria are that a household is ultra poor and labour restrained. That means that there is no able bodied household member in the age group 19 to 64, who is fit for productive labour, or that one person able to work has to provide for more than three dependents. It basically applies to the elderly, orphans, other OVCs and female headed households with more than three orphans, chronically ill persons, persons with disabilities and child-headed households. The pilot project comprises 11 170 beneficiaries in 2442 households. Of these 7480 (67 %) are children, 6013 of them orphans. They represent the classical examples of persons who cannot feed themselves, but need transfers in order to be free from hunger.

In the pilot areas, ten per cent of the population have been targeted. The selection is made in a multi-stage process in which outsiders do not intervene. Community Social Protection Committees (CSPC) at village level visit and rank all the eligible households and present the list to the Social Protection Sub-Committee (SPSC) at the level of the Traditional Authority.

The first estimates on the targeting rate are at about 90%, which is considered excellent. There are no figures so far on coverage.

### **3.3.3 Transfer volume and cost**

The Ministry for Social Welfare has elaborated a basket of primary needs which for the rural area takes around sP 0.83 per person and day to buy. The SCT does not cover the whole basket as the maximum transfer for households with five or more members is Malawi Kwachas MK 2400 (66 sP per month, or at most 13 sP per capita, i.e. 0.4 sP per capita per day). The per capita transfer under the program amounts to 26% of the average per capita consumption in Malawi. 42% of the population in Malawi has a per capita income below 1 sP per day.

Beneficiaries use the money very wisely. Heads of households interviewed in the village of Nduwa, Mchinji, say they spend part on food (basically maize) and milling, part on clothes (school uniforms), medicine and even investments like goats or sows for breeding. Some hire labour to have their land tilled and grow their own crop. The first reports state that beneficiaries were visibly better off after a few months. Children are better fed and wear clothes.

The scheme covers a maximum of ten per cent of the population in the pilot area. Many more would probably make good use of the SCT but are not included because the village committee does not consider them to be sufficiently destitute and labour restrained to qualify.

By the end of 2007 the pilot project was extended to seven districts in different parts of the country with different characteristics. The government has earmarked 1.5 % of the GDP for social security which is around 40 million US-\$. The SCT programme alone will cost around US-\$ 43 million once it is spread over the country. International co-financing will be needed to guarantee its viability.

### **3.3.4 A first look at the programme in a human rights perspective**

#### ***Are there complaint mechanisms for victims of irregularities?***

So far there is no mechanism for complaints. The village assembly meets once a year to evaluate the performance and to determine whether there should be households taken out and others included.

#### ***Are there conditionalities?***

The beneficiaries are free to use the money for whatever they consider necessary. Both men and women recipients have proved to use the money very wisely. It is spent for food, clothes, medicine and productive investments. The very few who have been known to buy alcohol have an alcohol problem. Although there is no conditionality that children are sent to school, school attendance has improved significantly. Both UNICEF and government officials are very satisfied with the use made of the money by the beneficiaries.

### **3.3.5 What kind of human rights critique has come from civil society?**

The pilot programme is so new, that civil society has not had the time to get involved and formulate its human rights critique. There is, however, a growing awareness and interest in Malawian civil society for economic, social and cultural human rights. For this matter, it can be expected that civil society will have a closer look at this programme, once the pilots go beyond two or three districts and the national importance of the scheme will be debated.

#### ***Right or charity?***

Awareness on economic, social and cultural human rights is not very developed in Malawi. Although the directors in the Ministries of Women and Child Protection and Social Welfare, respectively, know the Covenant of ESC rights, the SCT Programme is basically seen as another social welfare programme by the government. The Human Rights Commission is focussing on ESC rights and criticizes the government for failing to fulfil the right to food and other economic rights enshrined in the Covenant of ESC rights, of a vast sector of the population.

Malawi is party to the Covenant but its provisions have not been domesticated into national legislation.

Beneficiaries have taken two positions towards the right to food. Curiously, women spoke of the SCT being a charity which provides access to food whereas men feel that they are entitled to the state's help. There is no legal mechanism, though, to enforce this right.

