

# Aiding Social Transfers in Low-income Countries: Is there a Catalytic Effect?

by Cécile Cherrier, Maastricht Graduate School of Governance/UNU-MERIT

**Non-contributory social transfers**<sup>1</sup> have shown great potential to tackle poverty and inequality and to support inclusive socio-economic development. However, they also represent a long-term financial commitment, and in environments where they are most needed, the capacity of the State to provide them tends to be lower. As a response, foreign aid actors have been allocating resources to support the expansion of social transfers in low-income countries. After over a decade of such aid efforts in sub-Saharan Africa, however, uncertainty over the future of donor-supported social transfers prevailed.<sup>2</sup> In particular, the limited degree of institutionalisation, domestic financing and, in most cases, political commitment meant that the prospects for these initiatives to translate into sustainable policy changes were unclear.

Where do we stand today? Has foreign aid had any catalytic effect on the mobilisation of domestic resources for social transfers in low-income countries? Empirical evidence from six African case studies that fed into the UNRISD Working Paper presented in this brief (Cherrier, 2015) suggests that it has. This investigation covered a set of sizeable social transfer schemes recently introduced in low-income country contexts, namely: Ethiopia's Productive Safety Net Programme (PSNP); Ghana's Livelihoods Empowerment Against Poverty (LEAP) programme; Kenya's Cash Transfers for Orphans and Vulnerable Children (CT-OVC); Lesotho's Old Age Pension (OAP); Mozambique's *Programa de Subsídio Social Básico* (PSSB); and Zambia's Social Cash Transfer (SCT) scheme.<sup>3</sup>

Unravelling the origins of these schemes reveals foreign aid actors as important players in the mobilisation of resources for social transfers. **Influential aid actors** have included international financial institutions recommending the reform of costly subsidy policies, agencies specialised in social protection advocating for coverage extension, and humanitarian actors calling for more cost-effective ways to provide assistance in protracted crises. Processes behind the emergence of these schemes can be categorised according to the degree to which foreign aid actors were involved, and whether or not the scheme resulted from the reform of an existing programme.

In terms of resulting policy features, the schemes studied can be qualified as being, to differing degrees, **nationally owned**, even in contexts of strong aid engagement. It is often not possible to establish clearly whether the initial impulse (that is, the very first idea of considering a social transfer policy instrument) came from foreign aid actors or domestic stakeholders. Rather, foreign aid actors tended to give weight to existing national proponents and help upgrade institutions entrusted to deliver social assistance. Initiatives supported by aid actors tended to strengthen the voice of ministries in charge of social affairs, and encourage the adoption of innovative mechanisms for more transparent and accountable delivery systems. Decisions to scale up social transfer schemes tended to occur within broader strategies of state-led social protection and pro-poor policy extension, possibly as part of deliberate moves towards making the State the primary welfare provider. With the notable exception of Lesotho's OAP, donor funding of social transfers remains high. However, the share of domestic contribution is on the rise, and there are good prospects to see all these schemes fully funded domestically in the future.

Yet, if these case studies suggest a catalytic effect of aid on mobilising additional domestic resources for social transfers, they also raise important questions. Findings show that dialogue over the provision of social transfers has occurred primarily in restricted policy spaces, with the executive branch behind closed doors with donors (or creditors). Citizens may have played a role as voters via elections, which has been identified as an important factor conducive to the adoption of social transfers. With schemes increasingly funded by domestic resources, **dialogue between the State and citizens** over these questions may intensify in the future. In the meantime, however, certain types of social transfers will have been put in place, which may be hard for citizens to challenge in favour of preferred alternative practices for social protection.

These case studies prompt further questions over the extent to which foreign aid helps promote a rights-based approach to social protection. The rights-based perspective is at the core of the Social Protection Floor initiative, and measures need to be put in place to gradually improve the **rights-based design** of social transfer schemes, and eventually move towards social guarantees. The dominant poverty reduction discourse among foreign aid actors has tended to give policies a certain shape: rationed, tight poverty-based targeting, conditionality and progressive roll-out strategies. This contrasts with the entitlement design of Lesotho's OAP, for example, where any citizen meeting eligibility criteria can claim their benefits.

Furthermore, at least in some cases such as Zambia's SCT and Ethiopia's PSNP, a narrow focus on social transfer instruments may have redirected public attention and resources (domestic and foreign) away from deeper causes of poverty and marginalisation, undermining the **transformative agenda** development partners claim to defend. This points to the importance of conceptualising social and economic policies in tandem, and moving away from approaches that focus on poor people exclusively towards more universal and integrative approaches.

The ongoing promotion of social transfers by aid actors in developing countries requires a closer examination of the associated opportunities and risks, especially in countries with low state capacity. While placing social transfers high on development partners' agendas could potentially translate into poverty alleviation for millions—if supported by effective strategies and sufficient resources—it also presents the risk of an excessive policy push from aid actors that could jeopardise the ability of recipient countries to develop their own social policies, possibly hindering their evolution into aid-independent countries.

## Reference:

Cherrier, C. (2015). 'Examining the Catalytic Effect of Aid on Domestic Resource Mobilisation for Social Transfers in Low-Income Countries', *UNRISD Working Paper Series*, No. 2015-3. Geneva, United Nations Research Institute for Social Development, <<http://www.unrisd.org/cherrier>> (accessed 16 March 2015).

## Notes:

1. Social transfers are understood here as a specific subset of social policy and social protection instruments: non-contributory, publicly funded, direct, regular and predictable resource transfers (in cash or in kind) to vulnerable individuals.
2. See, for instance, M. Niño-Zarazúa, A. Barrientos, D. Hulme and S. Hickey (2010), 'Social Protection in Sub-Saharan Africa: Will the Green Shoots Blossom?', *BWPI Working Paper Series*, No. 116. Manchester, Brooks World Poverty Institute.
3. The study is a contribution to the United Nations Research Institute for Social Development (UNRISD) research project on 'Politics of Domestic Resource Mobilization for Social Development'. For more information, see <[www.unrisd.org/pdmm](http://www.unrisd.org/pdmm)>.