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Just give all the money to the poor?

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SECO WORKING PAPER 2022: 5

Just give all the money to the poor?

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Malin J. Nystrand,
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RUC

institute for democracy, citizenship and public policy in Africa

SECO WORKING PAPER 2022: 5
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The SECO working paper series publishes cutting-edge research on contemporary political and socio-economic dynamics in advanced, emerging and developing countries. The Working Papers present on-going research from the projects of both SECO's own researchers and scholars outside Roskilde University. We encourage submissions from scholars studying political and socio-economic processes from different social-science and economic schools of thought. We accept papers that draw on approaches from economic sociology, economic geography, economic anthropology and political economy, as well as ones that employ multi- and inter-disciplinary perspectives.

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ABSTRACT

With a particular focus on Sub-Saharan Africa, this paper explores the radical and potentially game-changing idea of allocating most Overseas Development Assistance (ODA) to social cash transfers. It concludes that financially it would be possible to reach many or even most of the poorest households with meaningful amounts on an annual basis. This would have a considerable socio-economic impact.

As a side-effect, governments that are now at the receiving end of current ODA would face a funding gap, as funds are shifted to social cash transfers paid directly to their citizens. Governments would need to compensate for this through increased taxation. In some countries, but not all, this is theoretically likely to lead to positive governance effects as governments become more accountable to their tax-paying citizens and are incentivised to improve the performance of revenue and adjacent government services.

Both of the above impacts/effects would be enhanced because a larger share of ODA would actually be spent in ODA-receiving countries. This is because the funding of social cash transfers can be delivered with fewer international overheads than current forms of aid.

At the country level, the politics of any significant increase of ODA-financed social cash transfers are likely to be challenging and context-specific. The paper shows that establishing international policy alliances and designing social cash transfers matching the political interests and ideologies of ruling elites and governments will be key. The paper specifically discusses the political pros and cons of channelling funds through three macro-level modalities, namely the government, the private sector and a proposed aid-to-cash foundation model.

In terms of policy advice, the paper argues for the adoption of a pragmatic, incremental and gradual approach. Any change towards significantly scaled ODA-financed cash transfers would (and should) take considerable time. Policy-makers could start by thinking of ODA support for social cash transfers not only as a tool for building national social protection systems, but also as an aid modality with broader applications. It could also be considered whether, in the intermediate term, the share of humanitarian aid currently allocated to social cash transfers (close to 20%) may in some country contexts also be a meaningful share for development aid.

Last, but not least, it should be stressed that the idea of large-scale allocation of ODA finance for social cash transfers is new and that there are many unknowns. Therefore, in the conclusion, the paper systematically suggests additional areas for research at the country level to provide a more solid empirical and analytical basis for policy-making.

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Just give all the money to the poor?

1. Introduction

'Just give money to the poor' – i.e. social cash transfers – has emerged as a viable way forward in the Global South as a cost-effective and universally applicable tool that has significant socio-economic impact. In the process, it also dignifies recipients by allowing them control over how the cash they are given is spent. The current growth of social cash transfers across countries and contexts begs the question, is the sky the limit?

Social cash transfers are very well documented, with abundant evidence of their apparently positive socio-economic impacts (Hanlon et al., 2010; Ferguson, 2015; Bastagli et al., 2016; Fisher et al., 2017; Beegle et al., 2018; Olivier de Sardan and Piccoli, 2018). There is also a growing literature on the political economy of how cash transfers are designed and implemented in the Global South (Seekings and Nattrass, 2015; Seekings, 2019; Hickey et al., 2020; Lavers and Hickey, 2021; Green, 2021).

Cash transfers are widespread and are used by donors, governments and Non- Governmental organisations (NGOs) across Africa, Asia and Latin America (Olivier de Sardan, 2018). In financial terms they made up a whopping 17.9% of humanitarian aid in 2019, up from 10.6% in 2016 (Cash Learning Partnership, 2020). The share of cash transfers in development aid is still significantly smaller, but with political momentum and continued positive documentation of their impact this could change. The ongoing COVID-19 pandemic has provided a new driver for the expansion, which is being embraced by governments, donors and non-state actors.

Development aid has at various points transformed itself quite fundamentally (Riddel, 2007). This was perhaps most notable in the 2000s, when direct budgetary support, which is essentially cash transfers to governments, grew to become a major element in development aid to a number of African countries (Koeberle et al., 2006; Riddel, 2007).

If social cash transfers are indeed a very effective tool for achieving socio-economic and other impacts, why not spend considerably more development aid in this way? Could and should cash transfers grow to become the dominant development concept? Would it be advisable to allocate perhaps all or the major part of ODA for this purpose? Focusing on Sub-Saharan Africa, our analysis aims to contribute to determining whether this radical and potentially game-changing idea would make sense. We realise that this multi-faceted and complex question cannot be answered in depth in any single paper. Instead, by drawing on and combining existing literature and analysis, in this paper we carry out a macro-level discussion of two sub-questions: 1) what would be the likely key impacts of scaling ODA-financed cash transfers; and 2) under what political conditions is scaling possible at the country level?

We argue that the potential socio-economic impact and reach of scaled cash transfers is considerable. Spending current development aid or a major part of it on cash transfers could potentially go a long way in directly alleviating poverty and creating a new basis for sustainable economic growth. We argue that in some contexts (but not all) an additional positive outcome would be improved fiscal social contracts,[1] hitherto a topic not analysed in the literature on

[1] The fiscal social contract implies that citizens should pay taxes that are utilized by government to carry out programs for the collective good.

social cash transfers. The logic is that, if ODA gradually shifts from current projects and programs to cash transfers at scale, then governments in receipt of current aid may face a gap in their public budgets over time. This may force governments to tax the domestic economy more, thereby changing the fiscal social contract as the government becomes potentially more accountable to its citizens (Prichard, 2015; Moore et al., 2018). For both the socio-economic impacts and those of the social fiscal contract, a contributory factor is that, by re-allocating aid to social cash transfers, a larger share of ODA would actually be spent in the recipient countries as overheads in donor countries decrease.

We argue that politics are important for the highly context-specific potential of a country to scale ODA-financed social cash transfers and that politics is likely to be a major stumbling block in many ways. Two factors, international policy alliances and domestic politics, are well known in the literature (Leisering, 2018; Hickey et al., 2020; Ulriksen, 2020; Lavers and Hickey, 2021) for being decisive in the evolution of current (non-scaled) social cash-transfer programs across Africa. In this paper we discuss how these factors matter for the feasibility of ODA-financed scaling. Finally, we argue that, at country level, agreeing on delivery mechanisms for scaled social cash transfers is likely to prove complex and challenging – in some contexts perhaps impossible – for donors, governments and other stakeholders. We therefore discuss the pros and cons of three potential overall management models.

In terms of policy outcomes and recommendations, it is easy to predict that a dramatic change to spending most ODA on social cash transfers is not going to happen anytime soon. But less can also suffice. In the conclusion we discuss what pragmatic policy steps might be explored for the idea to be taken further.

1.1 Positioning in the aid debates

The core question discussed in this paper – whether it is a good idea to reallocate most aid to social cash transfers – is clearly a big one and places the analysis in the wide-reaching, long-standing and highly contested debate on the overall role and functioning of international development aid. This debate has been pursued by proponents of more aid, such as Sachs (2005), nuanced macro-level assessments such as Riddel's (2007) and, perhaps most notably, numerous critiques. The latter highlight the shortfalls of ODA in, for example, having no impact on growth (Doucouliagos and Paldam, 2015; Arndt et al., 2015); aid-receiving countries not doing better than non-aid receiving countries (Deaton, 2015); aid resulting in corruption (Andersen et al., 2020); wasteful, expensive and overpaid aid bureaucracies (Easterly and Pfutze, 2008; Easterly, 2010); aid creating negative incentive structures for recipient countries (Moss et al., 2006); and aid helping repressive regimes stay in power (Picard et al., 2015). These critiques inform our analysis, but it would go beyond the scope of this paper to account fully for them all. However, we will point to two current ODA discussions that resonate particularly with our analysis.