#### ***Satisfaction with the program***

So far no negative effects have been registered. There is no open jealousy in the communities among those who have not been targeted. Families interviewed have stated that although they also would like to be considered they respect the selection criteria. And, after all, the whole community benefits from the transfers. Some get hired to plough a field, others can sell some of their produce to beneficiaries and a

burden is taken off the shoulders of the community. People who used to beg for food have their own income now and don't ask for food anymore.

Beneficiaries tend to use only part of the cash to purchase food. Some save for two or three months to make an investment in income generating acquisitions like goats, pigs, tools or labour to till the field. But even with some proper income, the target households are not likely to escape poverty and exclusion. However, at the annual evaluation meeting, the community assembly may make changes according to most recent surveys.

The pilot project was launched in September 2006. Before the programme is scaled up to cover the entire country, no major curtailments in other social security programmes are to be expected.

In general, the programme is being welcomed as a necessary means to provide for people not reached by development action. So far it has also been seen as very efficient as decentralization and the high population density of Malawi permit an efficient delivery of the cash to the recipients. School dropout rates have decreased. Government officials estimate that in three to four years the scheme can be scaled up to cover 250 000 households nationwide. Development experts are somewhat more cautious and speak of seven years.

### **3.3.6 What is the relevance of the programme for the MDGs?**

The first indications of developmental impact for this young pilot project are not yet based on extensive statistical evaluations. Random visits to beneficiary households, however, indicate that the rights holders use the money responsibly "for meeting the most basic needs in terms of food, clothing education material and access to health services. Some have invested in improving their shelter and in acquiring small livestock. Preliminary results also show that people living with AIDS who are on treatment are better able to cope with the intake of drugs as now their nutrition has improved. Community leaders and relatives of the beneficiaries welcome the scheme, because it reduces the overwhelming burden of social obligations. It also brings much needed relief and peace to the communities as child - or female-headed households no longer need to expose themselves to risky behaviours in order to survive. They are now assured of food and have the resources for the children of the household to attend school."<sup>117</sup> During the visits and interviews carried out in the context of this study it was noted that in spite of the low amount of transfer there was a significant and visible impact in the villages participating in the programme.

There is growing interest in Africa in the SCTs of the Kalomo/Mchinji type.<sup>118</sup> There is a good chance that they will proliferate in Africa. The target groups have been neglected by development aid as they are not likely to escape from poverty through income generating activities. Human rights, however, seem to be a secondary consideration so far, at least on the side of government, even though there has been governmental reference to human rights standards in this context. From a human rights point of view, the programmes are significant as they prove viability of SCT in the rural areas of some of the worst effected low income countries in the world. The fulfilment of human rights here can only take place progressively. And the first step is often the most difficult one. It should, however, be clear which human rights criteria have to be applied to this process and that the next steps have to be taken expeditiously and to the maximum of available resources. Scaling these programmes up to the national

<sup>117</sup> Schubert et al 2006, The Malawi SCT pilot scheme

<sup>118</sup> At the Livingstone Conference in March 2006 the represented governments indicated that they would put together and budget national social transfer plans within 2 to 3 years, which international partners could supplement. (Schubert, 2006, Report Livingstone Conference). A second Livingstone Conference is in preparation.



level, will be important to really move towards the MDGs in Malawi and Zambia. At the same time, the programme itself (due to shoe-string funding) can only target the destitute and economically non viable households. From the point of view of the MDGs – and certainly from the viewpoint of the human right to an adequate standard of living – this is clearly insufficient. Nevertheless, the experience in Zambia and Malawi has shown the potential of SCTs to provide a crucial contribution to achieving the MDGs even under extreme circumstances. There is challenging agenda now for international development cooperation to get purchasing power and investment power into the hands of the poor through direct transfers.

