



## **Institutional development or direct support to the poor**

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## **CONTENTS**

|   |    |
|---|----|
| Abstract  | 4  |
| Institutional development or direct support to the poor                       | 5  |
| Social inclusion and improved governance?                                     | 7  |
| But do Cash Transfer programmes really work?                                  | 8  |
| The Cash Transfer Approach: A case of one step forward and<br>two steps back? | 9  |
| Concluding comments   | 10 |
| References  | 13 |

## **ABSTRACT**

There are two fundamentally different understandings of how to bring about development. One argues that through the right policies it is possible to create an enabling environment for the development of people and societies. The other emphasises that development can only take place if those who are supposed to benefit from it, insist on it themselves. In the second understanding development cannot be created from above or from outside. So-called cash transfer programmes having spread from Latin America to Africa and Asia are based on this understanding as they transfer money to poor people on certain conditions. The question is to what extent these programmes contribute to development.

## **INSTITUTIONAL DEVELOPMENT OR DIRECT SUPPORT TO THE POOR**

The title presents a clear choice between two types of aid assistance the merits of each are currently being compared and debated. The first is the supply side assistance that seeks to build up the organizations and institutions that organize and provide the delivery of the services needed to counter poverty, to promote economic growth that includes the poor, and to reduce inequalities. The second is demand side assistance that provides the cash funds to cover the costs the poor incur in the market for services. The supply side has been the dominant paradigm but the attraction of the demand side approach appears to be growing mainly in the form of Cash Transfer (CT) programmes that are spreading from Central and South America to Africa and Asia. Why this apparent shift in thinking on aid assistance, what is it rooted in and is it a new magic bullet capable of doing what other forms of aid assistance have failed at?

For some the choice between supply and demand side approaches might appear to be mainly a technical issue as to how best to target the poor, how best to secure the services they need, and how best to secure their access to these. To assume this would be wrong. Behind these two approaches lies a quite fundamental disagreement as to what is the basis for economic change and development and as to the role of individuals as economic agents in the processes involved. Should the individual be viewed as the passive or the active party in such change? The disagreement does not have to be met with either or solutions necessarily, but it does need to be understood in developing aid assistance strategies.

If the economic welfare of a society, developed or developing, is a collective issue, then it should be possible for governments to intervene through the state with policies that remove the obstacles (technical and social) to economic growth and development. However if economic welfare is best seen as something that is in the eye of the beholder, that is a matter of individual taste, then it cannot be achieved by state intervention, but through increasing the opportunities for individual choice. Here we can begin to see the policy implications lying behind the dichotomy captured in the title and indicated above, the position one takes concerning the economic agency of the individual determines to a considerable extent the strategies to be pursued in delivering aid assistance. Expressed crudely it would appear to be a choice between development by design or by demand.

Demand side development is not new. For two decades or more now, aid policy has sought ways to mobilize the political agency of the individuals. Aid strategies have pushed for interventions to be participatory, to be empowering, for democratic institutions to be strengthened to generate effective, efficient and not least accountable government. Forest programmes have had their forest user committees; education programmes have promoted their school management committees; elsewhere we find watershed management committees, drinking water management committees, slum dwellers associations, such that there is hardly a programme or project without some form of user group or self-help group placed somewhere in its organizational set-up. In theory these local organizations are for individuals to organize and prioritize their interests as needs and to communicate these to the government; the government should then use

this information to identify and provide the right services and resources. In practice it has proved not to be so simple and hopes and expectations have all too often not been met.

It does not take too long in any study of local participation in development to discover that many of these local organizations are in fact supply side in origin despite claims to the contrary. In fact it remains a service provision based upon governments', donors' and expert advisers' assessments as to what are needed and how to provide these, albeit on the basis of the participatory assessments. This leaves popular participation as a rather controlled form of political agency at best. It leaves development practitioners with the problem as to whether or not to continue building institutions to bring about economic growth, promote inclusive democracy, and provide services to the poor. It is not that the institutional approach has obviously failed, but it has not been an unmitigated success with a clear set of strategies guaranteed to deliver. Might it not be better to target individuals willing to work for change and give them the resources they need to set their development in motion: in other words schools or school money; farmer services or farmer grants?