Firstly, newer approaches have called for the entire aid project to be restructured to focus on current shared global challenges such as climate change, environmental sustainability, inequality and global pandemics. According to this thinking, international cooperation has never been more necessary, while the current system of aid is seen as outdated and ineffective (Horner and Hulme, 2020; Glennie, 2021). Glennie (2021) suggests 'Global Public Investment'

as a term to replace 'development aid' and advocates a new worldwide system of partnership between countries, including jointly managed funding mechanisms at the global or regional levels (partly inspired by the EU's internal structural and investment funds) with mandatory and legally binding contributions, rather than the North donating discretionally to the South as in the current donor-recipient set-up. This would mean that aid would follow the poor (or inequality) and not exclusively in low-income countries (LICs) (Glennie, 2021: 102). The idea discussed in this paper, namely that aid be given as social cash transfers to address the global problem of inequality and poverty directly – for example, through jointly managed "aid-to-cash" foundations at the national level – could well be a stepping stone towards Glennie's global vision.

Secondly, Li (2016: 1248) criticizes development aid as "the logic of intentional development and technical solutions". She outlines an alternative narrative, suggesting that the problems of poverty and inequality are fundamentally political and distributional, and that 'development', with its financial and technical solutions, will not be able to help the millions of people in the Global South who are increasingly redundant to the needs of capital. This framing suggests that aid is "peripheral" (ibid.: 1258) to the actual problems of the present. Our analysis explores the possibility of a less 'peripheral' role for future aid. Specifically, the question is whether a major part of ODA could be recast as a distributive mechanism by financing scaled social cash transfers directly to the poor, while at the same time, as a side effect, improving the political accountability of governments to their citizens.

1.2 Contributions of the paper

The key contribution of this paper is to introduce and discuss a new, disruptive and potentially game-changing idea for ODA: spending most of it on social cash transfers. At the macro-level, our analysis explores key elements of this radical thought experiment, including: 1) what impact and reach can be achieved; and 2) what political conditions are likely to enable or impede such a change at the country level.

A second contribution of this paper is to broaden our understanding of the impact of (scaled) social cash transfers to include changed fiscal social contracts between citizens and governments. Here we draw on the literature about the links between taxation and governance.

Last but not least, we point systematically to specific additional research that is needed at the country level. In this paper we deliberately aim to present and assess a new and wide-ranging idea at the macro-level and to do so with broad analytical strokes. We acknowledge that more in-depth research is needed, and in particular that context matters a lot. In the conclusion, we therefore suggest specific pieces of future country-level analysis which we consider particularly important in this context.[2]

[2] We have shared our draft analysis with senior professionals and thought leaders, including scholars from universities/research institutions, development aid practitioners, representatives of public and private donors/foundations, and government, and have received many useful comments, questions, criticisms and ideas. Some of this feedback has been fed into our identification of additionally needed country-level research in the future. We note that, in the history of the social cash transfer literature, this is not the first time that a distinction between what we know and what we need to know better is appropriate. See Barrientos (2012) on cash transfers and growth, and Banerjee et al. (2019) about the idea of universal basic incomes in the developing world.

1.3 Structure of the paper

The paper is divided into three main sections, focusing respectively on impact, politics and delivery mechanisms. Section two discusses the potential impact and reach of scaled and ODA-financed cash transfers. The section also discusses the potential impact of scaled cash transfers on government budgets, the potential consequences in the form of increased domestic taxation, and how this might change the fiscal social contract between citizens and their governments.
In section three we show how international policy alliances have enabled the evolution of current social cash transfers in aid-receiving countries and discuss how these alliances are likely to matter for any ODA-financed scaling. We also assess the importance of domestic politics for current social cash-transfer schemes and discuss how different types of regime and political contexts are likely to enable different outcomes for any instance of potential ODA-financed scaling.
Section four discusses three potential macro-level delivery mechanisms for scaled social cash transfers: publicly managed and privately managed mechanisms; and an innovative 'Aid-to-Cash' foundation model inspired by suggestions relating to the management of funds from extractive industries.
Finally, the conclusion pulls together the insights offered in the paper and points out the particular characteristics of countries where ODA-financed scaling of social cash transfers is likely to have either more or less potential based on the prevailing literature. We also discuss potential and pragmatic policy recommendations and, perhaps most importantly, suggest what additional research is needed on this topic.

2. Expected impact of ODA-financed scaled social cash transfers

To state the obvious: for social cash transfers to be meaningfully scaled, there needs to be some certainty that they will actually work. In the following we discuss the evidence for this. Since 2000, there has been a remarkable expansion of social cash transfers in Africa. Each country has at least one social safety-net program, and the average number of programs per country is fifteen, covering on average 10% of the country's population (Beegle et al., 2018: 4, 9, 320-326). A comprehensive meta-study by the Overseas Development Institute (Bastagli et al., 2016) analysed the socio-economic impacts of social cash transfers in the Global South through a review of 165 studies covering 56 cash-transfer programs, primarily in Latin America and Africa. The main results were positive, with the conclusions clearly showing that cash transfers have led to reduction of monetary poverty, increases in food expenditure, and increases in school attendance by children, and have improved health outcomes and the use of health services. Social cash transfers have also resulted in increases in livestock ownership and purchases of agricultural inputs (though showing mixed results on overall household savings), as well as overall increases in participation in and the intensity of work among adults of working age, coupled with reductions among the elderly, those caring for dependants and those in casual work, as well as reductions in child labour.
Several other studies and meta-studies by the World Bank (through Stanford University) (Evans and Popova, 2017), Department for International Development (2011), Fisher et al. (2017), Fiszbein et al. (2009), Beegle et al. (2018) and others point in the same direction. Two

meta-studies, Pega et al. (2017) and Baird et al. (2014), demonstrate positive health and schooling outcomes respectively. Hanlon et al. (2010) argue that social cash transfers are effective in reducing intergenerational poverty, while Araujo and Macours (2021) have demonstrated large and positive impacts on incomes and educational attainment among people who were covered by social cash transfers in Mexico as children twenty years earlier.

Hanlon et al. (2010), and Olivier de Sardan and Piccoli (2018) emphasise that, by default, social cash transfers dignify recipients with ownership and decision-making agency as recipients, instead of allowing experts, governments or NGOs to determine what aid should be used for.

Hanlon et al. (2010) further argue that continued and dependable cash transfers are particularly well suited to creating growth and development by: i) stimulating local demand; ii) providing economic security that can promote investment; and iii) providing critical start-up capital. A separate study of a USD 1000 grant programme in Kenya found large impacts on consumption and assets for recipients, as well as large positive spill-overs on non-recipient households with a local multiplier effect of 2.6 (Egger et al., 2019: 1). Beegle et al. (2018: 12) cite local multiplier effects between 1.08 and 1.84.

The administrative costs of disbursing social cash transfers appear relatively low. Beegle et al. (2018: 230), focusing on social cash transfers in Africa, calculate an average administrative cost of 17% of program spending, but with significant variation depending on the scale, phase and complexity of the program. For example, the administrative costs of the Jigisemejiri Safety Nets Project in Mali fell from 41.8% to 11.9 % of program costs in 2014-2016 as the number of beneficiaries grew from 30,000 to 375,000 (ibid.). On its webpage,[3] GiveDirectly, a leading private cash-transfer organization, claims that "since inception, we've delivered $0.88 per donated dollar directly to recipients in our standard campaigns", equivalent to a 12% administration cost.

Valid criticisms have also been made of social cash transfers. For example, Torkelson (2020) shows how the bundling of social cash transfers with financial services in South Africa can worsen indebtedness because a monopolistic financial services provider systematically promoted the use of cash transfers as collateral for expensive loans. More broadly, the finance and tech industries have been criticized for their roles in financial inclusion, including cash transfers (Mader, 2016). Golan et al. (2017) reveal large inclusionary and exclusionary targeting errors in China's rural cash-transfer program. Some stakeholders (but few scholars) have criticized cash transfers for their potential to create dependency and laziness (see Beegle et al., 2018: 142), as discussed later in this paper.