## **Part 4:**

### **Opportunities for promoting SCTs in the context of ODA – approaches and recommendations for discussion.**

Social cash transfers in the Global South could contribute considerably to achieving the millennium development goals. They directly counteract income poverty (MDG 1a) and improve the nutrition status (MDG 1b). If the quality of social services (schools and health centres) is satisfactory, they allow children to attend school (MDG 2 and 3) and possibly take part in school meals (MDG 1b), they reduce child labour, improve the health situation of children (MDG 4) and of adults (MDG 5 and 6).<sup>119</sup> Income transfers are necessary but they are not sufficient: They should be integrated into a comprehensive concept of social security. Moreover they should be linked to measures<sup>120</sup> which put people in a position to feed themselves – without holding them captive in an unsustainable form of capitalism and consumerism. The first and foremost requirement in this context is therefore a set of structural policies which recognize people's right to feed themselves rather than only the right to be fed by way of transfers. This implies special programmes (agrarian reform, micro credits etc.) known from classic development policies. SCTs should not replace the approach to assist people to fend for themselves, but should supplement and strengthen it. SCTs should be a central element to each developmental concept<sup>121</sup> and not just a marginal aspect: Social transfers to secure a minimum consumption are a human right.

SCTs can realize their full development potential only, if implemented on the basis of human rights. The human rights criteria mentioned above are to be integrated into all social transfer programmes in order to avoid their degeneration to "state handouts" implying irregularities, corruption, political misuse, arbitrariness of the authorities and power politics of local elites. For this matter, human rights capacity building of recipients, civil society and authorities is required, and quasi-judicial and judicial redress mechanisms should be part of each SCT.

Therefore, the promotion of SCTs in development cooperation should take place at three levels: Strengthening the human rights approach to social transfers at home, promoting human rights based social transfers on the global scale, and providing technical support and budget support for the implementation of SCTs.

#### **1. Strengthening human rights in the field of social transfers**

At the Millennium Summit Review on 15 September 2005, the then UK Secretary of State for International Development, Sir Hilary Benn, stated that "We now see Social Protection as a basic human right, a helping hand in times of need, something we fought for very long and hard in British history". This is not only true for Britain, but for Germany and other OECD countries in particular in Europe.

Taking his historical background into consideration, it is high time that human rights activists and development politicians start to get engaged in human rights oriented SCTs more intensely. SCTs cannot and should not be seen as luxury achievements of high income countries. By now it is clear that middle income countries can implement SCTs as well – and even low income countries could do so if properly assisted by the

119 The evaluations available so far are impressive. Some can be found in 1.1 or in the literature at the end of this report. Future evaluations will describe these effects even more precisely and will contribute to the improvement of SCTs and their easier adaptation to other developmental measures.

120 Taking part in these measures should however not be misconstrued as a condition for receiving the transfer. As is generally known, transfers meant to secure a minimum income should be transferred unconditionally. If financial incentives seem to be useful to promote the participation in education and health services, these should be transferred additionally (as participation income).

121 SCTs should for example be a central term of reference in national poverty reduction strategies (PRS).

international community of states<sup>122</sup>. The problem is not so much financial, but rather administrative nature. And it is linked to the lacking awareness of political decision-makers and the public as well. The administrative problem requires technical support through development cooperation in the field of implementation, and – if necessary – consultative services in the context of possible administrative reforms as well. A state with an administration strong enough to carry out democratic elections should be able to carry out a simple SCT as well – universally and without means tests, as the case may be. In some problematic countries (particularly in “failing states”) there may currently be little hope for administrative reforms: Here – and only here – should SCTs be currently implemented directly through the international community of states.

With regard to awareness raising and establishing a human rights culture as a part of development cooperation, it is essential to recall experiences with one’s own history of SCTs and make them useful for other countries.

Mainstreaming of human rights-based social cash transfer in German development cooperation should be welcomed here. The current sector programme on the right to food and the sector programme human rights could be provide important consultative input in this context.<sup>123</sup>.