The current attraction of a demand side approach rooted in money is certainly understandable in the present context and explains why Cash Transfer (CT) programmes in various forms have come onto the aid assistance agenda. They embody the belief that it is not enough for the government to provide education, health and other services and to assume that the poor will access them, nor is it sufficient to mobilize targeted groups into organizations that can make government more responsive to their needs. These approaches have proved inadequate to the task

of bringing about significant changes for the poor and it needs the leverage of increased demand coming from the poor.

What are Cash Transfer (CT) programmes? They take on various forms, but in general terms they are programmes that provide cash funds to targeted groups with the giving of the cash being made conditional on certain actions being undertaken by the recipient. Typical fields for such funds are education and preventive health; they can also be a part of social security provision by the government.

The thinking behind the cash transfer programme is quite simple; it is to link cash provision to behaviour in the chosen field; this behaviour is monitored through certain verifiable actions being undertaken such as regular school attendance by a household's children or the practicing of basic preventative health care. The approach recognizes that there are many reasons for why a family does not invest in its children's education or in its health, quite a few of which are due to the costs involved. For example the price of books, transport and uniforms, the loss of income if the child does not work, the short term costs for the household of practicing preventative health care, and so on. These are typical barriers to the demand side to these services and they can be reduced by providing funds contingent on the pre-fund behaviour being changed.

Each CT programme operates with a simple set of indicators; for schooling it is based upon a child enrolling and then maintaining attendance at usually 80-85 per cent of school days. For nutritional and health CTs the programme usually targets pre-school children and pregnant and breast-feeding women and will be conditional on household members complying with a country's requirements for preventative basic and reproductive health

visits. The performance of the households against the indicators determines whether the funding will continue or not. In the short term there are some gains and no additional costs for the family – uniforms, transportation to school or health clinic, loss of earnings, etc. are now covered by the fund. In the

long term there is the possibility of significant gains with nutritional, health and educational improvements that can help break the inter-generational continuation of poverty in the family. Table 1 below provides an example of a fairly typical CT project currently being implemented in Tanzania.

**Table 1. The Tanzania Community-Based Conditional Cash Transfer (CB-CCT) Pilot**

| Sector    | Beneficiary                         | Conditionalities   | Frequency of required compliance | Frequency of monitoring  |
|-----------|-------------------------------------|--|----------------------------------|--|
| Education | All beneficiary children 7-15 years | Admitted in primary school                               | Once a year                      | Once a year right after enrolment period ends by filling out compliance form |
|           | All beneficiary children 7-15 years | Individual attendance                                    | 80% attendance of effective days | At the end of each trimester (3 times/year) by filling out compliance form   |
| Health    | Children 0-5 years                  | Visit to health facility to monitor growth               | Three times a year               | At the end of each visit (3 times per year) by filling out compliance form   |
|           | Children 0-2 years                  | Vaccination and monitoring growth                        |                                  |  |
|           | Elderly (60+ years)                 | Visit to health facility for basic check and orientation | Once a year                      | At the end of the annual visit by filling out compliance form                |

Beneficiary households receive their cash benefits every two months, ranging from a minimum of US\$12 to a maximum of US\$36, based on the following calculation:

- Children = US\$ 6 / bimonthly (50% of food poverty line)
- Elderly = US\$ 12 / bimonthly (100% of food poverty line)

Source: David Evans(2008) 'Tanzania Community-Based Conditional Cash Transfer (CB-CCT) Pilot: Testing Community-based Conditional Cash Transfers, Social Protection Presentation, World Bank, November 12, 2008

## **SOCIAL INCLUSION AND IMPROVED GOVERNANCE?**

The logic behind the belief that CTs can have a long term impact on social inclusion and better governance should be quite apparent. Namely that as the poor experience improvement in their human capital, reduction in their poverty, and less inequality in their position

within the broader society, social inclusion will be reduced and their engagement with government improved. Although there is considerable disagreement as to what causes improvement in a marginalized group's social and political condition, history does suggest that improvements in their human capital and in their economic condition are central factors. The relationship between a government

and the poor in a country should also change from a paternalistic relationship towards one of co-responsibility for reducing poverty and here we can find links to the rights based approach in that CTs better enable rights holders to pursue their rights.