One dimension of cash transfers in aid-receiving countries which is less well documented is inflation. Social cash transfers can increase demand in the local economy, but if the supply side is not able to respond with increased output, a likely result is inflation and increasing prices for all citizens in the local economy. This could cancel out a significant part of the socio-economic impact of these transfers. The Kenya study mentioned earlier (Egger et al., 2019) demonstrated that cash transfers did not in fact lead to inflation in the local area due to the 'slack' or spare capacity in the economy. Broadly speaking there is so far little evidence of an inflationary impact of cash transfers in aid-dependent countries.

[3] GiveDirectly.org, accessed December 2021.

Last but not least, anyone working in development over time will recognize a pattern of analytically or conceptually promising ideas and approaches that gain mainstream support, only to turn out to be less impactful in reality or to have important and unanticipated negative side-effects. Think, for example, of direct budget support, structural adjustment packages, or integrated rural development. We acknowledge a risk that cash transfers may turn out to be the latest fad and that the analysis of them, despite peer reviews and academic rigour, may later be diagnosed to include elements of group-think and confirmation bias. This may be particularly the case if most research into social cash transfers is done by their advocates.

Overall, however, our reading of peer-reviewed studies and meta-studies of the direct and indirect positive socio-economic impacts of (current) social cash transfers in the Global South resembles the study of climate change: it is possible to find deniers, but they are, at this point in time, few and far between.

2.1 The potential reach of ODA-financed scaling of social cash transfers

The maths of social cash transfers become intriguing when we consider the potential for the scaling of social cash transfers financed through ODA alone. Annual development and humanitarian aid currently amounts to about USD 180 billion (Development Initiatives, 2018), and, at least before COVID-19, there were about 700 million very poor people globally.[4] Assuming an average household size of six (in very rough numbers), there are close to 120 million very poor households, which would each receive about USD 1500 (minus administrative costs) annually if 100% of global aid were spent on social cash transfers.[5] Alternatively 750 USD (minus administration) would be disbursed annually if 50% of global aid were thus allocated.[6]

Giugale and Nguyen (2016) explored using ODA for direct dividend payments to poor citizens in Africa and concluded that, in about a quarter of all African countries, current ODA alone (at 2011 figures) would be more than sufficient to lift everyone's income above the poverty line, assuming perfectly targeted direct payments were possible. Illustratively, at the national level in Uganda, a country that receives relatively large amounts of aid,[7] allocating 50% of ODA to child support by targeting the 23% of children who live in households below the poverty line would equal about USD 162 per child (minus administrative costs) annually – a considerable amount. By comparison, the government-sponsored child-support grant in much richer South Africa equals about USD 368 per child annually.[8]

Beegle et al. (2018: 114) carried out simulations of the scaling of assumed monthly cash grants of USD 50 for households in Liberia, Ghana and Niger, resulting in projected reductions of

[4] Living on less than USD 1.9 daily. See blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-turning-corner-pandemic-2021

[5] In 2019 in Sub-Saharan Africa, the average household size was 6.9, in the Middle East and North Africa it was 6.2, Asia-Pacific 5, and in Latin America and the Caribbean 4.6. www.statista.com/statistics/1090668/average-household-size-worldwide-by-region

[6] This does not suggest that the global poverty gap could be closed, but rather that many people living in extreme poverty could see their incomes increase relatively speaking.

[7] ODA annual average for 2001-2015 was 8 percent of Uganda's GDP (Lavers and Hickey, 2021).

[8] Numbers from 'Situation analysis of children in Uganda 2019', UNICEF and https://www.gov.za/services/child-care-social-benefits/child-support-grant. Authors' own calculations.

extreme poverty of as much as 40%. While the political and practical possibilities are, of course, multi-facetted and highly uncertain, the above figures show that financially it would be possible to reach many, if not all, very poor households with tangible amounts of cash within current aid budgets.

So much for socio-economic impact and reach, which is relatively easy to discuss and project, given the vast amount of empirical evidence and analyses of current social cash transfers. Another potentially important impact, the role of taxation and changed fiscal social contracts, is more challenging. It is not analysed in the current literature on social cash transfers, which tends to focus fiscal analysis either on determining how taxation can be improved to finance more social cash transfers (such as Bastagli, 2015), or on comparing the socio-economic impacts and efficiency of cash transfers with VAT exemptions (see, for example, Warwick et al., 2022). In contrast, our interest leads us to consider how scaled social cash transfers could potentially impact on taxation. Our discussion below is therefore conducted at the macro-level and is less empirical and more deductive; we also borrow heavily from other fields, including the academic literature on taxation and state building. We acknowledge that more country-level studies and modelling of how ODA-financed scaled social cash transfers may impact on taxation and the broader national economy would be useful.

2.2 Fiscal social contracts: a gradual phase-in is likely

We are not suggesting that a rapid or drastic shift to scaled ODA-financed social cash transfers should, could or would happen anywhere in Sub-Saharan Africa. A more likely scenario is incremental change over a period of, for example, five, ten or twenty years or more. South Africa, a frontrunner in Africa where social cash transfers are concerned, may serve as an illustration. The country has gone through decades of piecemeal expansions of social grants, for example, gradually increasing the threshold for the child allowance grant from six years to eighteen years and increasing the total number of social grant recipients from 2.4 million in 1994 to 16 million in 2014 (Seekings and Nattrass, 2015 139-167). By December 2021 it had become front-page news in South Africa (*Cape Times*, December 14th, 2021) that an expert panel had recommended that the current COVID-19 Social Relief of Distress Grant, which covers all adult unemployed citizens who are not in receipt of other grants or income, be extended and gradually transformed into a universal basic income grant. We interpret the suggestion as one more step in a strategic lobbying campaign by key stakeholders in South Africa to promote a universal basic income through a long-term, gradual approach (Ferguson, 2015).

This slow approach is not only found in South Africa. Based on evidence from four African countries, Seekings (2016) suggests an informal political-cost ceiling for social protection reforms of 0.4-0.5% of GDP at a time, which reflects the unwillingness of African governments to allocate more public funds for social cash transfers. Bender et al. (2021) demonstrate how the expansion of social cash transfers in Kenya has gone through a similarly long and piecemeal process.

We would suggest that any scaling of donor-financed social grants in the rest of Africa is likely to follow a similarly phased and slow trajectory. If and when strong socio-economic impacts are demonstrated, then perhaps one or more of the many current donor-funded COVID-19

relief instruments or of the many current social cash transfer programs in Africa (see Gronbach, 2020; Beegle et al., 2018: Appendix E) could be expanded in scope or time and eventually end up as scaled interventions. Alternatively, an ODA-funded pilot of, for example, a universal child support grant scaled at the local or provincial level could be launched in a country and, if successful, eventually be expanded nationally. A much less likely scenario is for either donors or the government to push for an immediate or abrupt repurposing of all or most development aid in any given country.

2.3 ODA-financed scaling of social cash transfers and taxation

Any such slow and gradual phase-over to scaled social cash transfers would add to a tectonic financial shift that is already happening. The African continent, according to Moore et al., has left the 'aid era' behind and moved into the 'tax era', where tax as a percentage of GDP exceeds aid (Moore et al., 2018: 28-29). Growth in African economies, declining aid and an increase in tax-to-GDP ratios meant that by 2014 average national tax revenues were more than twice average aid revenues, as opposed to the period 1986 to 1996, when aid exceeded tax (ibid.: 30). A study of Denmark's African partner countries covering the period up to 2018 shows a continued declining share of aid and an increasing share of taxes as shares of GDP (Fjeldstad and Therkildsen, 2020).

Were a significant part of ODA to be allocated gradually to the scaling of cash transfers, over time there would be less ODA available for government programs and/or budgets, and less ODA to finance the current level of third-party implementations of public service provision. This would create a gap in government finances and put pressure on governments to step in to maintain service provision and population satisfaction at the same levels.