## **2. Strengthening the human rights capacity in the countries and connecting it to SCT**

A prerequisite for a human rights-based SCT is a certain human rights culture. Human rights based SCTs should not be misunderstood as a “gift by the state”. They must not be misused by the authorities, but have to be recognized as a right for each person. Such recognition is not only important to avoid misuse and oppression related to SCTs: It is also a matter of creating awareness that a considerable percentage of the GDP should be allocated to SCTs. Most of the current SCTs outside of OECD countries are budgeted below 1 % of the GDP. A human rights based budgeting has to start from the analysis of needs and requires the deployment of the maximum of available resources. In view of the realities in many countries, in particular in the low income countries, the funds budgeted have to be drastically increased – if necessary with international budgetary support.

A change in awareness is not easy, because in many countries the SCT is perceived as a “government handout”. In such a perspective, on the one hand recipients become beggars and basically dubious and on the other the “giving” politician or bureaucrat consolidates his power and recognition. Human rights education regarding SCTs must include all stakeholders, so that a change in awareness can take place. These stake holders comprise politically responsible actors, ministries, civil societies and the public both in OECD countries and in developing countries.

The mainstreaming of rights-based development cooperation in the ministries of donor countries and in those of partner countries, as well as in the World Bank and other multilateral development banks should have top priority. It is necessary to consequently continue the current mainstreaming and to include social transfers into it. A prerequisite is capacity building for proactive human rights based policies in bilateral as well as multilateral policy advise (e.g. in the World Bank).

<sup>122</sup> In 2005 FIAN published a study calculating an internationally co-financed guaranteed minimum income in all low income countries. For such programme, 0,25% of OECD countries’ GDP would have to be spent. If this amount is added to the current development cooperation, the total sum is still below the well-known 0,7% target for ODA: Künnemann 2005

<sup>123</sup> Guideline 14 (Safety Nets) of the FAO 2004 Right to Food Guidelines would correspond to this as well.

Monitoring by civil society facilitates a human rights based implementation of SCTs and, if necessary, creates an important corrective against human rights violations in this context.

In all countries, civil society is of strategic importance when it comes to the creation of awareness for human rights based SCTs. Furthermore, monitoring by civil society actors facilitates a human rights based implementation of SCTs and, if necessary, creates an important corrective against human rights violations in this context. The development of scientific, technical and political capacities together with civil society actors could use this strategic potential.

### **3. Getting involved in setting up and implementing social cash transfers globally on the basis of human rights.**

Minimum income programmes must necessarily be extended, so that all eligible persons can be reached. Exclusion errors in transfer programmes for the malnourished almost always turn out to be human rights violations. Each person can and must be reached - using all available resources. The current situation is disastrous and points at massive and systematic human rights violations. In South Asia and China currently less than 10% of the malnourished are reached through cash and food transfers, in Africa less than 5%<sup>124</sup>. This indicates an urgent need for action.

Those countries, which make direct transfers that ensure basic food, conditional on school attendance of children, use of health care, work etc., violate the human right to food. Conditional cash transfers could at best serve as additional programmes to an existing minimum income programme, which ensures access to food. German development cooperation should try to dissuade the World Bank from linking direct transfers in Africa to such conditionalities. The German development cooperation should take a stand against conditionalities in CCTs in Latin America and elsewhere, and for unconditional social cash transfer with possible additional financial incentive payments in the fields of school attendance and health care.

Especially in the context of developing countries, selective social cash transfers imply considerable human rights disadvantages in comparison to universal SCTs. For this reason, German development cooperation should promote – wherever possible - that selective SCTs evolve into basic income programmes. For this matter, German development cooperation should gain experience by way of some pilot projects of its own in the field of universal SCTs.

### **4. Implementation of pilot projects towards innovative human rights oriented SCTs**

In many countries there is a growing interest in SCTs – in Africa as well. SCTs are continuously being introduced throughout the world. Whether they can realize their democratic and developmental potential or only serve for the consolidation of power is a key question of development cooperation.<sup>125</sup> Rights-based development cooperation should not only accompany such processes, but should try to actively help shaping them. German development cooperation should therefore continue to gain and evaluate experiences of its own.