In the short term, CT programmes are seen to offer a number of changes in social inclusion and governance for the targeted groups: they can improve the accountability in the relationship between central governments, local governments, service providers and the target groups, they can bring the most marginalized and excluded into the government's reach where government is not functioning, and where it is not they can fill in for some of the failings of a fragile state given the technical simplicity of CT programmes and the fact that they can be implemented through local bodies even when central administration is weak.

The importance of the targeting potential is because those living in extreme poverty often have too many obstacles or barriers preventing them accessing government assistance programmes; those with no land rights, those who have to migrate seasonally, and those who are deeply indebted to local moneylenders are examples of groups that often slip through social protection nets. Conditional CTs can be targeted directly at such groups as funding and action are so closely linked in this modality; if a household meets the performance requirements the funding continues, if it fails the funding stops.

The importance of bringing these new populations into the arena of local service provision and enabling them to pull down services on the basis of their CT funds is that it can lead to greater and improved responsiveness on the part of the service provider; for example the poor know the benefits of education and with the ability to secure it for their children without incurring extra costs,

they become an active stakeholder in the politics of school provision. Local councilors are faced by more demanding voters, teachers are faced by new parents in school meetings and school management committees; a little improvement in financial security can go a long way in making service providers more accountable to poor rights holders. Thereafter the introduction of appeals mechanisms and a general strengthening of community and civil society participation and engagement through boards, the media, information dissemination and advocacy can all add to better local government and improved service provision.

## **BUT DO CASH TRANSFER PROGRAMMES REALLY WORK?**

CTs were initially taken up in a number of Central and South American countries, only more recently have other countries in Africa and Asia begun to look seriously at CTs as a new approach to add to their poverty reduction, for example recent programmes have been launched in Tanzania, Malawi and Indonesia. Initial evaluations suggest that that CT programmes in Mexico, Nicaragua, Honduras, Colombia, and Brazil have been successful with improvements recorded in indicators such as primary school enrolments, children completing primary school, secondary school enrolments, children's physical growth, and household nutritional consumption<sup>1</sup>. There have also been indirect impacts noted with multiplier effects leading to improvements in the local economy, and there has also been a reduction in the vulnerability of poor households targeted

<sup>1</sup> See Bénédicte de la Brière & Laura Rawlings, (2006), Janvry & Sadoulet (2006).



by CT programmes to natural and economic shocks. UNICEF, responsible for several new CT programmes in sub-Saharan Africa, has documented similar improvements there.<sup>2</sup>

These positive changes have to be placed in context however. First they demonstrate only that the demand side approach of CTs can work when the administrative capacity to deliver the education and health services are in place. Second they demonstrate that while the funds are provided there is a positive effect, but there is little evidence as yet as to the sustainability of the change. Where there has been an exit strategy for the programme in terms of a point at which funds will stop, the programme has ended up being extended suggesting that there are problems in maintaining the improvements achieved. Third there is a growing question mark as to whether the CTs risk creating a dependency situation in which the targeted households are lulled into a sense of security that reduces the pressure to find alternative ways for coping with their extreme poverty. This can also be linked to passivity with regard to government as political demands are replaced with a beneficiary mentality. Fourth the targeting of nuclear families in some societies might undermine coping strategies that draw upon forms of community solidarity. For example in countries with economically marginalized and socially excluded indigenous groups, there is often community support to help the weakest households. These practices can be undermined by the nuclear family targeting of the CT programmes. Finally, there is a risk that CT programmes will mark a return towards a more fragmented approach towards poverty reduction and that development as-

sistance might come to lack the broader more holistic approach of a sector programme approach for example, where one has supply side investments across a range of different interventions and with different modalities that seek to complement one another and to develop strong synergy effects for poverty reduction.