For two reasons, the projected gap in government finance is likely to close partially through increased taxation without any government action. Firstly, the poor who receive cash are likely to spend a considerable part of their income on consumption rather than savings. This will create multiplier effects and increase local demand and consumption (Hanlon et al., 2010; Bastagli, 2016; Beegle et al., 2018: 12; Egger et al., 2019). Although much will likely be spent in the informal economy, there will be some spill-over effect into the taxable formal sector, including through VAT, which already typically contributes 25% of central revenues in Sub-Saharan Africa (Moore et al., 2018: 125). How big the consumption, multiplier effect and corresponding additional tax revenue will be relative to the status quo (the current ODA) would need to be further assessed and understood at the country level. Logically there should be a positive effect, but we have not come across any simulations or studies that provide clear specific conclusions in this area.

Secondly, a significant part of current aid, with its projects and programs, is spent in donor countries or channelled through international companies, bilateral and multilateral agencies, NGOs, consulting firms, research institutes, etc. based in donor countries, where a considerable share of the overheads and salaries of their international staff remain. If these interventions are replaced by social cash transfers, over time a larger part of the aid would be spent in aid-receiving countries and boost the domestic tax base. Aggregated numbers for the ratio of current aid spent in aid-receiving countries are hard to come by. The closest term used by

OECD/DAC[9] is 'country programmable aid', which was about 56 billion USD in 2019 or roughly a third of the total ODA. This appears very low but is not a fully exact measure of how much aid is spent in receiving countries. Lanati and Thiele (2019) estimates that 25% of current aid never leaves the donor countries.

This can be compared to the benchmark figure from GiveDirectly, mentioned earlier, that 88% of received funds are given directly to recipients in the South as transfers. It would be fair to assume that a significant part of the remaining 12% is also spent in-country (on local administration) and becomes part of the national economy. The same point could be made about cash transfers flowing through African governments with average administration rates of 17% (Beegle et al., 2018: 230). We are not aware of many current development interventions that can beat such in-country spending ratios, and a reduction in aid transaction costs appears likely.

It would go beyond the scope of this paper to calculate country-level scenarios for gaps in government finance, taxation levels and other macro-economic outcomes for different levels of the ODA-financed scaling of cash transfers. Instead, we note that the shift would gradually put pressure on governments to find alternative sources of finance to replace ODA in government budgets, and that one possible route would be to accelerate the growth of domestic taxation. As noted above, some of this increased reliance on domestic taxation would likely occur automatically, and some might happen through proactive government efforts. Our interest is what this increased reliance on taxation is likely to mean for social contracts (state-society relations) and governance more broadly.

2.4 Finance, tax and better social contracts?

There is a comprehensive academic literature exploring the links between tax, governance, and social contracts between citizens and government. Prichard (2010, 2015) argues that increased taxation can lead to improved governance through respectively: i) state apparatus processes; and ii) accountability and responsiveness processes, both of which we discuss below.

State apparatus processes typically occur because effective taxation is complex and requires new organizational systems, collaboration between government agencies, well-functioning registries of people, businesses, property and land, and an effective and disciplined staff. In some countries in contemporary Africa, an additional push to enhance taxation and taxation effectiveness, caused by a gradual shift of ODA to social cash transfers, is likely to lead to improvements in revenue services and in related parts of the public administration, such as justice, land rights and public service delivery. Countries such as South Africa (except during the 2010s), Uganda and Rwanda are mentioned as examples of African countries where a strong reliance on revenue services has been associated with improvements in administration (Moore et al., 2018: 183-184). Kjær et al. (2021) argue, using evidence from Tanzania and Uganda, that some resource-endowed countries deliberately and successfully create strong

[9] https://stats.oecd.org/Index.aspx?DataSetCode=CPA

revenue services that operate like pockets of effectiveness and that this can have wide and positive effects on governance.[10]

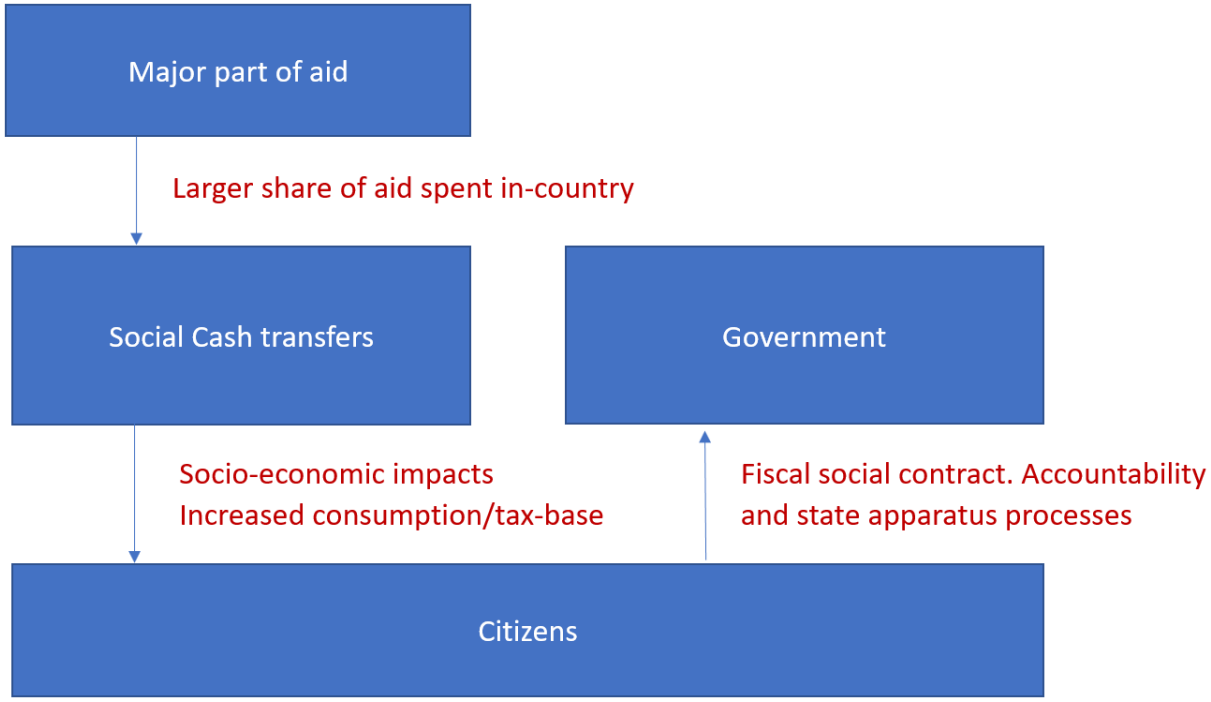
In terms of responsiveness and accountability processes, Moore et al. (2018) and Prichard (2015) discuss examples from Ghana, Ethiopia, Kenya and elsewhere and conclude that there is compelling evidence that taxation can and has been a stimulus to improvements in responsiveness and accountability in Africa. This can happen through direct tax bargaining when governments make relatively explicit concessions to tax-payers. An example is Ghana in 2000 and 2003, when the government increased VAT and at the same time earmarked increases to fund specific public services. A second option is tax resistance and the changes in government that take place when protests, tax avoidance and evasion eventually lead to unpopular governments losing elections or not being able to raise revenues, in the long-term forcing concessions onto tax-payers, as, for example, in the case of Kenya's 2000 election. Lastly, in a more general sense, battles over tax can increase the political abilities of tax-payers through the formation and mobilization of civil-society groups that can engage with governments on a broader range of tax and service-delivery issues.

However, there are also cases where increased taxes lead instead to extended periods of coercion rather than anything resembling improved governance (see, for example, Nugent, 2010). Prichard (2015) suggests that at least three elements will be important for the likelihood of positive accountability and responsiveness outcomes emerging at the country level. First is the level of revenue pressure facing governments. Governments that face significant revenue pressures and that cannot rely on alternative incomes from loans, increased pay-outs from government companies or other forms of income will have more incentives to be accountable to their tax-paying citizens. Secondly, there is the potential for tax resistance or collective action. Countries where tax-payers can vote with their wallets through tax avoidance or engage in effective opposition to taxes in other ways are more likely to see improved accountability and responsiveness. Thirdly, the nature of political institutions for bargaining purposes is important. The existence of forums, traditions and organisations for government and tax-payers actually to engage in dialogue will matter for accountability and responsiveness processes. We would suggest that some countries, such as Zimbabwe and the DRC, may be less likely to experience improved fiscal social contracts as a result of an increased need for taxation than, for example, Ghana, Tanzania, Kenya, Uganda or Zambia.