Programmes which can operate without selection machinery and the related administrative, political, social and financial drawbacks are a matter of particular

124 These estimations are based on DFID's Database, Barrientos et al 2006

125 Rights-based SCTs should facilitate real freedom and should not let local authorities or politicians strengthen their position with the help of such SCTs as „gifts“. Such misuse can only be stopped if all participants understand SCTs as an enforceable right.

interest for human rights. Such “universal transfers” minimize the risk of exclusion errors. Moreover, these programmes don’t have a felt “benefit withdrawal rate” and don’t affect recipients’ self-help-initiatives even in the long run, but strengthen them. Nanak Kakwani, Director of the UNDP International Poverty Centre, Brazil, a recognized expert in the field of targeting social transfers, recently indicated in a study that a universal SCT in rural Africa allows for almost perfect targeting<sup>126</sup>. The evaluation of the Kalomo SCT mentions in its “Conclusions” that universal pilot projects should be considered. This could be an innovative field for German development cooperation, which is particularly suitable to a rights-based approach.<sup>127</sup>

Another field for innovative projects would be to assist in reforming CCTs to become unconditional SCTs. CCTs cannot be seen as rights-based SCTs. At the most they could be perceived as a first step towards unconditional SCTs<sup>128</sup>. Projects should be undertaken to reform current CCTs in this sense or to introduce an unconditional SCT in addition.

## 5. Developing innovative concepts for funding SCTs

States parties to the International Covenant on Economic, Social and Cultural Rights are obliged to use the maximum of available resources, individually or in international cooperation, in order to achieve the progressive realisation of these rights. According to the UN interpretation, this means that these rights have a priority in budgeting and that suitable measures should be implemented as soon as possible<sup>129</sup>. The highest priority should be given to the fundamental human right to be free from hunger. The budgetary consequences of these obligations are not yet fully operationalised – particularly in the field of bilateral and multilateral development cooperation. At least with regard to SCTs in low income countries, a long-term reliable international co-financing is necessary. Models have been suggested, which operate with moderate budgetary contributions<sup>130</sup> from OECD countries on the basis of a co-financing scheme agreed upon in advance<sup>131</sup>. In this scheme the proportion of co-financing is reduced in tune with the increasing economic growth of the country. Development cooperation should further elaborate rights-based forms of co-financing (and the corresponding control mechanisms in the recipient countries).

In this context, mainly multilateral co-financing comes to mind on the basis of human rights: In order for SCTs in low income countries to be rights-based their international co-financing must be binding as well. This may be conceivable at a bilateral level too – especially in the innovative field of pilot projects. Eventually international co-financing would be preferable – with a view to human rights-oriented global social policies. Such co-financing should not be implemented through loans and not by the World Bank. Instead, German development cooperation could promote that an International Social Fund be established, which would coordinate the respective subsidies of OECD countries to national SCTs.

Broader SCTs could be useful to expand the tax base in the developing countries to a more comprehensive level. People will be more willing to pay taxes if they can see directly that their taxes help to overcome absolute poverty, hunger and malnutrition: A balanced redistributive tax-benefit scheme is an integral part of each concept of development cooperation – also and especially against the background of very

126 Kakwani 2006

127 Compared to the pilot schemes in Zambia and Malawi, the only administrative challenge consists in a tenfold increase of the transfer volume in villages. There have been no reports mentioning major technical problems in the distribution in the villages in these pilots. It is believed that problems in the capital are responsible for the delays reported from Kazungula, Zambia.

128 In Brazil, the government and civil society perceive the CCT Bolsa Familia as a first step towards a basic citizens’ income.

129 Human rights obligations therefore put higher requirements on states’ performance than the achievement of the milestones under the MDGs.

130 According to international human rights laws, OECD countries are duty-bound to assist financially.

131 Künnemann 2005 op cit

disproportionate income distributions in developing countries. Here, development cooperation could support pilot projects, which both develop SCTs and the national tax base which finances them – and make the links between both sides transparent.