### **THE CASH TRANSFER APPROACH: A CASE OF ONE STEP FORWARD AND TWO STEPS BACK?**

It remains a strong possibility that CTs can make an important contribution to poverty reduction in developing countries. In particular their capacity to enable the poorest households to pursue improved education, health and nutrition should not be underestimated. These are aspects of their livelihoods that poor families prioritise when consulted and invest in given half a chance. The conditionalities involved should be seen as not so much a means of control, but more as a means of performance monitoring that can be used by both the household and the programme to identify needs and best promote their interests. It also a proven means with which to prevent leakage of the funds towards other expenditure demands that the household faces on a daily basis. This is a step forward.

Thereafter the potential gains are less certain. Where there is an existing capacity to provide schooling and health, then the CT programmes can help the poorest households to also access these services. Where there is poor provision then the risk is that the poor will be condemned to use the low quality service provided and that this will deteriorate as the demand increases. Meanwhile the more affluent households will turn to the private sector or to the better serviced state schools

<sup>2</sup> See Schubert, B. & Huijbregts, M. (2006) - 31 October 2006

in the more affluent neighbourhoods. As previously suggested, demand side programmes only work if there is a supply side that can respond and meet that demand with the quality of product needed. What is seen by the government as socially and politically acceptable might not be of the necessary quality.

Next one needs to consider the scale of the CT programmes. In some cases the programme is national, but in many countries the coverage is at regional, district or sub-district level. Furthermore within the programme locality, the coverage is limited with only a section of the poorest being targeted. If the programme is not scaled up to cover all of the poor households that are eligible for the programme then it will be a programme that creates difference and exclusion while at the same time being promoted as a way to reduce inequality and promote inclusion.

Another important issue concerns the selection of the implementing agency, in particular at the local level. Those who might be considered due to their experience in having worked with programme administration previously might well carry work cultures and be involved with vested interests that undermine its effectiveness and accountability; it must be noted that the potential for corrupt implementation is considerable. To create a new programme implementation unit with national and local presence might secure greater neutrality and objectivity, but it is demanding in time and resources and represents a duplication and thereby a critique of the existing government organizations with the tensions and problems that this can bring. After the Paris Declaration, donor alignment with government policies and strategies is not best served by the creation of new parallel organizational structures even if it is with the acceptance of the government.

To administer such a programme in itself is also expensive in human and financial resources, especially in the start up phase. Whether it is an existing agency or one created for the programme, there will be a considerable need for capacity building in order to provide the necessary support for the programme to have an impact. Thereafter the identification and selection of those to receive the cash transfers and the conditionality monitoring will be administratively very demanding and the administration will need to be monitored to secure transparent and accountable implementation.

Finally there is the theoretical question as to whether a demand side approach can provide the intended outcomes. In the particular context of developing countries with extreme economic and social inequalities often sustained by the political system, can demand side agency bring about the types of systemic changes needed? It might be that CT programmes are a case of failings in previous approaches, the need to reach 2015 targets, an alternative theoretical logic, and possible ideological interests leading to an overzealous promotion of this seemingly new modality.

## **CONCLUDING COMMENTS**

It takes time to build institutions that can secure effective, efficient and accountable service provision. It takes time for citizens or their representatives to understand what role they should play in such institutions and to build up their capacities such that they can secure the outcomes intended. In many countries local councils remain at best implementing agencies for sector departments and ministries with little control over the funds allocated to these bodies. The multitude of user groups, self-help groups, resource man-

agement committees, and community based organisations generated by aid assistance over the past two decades have had a poor record for sustainability once the development assistance funds cease and have often had unintended outcomes that have been counter-productive for good local governance.<sup>3</sup> Bureaucracies have remained strongly top down with weak linkages to local elected councils and even weaker linkages to the citizens they are meant to serve.