[10] Macuane et al. (2018) with evidence from Mozambique suggest that tax efforts were increased after 2010 in order to limit donor influence, but that this had limited effects on natural resource taxation efforts.

In summary, Figure 1 below illustrates how a positive scenario of scaled cash transfers might be played out in terms of money flow (arrows) and key impacts (in red).

Figure 1. Money flow and key impacts (in red) of ODA financed social cash transfers



Source: Created by authors.

As illustrated in Figure 1, shifting ODA to the scaling of social cash transfers would mean that a larger share of total aid would be spent in-country and would directly create socio-economic impacts for recipients. The shift would also increase the tax-base through expanded consumption. Governments would gradually be pushed towards greater reliance on domestic taxation for finance and would have an increased incentive to improve their revenue services, which can lead to positive broader governance effects through 'state apparatus' processes. Over time, the shift can also make governments more accountable to domestic citizens (tax-payers) through 'accountability and responsiveness' processes, which are likely to occur in some, but not all, countries.

The question is how to move from what may seem desirable in theory to something implementable in practice. The literature on publicly managed social cash transfers suggests that there are two particularly important aspects to keep in mind: the establishment of international policy alliances, and conducive domestic politics. In the following we discuss these two dimensions in some detail with scaling in mind.

3. International policy alliances and domestic politics

Donors have an obvious financial role in current African social cash transfers. According to Beegle et al. (2018: 35), governments in Africa finance on average 46% of spending on social cash transfer programs and donors the remaining 54%, but with huge variations (ibid.: 21). Hickey et al. (2018) argue that ODA plays an important role in both stretching and leveraging

government resources. This reflects considerable resistance among political elites in Sub-Saharan Africa to using government resources to finance social cash transfers (Seekings, 2016; Hickey et al., 2020; Green, 2021) if external resources are not being mobilized at the same time. Despite recent expansions, for most Sub-Saharan African countries, relative government spending on social assistance is still below global levels.[11]

3.1 Influencing domestic agendas

In addition to the obvious financial role, international organizations have an important role in both policy-making and agenda-setting. Hickey et al. (2018: 9) argue that policy-making processes related to social protection in Sub-Saharan Africa work with "the prominence of transnational actors (including United Nations agencies), international finance organizations (especially the World Bank), national aid donor agencies (such as the [former/then] British Department for International Development (DfID) and international NGOs". One element of this is the importance of international policy actors in "persuading" domestic governments in aid-receiving countries to agree to the inflow of funds from aid-induced projects and programmes being changed or redirected to social transfers.

For today's agenda-setting, social protection, and therefore also the social cash transfer agenda, is an integral part of the Sustainable Development Goals (SDGs), whose sub-goals 1.3 and 3.8 directly cite social protection, which is important for possible donor uptake. A formal commitment by all major international and donor agencies has found some kind of 'common ground' related to the social cash transfer agenda (see Hickey and Seekings, 2017; Green, 2021). This formal commitment is then pursued tactically and relentlessly in 'policy innovation' (Ulriksen, 2020) linked to a myriad of working groups, policy networks and yearly stocktaking (Leisering, 2018), study trips (Green, 2021), commissioned research reports on costs, benefits and targeting, pilot project development, and exchanges of technical assistance (Hickey et al., 2020). Lavers and Hickey (2021) refer to donors using 'soft power' through 'transnational policy coalitions' comprising not only donors, but also government bureaucrats, politicians and civil-society actors.

Interestingly, the apparent "common ground" or "consensus" that allowed promotion of social cash transfers was not based on a "clear idea [about] what policies would be appropriate" (Leisering, 2018, Chapter 4: 1). Instead, the cash-transfer agenda has been open to different interpretations and policy discourses in different contexts. Some donors, including the World Bank (Beegle et al., 2018), tend to promote an ideology of **productivism** that emphasises the role of growth and job creation as the primary tool for development and sees social cash transfers as an integral element of this. This includes the provision of cash transfers that can support growth, such as work for cash schemes, enterprise grants, and cash or vouchers targeted at productive investments, such as the provision of fertilizers for smallholders. The format of social cash transfers will often be conditional in order to nudge or force recipients to increase school attendance or health activities, which can build human capital in the longer term. Others,

[11] Average spending on social safety nets in Africa is 1.2% of GDP (Beegle et al., 2018: 11), and 2.8 percent of GDP is spent on the broader concept of 'social security', compared with the global average of 5.8 percent (Seekings, 2016).

such as the ILO and Scandinavian donors, have been spearheading a social protection floor in the Global South based on a **social rights** framing (Seekings, forthcoming) rooted in social democratic ideals and practices that are also seen in north European welfare states.[12]

3.2 Alliances for scaling: uniting different ideologies under one umbrella

Deng Xiaoping famously argued that it does not matter if the cat is black or white as long as it can catch mice. Similarly, one might argue that it is irrelevant whether the social cash transfer ideology of any given donor or government entity is based on productivism, social rights or redistribution as long as it results in cash reaching the pockets of the poor. Lavers and Hickey (2021: 4) refer to "the necessary condition of a transnational policy alliance" and, indeed, workable alliances and coalitions for social cash transfers that are supported by several different ideologies and international proponents have been successfully built up in recent decades (Hickey et al., 2020). For example, a large Ethiopian cash transfer scheme, the Productive Safety Net Programme, received support through a jointly funded World Bank trust fund to which various donors from different ideational standpoints contributed (Lavers, 2020a). International policy coalitions in Uganda and Zambia in the early to mid-2000s became more effective when rivalry between DfID and the World Bank led to one agency emerging as the lead in working with both governments on social protection (Lavers and Hickey, 2021).
Consequently, we suggest that the scaling of ODA-financed social cash transfers in any given country will be more likely to take off when: 1) an international policy alliance has engaged with domestic politics and provided an ideational and political basis upon which to build; and/or 2) when different discursive positions and strengths of potential funders can be combined through an in-country 'big tent' solution that includes all key donors under one umbrella in a coordinated manner, even if they have differing rationales for investing in social cash transfers. The 'big tent' solution will need to encompass not only the international funders but also the government and the domestic context,[13] as discussed further in the next section.

[12] Some of the perhaps more visionary scholars (but no donors) emphasise social cash transfers as a (global) tool of **redistribution**. Ferguson (2015) suggests framing cash transfers as a 'society dividend' that citizens rightfully receive for being members or owners of or shareholders in society, rather than considering cash transfers 'charity'. Piketty (2020), albeit with a focus on national economies more than the international economy, goes through major regimes of economic inequality in global economic history and argues that inequality has been reduced most effectively where governments have taxed the rich, and continuously redistributed part of their wealth to other parts of the population. It is not a great intellectual leap to argue that this 'tax the rich and give the money to the poor' approach is what ODA does and that redistribution through permanent social cash transfers to poorer populations in the Global South may be the most direct way of doing this. While this type of argumentation is not used by any donors that we are aware of, it may become an element in any future discussion of larger ODA financed scaling.

[13] To analyse domestic political contexts and their dynamics, we take partial inspiration from the political settlement approach, which was first developed by Khan (2010, 2017) and subsequently developed further by two research groups, one applying it to industrial policy (Whitfield et al., 2015), the other to social protection policy (Lavers and Hickey, 2016; Hickey et al., 2020). In this framework, the short-term survival of governments, often with a focus on the immediate election cycle, is the parameter that is seen as decisive for government action (for a summary, see Behuria et al., 2017).

3.3 Domestic politics and the scaling of social cash transfers in Sub-Saharan Africa

Domestic political dynamics are the most important factor determining whether social assistance is introduced and expanded. This is the main conclusion of two large research programs examining the expansion of publicly managed social assistance programmes in eight countries in eastern and southern Africa (Hickey et al., 2020).