## **6. Technical assistance with the implementation of SCTs**

Rights-based SCTs sometimes make significant demands on national states authorities, particularly in low income countries. There exists administrative experience from middle income and OECD countries, which could potentially be put to good use by development cooperation with low income countries. Monitoring the design and expansion of social administration in low income countries could be seen as a core task in development cooperation. This field of governance must not be left to international aid organisations. They should largely concentrate on humanitarian aid – and not on the realization of permanent social programmes.

For securing the human rights quality of SCTs, states' administrative authorities can take a number of measures, which lead to transparency and accountability in the framework of SCTs. These measures should be supplemented from the side of national and international civil society by monitoring the programmes to be implemented. The respective capacities of civil society should be promoted and developed in the framework of development cooperation. For the enforcement of the legal guarantees, introducing the justiciability for example of the human right to food or the human right to social security is a necessary step.

Another advantage of basic income transfers besides those already mentioned is that they can be administrated more easily than selective programmes. The need for a selecting administration (together with its related lack of transparency, with its bureaucracy, and stigma) simply disappears. Errors in selection do not have to be persecuted neither judicially nor extra judicially, because there is no selection anymore. Universal transfers, of course, imply a larger effort for the distribution than selective transfers. Current evidence, however, seems to indicate that errors in distribution are comparatively small. Particularly in those countries or areas where the bigger part of the population is eligible to receive net transfers, the gain in manageability is significant. This is a crucial advantage in countries with a weak social administration.

In the context of the Kalomo project German development cooperation has already performed pioneer work in the field of technical support in a low income country. This experience should be made fruitful for a concept of similar and innovative technical cooperation in the spirit of suggestions made.

German development cooperation should further expand its international initiative towards rights-based development cooperation with a special focus to the field of social transfers, and cash transfers in particular. The International Covenant on Economic, Social and Cultural Rights and the Right to Food Guidelines of the FAO provide an appropriate political platform for this purpose.

## Part 5. Glossary

### Basic income programme

A basic income is a minimum income programme which makes a transfer payment to (almost) all persons in the territory. It is also called citizen's income. The net transfer provided through this programme will of course differ between poor and rich persons (and will be negative for the latter).

### Cost of the programme

The cost is calculated as the transfer volume plus the administrative cost (usually in percentage of GDP).

### Coverage of a programme:

The coverage is the number of recipients of positive net transfers as a percentage of persons eligible for such transfers under the programme.

If half of the eligible group receives such transfers, the coverage is 50%. Lacking coverage is an indicator for exclusion errors and possibly systematic violations of human rights.

### Eligibility line

The eligibility line marks a level of income below which a household is eligible to participate in a programme.

### Exclusion error

An exclusion error happens if an eligible person is not reached by the programme: This can be a human rights violation.

### Gini coefficient, Gini index, Gini point

The Gini coefficient is a measure for inequality. In order to calculate the Gini coefficient, the cumulative income curve  $y(x)$  has to be considered. If the x-axis shows the percentage of the population from the poorest to the richest, and the y-axis the percentage of total income, the cumulative income curve  $y(x)$ , gives the percentage of total income received by the part of the population up to  $x$ . If income was equally distributed, the curve would be the main diagonal  $y(x) = x$ . For example: The "poorest" 30 percent of the population would then get 30% of total income and so on. The area between the income curve  $y(x)$  and the main diagonal is an indicator for inequality. The ratio between this area and the area of the triangle under the main diagonal until 100% is called the Gini coefficient. If income is equally distributed the Gini coefficient is 0, if all income is concentrated in the hand of the richest person, the coefficient will be 1. Instead of looking at the Gini coefficient (a number between 0 and 1), people often look at it in percentage points (or Gini points). This "Gini index" is the Gini coefficient times 100 (a number between 0 and 100).

### Inclusion error

An inclusion error happens if a non-eligible person receives a positive net transfer under the programme. Weakens the efficiency of a programme, but has no relevance for human rights.