International donors may have been driving the social cash transfer agenda in Sub-Saharan Africa for about twenty years (as discussed above), but domestic governments have resisted them in this and often only adopted and expanded such programs when domestic political factors have shifted and/or when donors have aligned their advocacy efforts to fit ideas and interests within the domestic political sphere (Hickey et al., 2020). Lavers and Hickey (2021: 3-4) identify two domestic drivers for the institutionalization of (state-financed) social transfers in Sub-Saharan Africa. The first is "the existence of meaningful political competition", which refers to the realistic possibility that the incumbents lose an election. The second is "a distributional crisis that is perceived as a threat to regime survival or the political system as a whole". Examples of such crises cited by the authors are inflation, indebtedness, inequality, failures in agricultural production, global economic recessions and trade shocks. In other words, there can be multiple and overlapping reasons for adopting social cash transfer programs or projects.

Our core interest is under what political conditions the (ODA-financed) scaling of social cash transfers would be acceptable or preferable to the ruling elite. Lavers and Hickey (2021) analyse the political conditions under which social transfers are institutionalised, by which they mean the national government gradually taking over control of such programs, both institutionally and financially, and where the programs are national in scope and have extensive coverage. This state-based institutionalization is different from the ODA-based scaling explored here – i.e. they answer a different question. Nevertheless, we can draw on their case studies to identify the possible conditions under which social cash transfers can be appreciated or at least accepted as a political tool by ruling elites and governments.

The first condition, as mentioned above, is increasing electoral competition. Lavers and Hickey (2021) argue that, in Ghana, Tanzania, Kenya and Zambia, social transfers became an important way of galvanising voter support and that institutionalisation increased just before or after highly competitive elections.

In countries facing little political competition, the driver towards institutionalisation has often been what Lavers and Hickey (2021) call a "distributional crisis". In Ethiopia, the driver was a food crisis in combination with riots in 2001-3, and in Rwanda increasing poverty and inequality, which came to be seen as a threat to regime legitimacy in 2007.[14] Rwanda and

[14] Lavers and Hickey (2021) also include Mozambique in the countries where the institutionalization of social transfers is due to a "distributional crisis", but this case is less clear, since institutionalization actually came before the urban riots that led to the Guebuza government endorsing social transfers more broadly. It may also be possible to question parts of Lavers and Hickey's (2021) analysis concerning Tanzania and Uganda. In Tanzania we wonder whether the implementation of plans and visions for social cash transfers were sufficiently prominent to influence elections at all significantly. Uganda is presented as an outlier, where the institutionalization of social transfers is markedly lower than in the other seven cases. Lavers and Hickey (2021) explain this in terms of an absence of both drivers in the form of political competition and distributional crises. However, according to some political settlement analyses, political competition in Uganda has been increasing gradually for the last 20 years

Ethiopia are examples of countries in which power is concentrated in a dominant party, and where cash transfer programmes have been included in development-oriented programmes. In Hickey et al.'s (2020) analysis, the development orientation is seen as a strategy to build regime legitimacy while at the same time suppressing political opposition. The focus in these countries has been on work-related programmes, such as cash or food-for-work, rather than on unconditional cash transfers, in line with their conservative ideologies and the fear of welfare dependence.

What we can learn from Lavers and Hickey (2021) is that, under certain conditions, cash transfers can be seen as an important political tool for creating or increasing regime legitimacy, both in states with high political competition and in more authoritarian states, though for different reasons (political competition versus distributional crises). A crucial piece of this puzzle is that the ruling elite needs to see that they get the credit for the cash transfer programs, which has consequences for the latter's modalities. Publicly managed cash transfer programs, or perhaps a cash transfer foundation with a large government fingerprint, would be preferable from the ruling elite's perspective, while large-scale social cash-transfer programmes implemented by non-government actors in some cases risk competing with, and undermining, the role of the state as a provider.

However, the evidence (Seekings, forthcoming) also points to situations, as in Zambia and Malawi, where social cash transfers have played only a limited, a mixed, or even an adverse role in winning elections because there may be ideological opposition to the very concept of social cash transfers. This reflects the fact that not only are most African elites characterised by conservative ideologies and are concerned about welfare dependence, but that large parts of the populations may concur with this stand (Seekings, 2021; Seekings, forthcoming). Social assistance to able-bodied adults is seen as 'handouts' that undermine the work ethic and self-reliance (see also Green, 2021) and are potentially harmful to the ambition to increase productivity, economic growth and long-term economic development. In Uganda, for example, this attitude has been especially entrenched in the Ministry of Finance (Hickey and Bukenya, 2016; Bukenya and Hickey, 2020), while the Ministry of Gender, Labour and Social Development has been more receptive to ideas of social assistance. In order to gain acceptability for the social assistance programmes in the cases studied by Hickey et al. (2020), donors had to give up promoting universal coverage to focus instead on programs in aid of certain vulnerable and/or "deserving" groups, such as the elderly, and/or on conditional programmes, and in particular, types of "productivism", such as food-for-work or cash-for-work.

For the scaling of social cash transfers to take off, these ideological concerns would have to be accommodated. This is also where donors still have some influence, as discussed in section 3.1, and where they can put ideas on the agenda and thereby potentially shift the discussion in the direction of increased acceptability. In principle, it should be easy to argue against the fear of welfare dependence, since evidence for the impact of social cash transfers shows no or predominantly positive rather than negative effects on participation in work and its intensity

(Golooba-Mutebi and Hickey, 2013; Bukenya and Golooba-Mutebi, 2019). That said, we still trust the overall analysis and conclusions of Lavers and Hickey (2021) about the possible links between, on the one hand, the introduction and expansion of social cash transfers, and, on the other hand, how elections and political legitimacy are won.

(Bastagli et al., 2016). However, political decisions are not primarily influenced by evidence-based arguments about socio-economic impact, but by political considerations.

In addition to the ideological concerns identified above through the literature, we foresee at least two political concerns which governments might have in relation to shifting ODA towards social cash transfers.

The first concern is the political opportunity cost. If a major part of aid is shifted to social cash transfers, incumbents may, quite rationally, worry about the political value of whatever aid might be shifted from. Which health, education, infrastructure or other investments will no longer be covered by the donors, and how will the electorate respond? A potential answer would draw on several earlier discussions in this paper. Firstly, the shift to social cash transfers would lead to more aid being spent in-country over time compared to current levels of aid. Hence consumption and the tax base would grow, making it increasingly possible for governments to self-finance public expenditure. Secondly, the shift to scaled social cash transfers would likely happen piecemeal and over a considerable time (for example ten to twenty years), giving governments an opportunity to adapt. The key for government and partners would be to manage not only the gradually increased taxation and self-financing, but also the political message, so that the positive splash from every incremental reform to give more people more cash outweighs any potential negative stories.

A second concern relates to the dependency of donors. If it is true that social cash transfers are important for winning elections or securing political legitimacy, then donors' political influence will be substantial if they become the main financiers of social cash transfer programs. What conditionalities may they impose, and how reliable over a period of five to fifteen years will donors be? Why would governments allow this political risk and donor dependency? Indeed, in some cases they could be right, as donors can be unpredictable (Gnangnon and Brun, 2019). Glennie (2021) may, as earlier discussed, have a point when he calls for a new and mutually managed and committed system of international cooperation. At a more practical country level, we would suggest that the aid-to-cash foundation model discussed in the next section may go some way to managing the risk.

What, then, are the key domestic political takeaways to consider in relation to any ODA-financed scaling of social cash transfers within a country? The first and most obvious is that any (ODA-financed) scaling of social cash transfers is more likely to survive politically if it is aligned with elite interests in terms of building either regime legitimacy, electoral support or the continued allegiance of political supporters. Second, ideologically many African governments and elites (and parts of the population), fearing 'welfare laziness', align themselves with productivism. Any scaling of social cash transfers that is designed to align with this rather than to rights-based or redistribution discourses are likely to have greater chances of political acceptance. Third, both authoritarian and more democratically competitive regimes can find social cash transfers useful as a political tool when under pressure, but their need to receive the credit for introducing cash transfer programs will most likely have consequences for the preferred modalities. Fourth, scaled social cash transfers would have to be designed, phased and managed in such a way that any (political) opportunity cost and the political risk of relying on donor funding does not outweigh the political benefits. Below we discuss how these conclusions may be translated into scaling modalities.

4. Three implementation models

Scaled ODA-financed social cash transfers in any given country would, by definition, involve significant amounts and reach many people. This raises the bar in terms of the requirements of a management and delivery mechanism that is efficient and is trusted alike by the funders, the recipient countries and the populations receiving social cash transfers. On the basis of the political economy analysis in previous sections, we would suggest that in several countries it may prove hard to identify a model that would be politically acceptable to both domestic and international partners. We therefore address delivery modalities separately in this section.

Scaled social cash transfers could be delivered either through the proliferation of uncoordinated individual social cash transfer interventions, or in a coordinated way, for example, through a joint mechanism allowing for greater impact and efficiency. The former might be preferred from a certain type of donor logic, based on the often perceived need to put a 'flag/tag' on aid. The latter may be desirable from the point of view of aid-effectiveness and transaction costs, and it is thus the focus of this section. However, any such joint mechanism is likely to be contested. An initiative by ECHO and DfID in Lebanon[15] to streamline the delivery of humanitarian cash through just one agency in order to reduce duplication and lower overhead costs was met with considerable opposition from implementing NGOs and agencies, who would lose contracts and turnover.[16]

Here we focus only on the entity that would be directly entrusted by the donor(s) with the scaled ODA for social cash transfers. We discuss the pros and cons in relation to three macro-level options: 1) the public sector; 2) non-state actors such as NGOs and financial institutions; and 3) a foundation model, inspired by thinking related to the management of income from extractives (Moss et al., 2015). Any of these entities, if entrusted with overall management, could further outsource payments and operations to external partners, for which there are many options,[17] but that is a topic going beyond the scope of this paper.

4.1 Public sector

Outside humanitarian aid, the most common modality for the delivery of nationally or donor-funded social cash transfers is the public sector. Indeed, the large social cash transfer schemes in China, India, Indonesia, South Africa, Mexico and Brazil, which Hanlon et al. (2010:

[15] www.thenewhumanitarian.org/investigations/2017/02/20/unconventional-cash-project-challenges-aid-status-quo-lebanon

[16] It is possible that the opposition to streamlined cash transfers from aid-industry stakeholders in Lebanon might be a prelude to future opposition to scaled ODA financed cash transfers. Scaling would come at the expense of projects, programs, contracts, jobs and overheads for the traditional aid industry, which may object to the role of 'no longer needed middleman' as funds go directly to poor recipients. A political economy analysis of this would be interesting, but is beyond the scope of this paper.

[17] A recent review of the payment mechanisms of 130 cash-transfer programs in 44 African countries revealed that a very wide variety of stakeholders were involved operationally, including government entities, post offices, NGOs, UN agencies, private and public banks, microfinance institutions, non-bank payment providers and mobile network operators, in a mixture of roles and contractual arrangements (Gronbach 2020). The review pointed in particular to the growing role of private financial companies and technology providers, who have entered the social protection sphere to benefit from its business opportunities and are forming new alliances with governments, aid agencies and NGOs (ibid.: 32).

frontpage) calls ‘a development revolution from the Global South’, are largely government-run (and financed), and the bulk of social cash transfer schemes in Africa as analysed by Beegle et al. (2018) are also public. Keeping in mind the size of funding related to any ODA-financed scaling, it would not be surprising if African governments would prefer social cash transfers to be publicly managed.

On the flip side, a lack of trust between donors and governments may impede progress, as the fiduciary risk would only increase with scaling. In 2018 a larger donor-supported, government-run social cash transfer program in Zambia saw funding being frozen by key donors following the misappropriation of USD 4.3 million.[18] Fiduciary risk management is also one of the reasons why, in supporting social cash-transfer programs, the World Bank typically builds parallel structures of implementation (Buur and Salimo, 2018; Hickey et al., 2018). With scaling, any risk of financial capture by ruling elites, and any fiduciary risk either nationally or locally, is likely to increase and be harder for donors to accept.

Governments (and ministers of finance in particular) may also worry about expectations from the public for continued social cash transfers from the government. Who pays the economic or political bill should the donors pull out for any reason? Governments may worry justifiably that they could end up with a long-term bill for extensive social protection schemes once donor funding ends.

4.2 Privately managed/non-state partners

Non-state partners, including NGOs, UN agencies, financial service providers and mobile network operators, play significant roles in social cash transfers in both humanitarian and development interventions. Specialized NGOs such as GiveDirectly, if entrusted with the overall responsibility, could likely roll out larger schemes very cost effectively. For business reasons the financial industry and the tech sector have aggressively entered not only microfinance (Duvendack and Mader, 2017) but also social cash transfers, and may in many cases provide an infrastructure which is indispensable for scaled social cash transfers, especially as these systems grow and become more complex (Gronbach, 2020).

Some particularly well-established NGO structures are already being used to navigate large-scale service delivery in the domestic political context, often in health (Riddel, 2007) or education (Titeca and De Herdt, 2011; De Herdt and Titeca, 2016). For example, the Churches Health Association in Zambia (CHAZ)[19] has on occasion delivered close to half the national health services, while the Graça Machel Foundation in Mozambique appears to enjoy the relatively high confidence of both donors and the government. Such entities may in some cases provide trusted and credible delivery mechanisms for scaled social cash transfers if they can muster the technical capabilities for this line of work.

However, when and if scaling ODA-financed social cash transfers, it is hard to imagine that governments would allow such a significant large-scale influx of funds for their populations outside direct or overall government control. NGOs such as GiveDirectly may have been flying under the political radar until now, but as they and their projects get bigger, they might find

[18] https://www.bbc.com/news/world-africa-45560404

[19] Information from one of the authors of this article who worked as a consultant for CHAZ.

they are flying into the sun instead. This seems to be what happened in Uganda when a 15 million USD COVID-19 cash transfer project was halted for what appear to have been political reasons during an election campaign (Kisakye, 2020).

4.3 Aid-to-Cash foundation model

There may be a third way. Moss et al. (2015) present a bold proposal for alleviating the risks of the resource curse in resource-rich developing countries by setting up independent oil-to-cash foundations nationally. In a nutshell, income from oil or other windfalls would be directed to a national foundation and used for direct cash transfers to citizens of the country in question. Moss's model is in part inspired by Alaska's Permanent Fund, which does exactly that. Aid may be considered a windfall income in some ways comparable to oil and could be managed the same way (Moore, 2004; Dalgaard and Olsson, 2008; Morrison, 2012).

An aid-to-cash foundation could be established nationally 1) to receive a significant part of aid revenues; and 2) to give citizens a direct stake in the aid by distributing the income of the fund directly to them in regular and transparent payments based on an agreed set of fiscal rules. The cash transfers could be allocated either to all citizens equally or – perhaps most relevant for an aid-to-cash fund – be targeted on the basis of either means-testing or (administratively simpler) categorical targeting of, for example, the elderly or families with children. An aid-to-cash foundation could be set up with a variety of management arrangements, in line with a country-specific bargain between donors, government and social actors, but it would be off government budgets and would include a significant element of independence from direct government control. Management of actual payments could potentially be outsourced to third parties, such as banks, mobile network operators or post offices.

Seen from a donor perspective, an aid-to-cash foundation could reduce the fiduciary risk more than working directly through the government and could provide a unified mechanism for pooled donor funding, which could be scaled up and down in line with the available funding. From the government's perspective, an aid-to-cash fund would give it a seat at the main decision-making table, as well as ensure flexibility and scalability, without creating permanent obligations on government budgets.

An aid-to-cash foundation could also have a considerable political upside. It is not hard to imagine the boost to the political legitimacy of a President being able to inform the electorate of the successful negotiation of a major part of the country's donor aid. He or she could state that aid that had hitherto disappeared into a myriad of projects, programs and international overheads will now be given directly to, for example, all poor families with children in the country through what could be labelled the National Child Support Fund or similar.