### Means testing

Means testing is a procedure to find the income, consumption or standard of living of a household or person, for example for purposes of determining eligibility for participation in a programme. This can be a difficult task – in particular with households/persons in informal economies. In such situations a "proxy means test" is used – a rough estimate of eligibility on the basis of indicators for standard of living.

### Minimum income

The level of per capita income guaranteed de jure or de facto for each person in an area by social protection. Minimum income can be described in terms of international purchasing power (1 sP) and as a percentage of per capita household consumption in the country.

The minimum income has to be adequate as a component for an adequate standard of living.

### Minimum income programme

A social assistance programme guaranteeing a minimum income.

### Net transfer

The difference between the transfers paid to a person and the taxes paid by this person to finance the respective transfer programme. Net transfers can be negative (for the rich) or positive (for the

poor).

#### **Proxy means testing**

If access to income data for a means test is impossible, other indicators on a household's standard of living are used: For example whether the household's hut has tiles or not etc. There is considerable insecurity in using such indicators.

#### **sP**

In order to compare a person's standard of living across borders, purchasing power is a better indicator than money income. sP is an international currency unit based on purchasing power parity (PPP) with the USD. 1 sP is the purchasing power of 1 USD in the USA. (1 sP is also noted as s 1 PPP). The official exchange rates of currencies are not based on equal purchasing power, but are set according to economic or political considerations. For the transformation of local currency into USD, exchange rates (for example in [www.oanda.com](http://www.oanda.com)) can be used. The relation between USD and sP in a country can be calculated from the World Bank's World Development Indicators, section 1.1.1 (World View, Size of the Economy), which provides per capita GDP both in USD (using the exchange rate) and in sP. Combining the transformations from sP to USD (World Development Indicators) and from USD to local currency (exchange rate) results in the underlying sP values for local currencies. These values need more frequent updating and greater standardization: International comparisons should be taken with great care.

#### **Quintile**

When ranking a population according to income, population can be grouped in five classes of 20% each. The first such class is the first quintile, i.e. the poorest quintile. The richest is the fifth quintile. Similarly: quartile (25%) or decile (10%).

#### **Social assistance (also social welfare or social safety net):**

The non-contributory part of a social protection system.

#### **Social protection (also: social security):**

A set of institutions and measures of a state in order to secure an adequate standard of living for all persons in its territory under all individual circumstances. The social protection system of a state usually consists of non-contributory programmes (social assistance) and contributory programmes like social insurance (for health care, unemployment benefits, contributory pensions etc.).

#### **Transfer payments**

Payments made to recipients in a cash transfer programme.

#### **Targeting share**

The targeting share is the percentage of the transfer volume reaching eligible persons.

#### **Targeting rate**

The targeting rate is the percentage of eligible persons among the recipients of positive net transfers under the programme.

#### **Transfer volume**

The transfer volume is the sum of all positive net transfers under a programme.

#### **Universal programme**

A programme which provides a transfer (in cash, or kind or service) to all persons in an area - no matter whether they are rich or poor (for example free primary education, child allowances, states' services of different sorts)



## Part 6. Acknowledgments:

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## Part 7. Literature

Most of the publications listed below can be easily identified by a search in the internet. For this matter no links are given. Publications are grouped under three categories. If an author is not found in the general category, the respective publication might be listed under a geographical category and vice versa.

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Over the past ten years, social cash transfers have spread in middle income countries. Pilot programmes have been carried out in low income countries. Social cash transfers have shown an impressive potential in a number of fields closely related to the MDGs. Social cash transfers reduce poverty and hunger, stimulate the production of essential products and services for the poor, stimulate school attendance and promote gender empowerment and social fairness. Rights based social cash transfers are necessary in order to implement the understanding that each recipient is a rights-bearer.

Social transfers are of central importance for states to meet their obligations under international or national law, and in particular to fulfil the right to an adequate standard of living. Even though social cash transfers are just one element in the states' set of policy measures and are far from sufficient in this context, such transfers are almost always an obligatory element of each social protection system.

This publication wants to stimulate in Germany and internationally the debate on the human rights importance and developmental significance of direct income transfers.