On the flip side, opposition among the domestic political elite to channelling a major part of ODA outside the government and into a foundation may arise, as this could well be seen as representing a loss of control over donors or resources, not to mention a loss of rent-seeking opportunities orchestrated in and through the political settlement (Salimo et al., 2020; Mushi et al., 2021). Moss et al. (2015) cite the example of Nigeria, where a fund that was successfully set up to manage income from extractive industries did not fare well when a change of government led to a change in approach, indicating that, despite the separation between the government and the foundation, a level of continued political support was necessary. Pegg

(2006, 2009) describes how a foundation was set up outside Chad by international donors to manage earnings from the Chad-Cameroon pipeline project. When the regime needed resources, the foundation was transferred to Chad and looted. Contrary to the situation with an oil foundation, donors would of course have the ability to easily close the tap for continued aid funding to any aid-to-cash foundation, should it go off the rails. Nevertheless, the experiences of Nigeria and Chad do illustrate the relevant political risks.

5. Conclusion

Shifting a major part of ODA to social cash transfers would represent a bold move to revitalise global development aid by making it more redistributive and benefiting the poor directly. Such a shift is likely to be impactful. Given current aid budgets, if a major part of ODA is allocated to social cash transfers, it would, in financial terms, be possible to reach many or most poverty-affected people with meaningful amounts that would probably lead to a significant dent in poverty. Given the extensive documentation of current cash transfers, this outcome appears very likely.

In addition, over time a (gradual) scaling of aid for cash transfers would mean less money for traditional projects and programs and developing country governments would experience a gap in their finances in varying degrees that they would need to finance through domestic taxation. We know from the taxation literature (Prichard, 2015; Moore et al., 2018) that this can lead to 'state apparatus' processes whereby governments are incentivized to make revenue services and adjacent government entities perform better. The increased taxation can also lead to 'accountability and responsiveness' processes, as governments become more accountable to their citizens rather than to their donors. However, the literature on taxation also suggests that in some contexts the need for increased taxation may just lead to more coercion. Countries are likely to experience more accountability rather than coercion when their governments face significant revenue pressures, and/or there is the potential for tax-payers to 'vote with their wallets' through tax evasion, and/or there are strong institutions for political bargaining.

The scaling of aid-financed cash transfers would probably lead to a larger overall part of ODA aid being spent in-country, as opposed to in the donor countries, which is likely to reduce transaction costs and boost both the socio-economic and governance impacts discussed above. The feasibility of scaling in any particular country will be context-specific and will depend on international policy alliances between donors, governments and other stakeholders. Donors have already been instrumental in promoting the cash transfer and social protection agenda in African politics, which is also likely to be needed for any ODA-financed scaling to take place in a given country context. The chances of success will be higher when partners can get together behind cash-transfer schemes that can encompass different discourses for cash transfers, including for productivism, rights-based, or redistribution purposes.

Until now, domestic politics have been the most important factor in whether cash transfers and social protection have evolved in aid-receiving countries, and, if so, how. Any future scaling of cash transfers using ODA funding is likely to have to match ruling elite interest in terms of building constituencies and regime legitimacy and/or winning elections. It would also need to match the ideological preferences of the governing ruling elite and the general population, both of which tend to be more productivist than rights-based, ideologically. Previous case studies of

the institutionalization of state-based cash transfers indicate that both authoritarian and politically competitive regimes might find them a useful political tool for building regime legitimacy when this comes under threat, although this is likely to be highly contextual and to reveal considerable variation. In either case, the ruling elite will want to be able to take the credit for the cash transfer program, which has consequences for its modalities.

The overall management and delivery mechanism that is adopted in each case will be key, and it may be hard for stakeholders (donors and government) to agree. In some countries, donors are unlikely to have faith in sending a major part of their aid through government systems, while both governments and donors might have reservations about leaving the overall control of funding to NGOs and the private sector, including the financial industry. Governments may also worry about donor leverage where donors control the funding for something as politically sensitive as cash transfers for large parts of the population. A proposed and innovative aid-to-cash foundation model at the country level, inspired by comparable oil-to-cash foundations (Moss et al., 2015), may in some cases be a workable solution worth exploring.

5.1 Pragmatic policy suggestion: a gradual and slow expansion

This paper has conducted a 'big-bang' thought experiment about a major shift of most ODA. In practical terms we are not suggesting that such a dramatic change is likely to happen or that it should be pursued with any immediate effect. That would be risky and irresponsible due to the many unknowns. Instead, policy-makers could start by thinking of the ODA funding of social cash transfers as a potential new multi-purpose aid modality, and not only as an element in building national social protection systems. With this broader understanding of social cash transfers, a long-term vision could be that the share of development aid allocated for social cash transfers could potentially end up significantly larger than it is today. In some countries it may be close to 20%, which is the current level for humanitarian aid, and over time it could become even more. However, this should happen only as (and if) a gradual expansion of social cash transfers at the country level demonstrates continued socio-economic and political impact and viability. In the national context, this would mean deliberately exploring piecemeal, step-by-step expansion of existing social cash transfer; experimenting with new modalities such as aid-to-cash foundations; engaging with the national public debate and policy dialogue; and continued careful monitoring and research related to the implementation and results of any expanded social cash transfers. We outline some of the potential research below.

5.2 Future research

Since our analysis suggests that the potential for the ODA-financed scaling of cash transfers will be context-specific, we suggest further **research at the country level** in particular. Such research could focus on:

- Socio-economic modelling and scenario building. What would be the likely socio-economic impact and reach of allocating significant parts (e.g. 10%, 20%, 50%) of nationally available ODA for different types of cash transfers (such as child support, old-age pensions, workfare, conditional/unconditional transfers, etc.)?

- Gender. How can scaled cash transfers at the country level be best designed to support a positive gender impact. By targeting support for heads of households or mothers, single female-headed households, or something else?
- Macro-economic modelling and scenario building. What would be the likely country-specific impacts of different levels and types of ODA-financed scaled cash transfers on employment, levels of economic activity, inflation, government budgets, taxation (including VAT, income taxes and other taxes), etc.?
- More aid spent in country. As an input to the above economic assessments, how much additional ODA spending in-country would a shift to cash transfers potentially lead to, i.e., how much of the current country envelope is not spent in country, and realistically how would this change?
- Opportunity costs. What specifically will be the expected in-country social, financial and economic opportunity costs of shifting ODA from current purposes at different levels and timelines, and how could these be managed? What happens to social sectors and services, investments in infrastructure and other aspects if aid is shifted over time, and to what extent will governments be likely, able and/or willing to maintain service levels and gradually address gaps in government finance though increased taxation?
- Governance effect. What does past country-level evidence indicate about the links between taxation and governance and, based on this, what are the prospects that the ODA-financed scaling of cash transfers may lead to state apparatus processes and state accountability and responsiveness, as opposed to mere government coercion in the process of collecting additional taxes?
- Modalities and co-funding with government. What are the country-specific pros and cons of channelling scaled cash transfer funding through governments or the private sector, or potentially through an aid-to-cash foundation? Can increased cash transfers build on, combine or merge with existing in-country (government-funded) cash transfer schemes? How can modalities and agreements between donors and governments in-country be structured to manage the political and fiduciary risks for both parties?
- Politics, power and ideology. Does the in-country political history of cash transfers indicate any domestic political or ideological appetite for a move towards increased cash transfers? How would major shifts of ODA to cash transfers depend on (and impact on) power structures, regime legitimacy, election dynamics and the ideologies of the elite and general population?
- (Fiscal) social contracts, reduced inequality and social cohesion. What would a combination of: 1) larger social transfers benefiting predominantly the poor; and 2) the predicted increases in taxation, which may realistically end up being paid mostly by the middle and upper classes, do for social cohesion and political support for the government by different sections of the population? How can this be managed, for example, by designing categorical transfers (e.g., for mothers) that are seen to benefit many or all parts of society more universally and not only the very poorest?

We are under no illusion that a major shift of ODA to social cash transfers would happen in the short term anywhere. But we would suggest that research, such as proposed above, in combination with innovative and daring policy-making could potentially in the medium to long

term result in large-scaling of ODA financed social cash transfers in some countries. This might turn out to be a game-changer for development aid and a more effective way to alleviate global poverty.

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