A demand side based approach is both intuitively attractive in that it can challenge these supply side organizations' work cultures and traditions and because it gives financial resources to those development assistance is trying politically to empower through participatory democracy at the local level and representative democracy at the national level. The need is to see the approach not merely as a new and possibly better technical instrument to replace an institutional approach, but as a contribution to the politicization of development as part of an institutional approach. Elsewhere in financial decentralization it has been seen that block grants allocated to local government can bring about significant changes in local communities. UNCDF<sup>4</sup> has developed and refined an approach that uses a similar system of performance monitoring to secure the way such block grants are utilized, the emphasis being more on strengthening the ways local investments are made, not least requiring the involvement of poor households. This builds upon institutions and on the agency of the local citizens. Some of these programmes have had considerable success and with the support of UNDP and different multi-lateral banks have been

scaled up to national programmes in a number of countries.<sup>5</sup> The strength of these programmes is in the combination of demand with a strengthening of the responsiveness and capacity of local government organizations to take up these demands. Such an approach can be described as a technical modality designed to secure political outcomes, namely more accountable and equitable governance.

The second point to consider is in what ways CT programmes can be made national programmes eligible to all those who meet the target criteria; this is to ensure that the programmes are promoting inclusion and not creating new forms of exclusion. Here however we run into the costs of scaling up and as a result we need to ask some serious questions concerning the not just the effectiveness, but the cost effectiveness of a strategy designed to change individual behaviour by rewarding specific responses such as the attendance at schools or clinics or the uptake of vaccinations. Interestingly the same approach is now seen in developed countries' health care provision: pregnant women being offered food vouchers in return for giving up smoking, or cash payments for obese patients who lose weight.<sup>6</sup> The evidence of sustainable change is not strong so far, the ending of incentives often leading to a return to previous behaviour patterns.

Are there alternatives? Well cash payments such as old age pensions and social benefit programmes operate nationally and have

<sup>3</sup> Manor, J. (2004)

<sup>4</sup> United Nations Capital Development Fund

<sup>5</sup> Two examples of UNCDF projects involving the allocation of conditional block grants to local councils well known to the author are: the Sirajganj Local Governance Development Fund Project (Bangladesh) and Decentralized Financing and Development Programme (Nepal). Both have been scaled up to government and multi-donor national programmes in the past two years.

<sup>6</sup> 'Bribery – the key to better health,' The Independent, April 10th, 2009.

become integral elements of strong and effective welfare systems, but they do lack the conditionality element and they target very general categories. They are the obverse of taxation, namely payments to maintain socially accepted levels of livelihood, but do not necessarily lead to investment in human capital or the changes in human behaviour necessary for more inclusive development.

Another alternative is the use of subsidies. These can counter development problems and they can also target specific groups that have particular types of problems. For example: (i) Self-targeting: Programs can be designed to ensure “self-selection”— say, by paying wages below prevailing market rates. This is the basis for the quite successful Maharashtra Employment Guarantee Scheme in India that relies on providing work that only poor people would find attractive. (ii) Geographic targeting: Subsidies can go to specific locations, so that rural and remote areas receive most of the benefits. This works best if the correlation between poverty and location is high—less well if poor and non-poor live close together. It also works best if the subsidy is attached to goods that are hard to transport, such as direct services in education and health. (iii) Commodity targeting: Subsidies should go to commodities that poor people consume proportionately more of than other people, ensuring that they will receive most of the subsidy. Food and primary education usually rank high on this criterion. However subsidies are still supply side in nature and they do not carry the more deliberate attempt to mobilize the economic and political agency of the recipients.

Is there a significant future for CT programmes therefore? Clearly the optimal way for using the CT approach is not yet known, but the possibility of linking supply side and demand side initiatives must have a role in

aid assistance strategies. It has a potential for strengthening and complementing the political agency that has been the object of much assistance in the past decade needs to be accepted and pursued. At the same time we cannot assume that behaviour is so easily modified or that social change that has a direct impact on a society’s development is so easily achieved. At best CT programmes can be an extra tool in the development work box. We still need the institutions that can provide the services demanded; we still need a state that can invest in infrastructure, provide and regulate welfare provision; we also need to regulate the markets in which demands are pursued to secure trust, access to information, control over contracts, and some degree of standardization in outputs and performance. In other words we need to create and secure an environment in which individuals can pursue their aspirations and thereby to balance the capacity to demand with the capacity to supply. In this light we must accept that CT programmes might be a useful tool, but they are no magic bullet.

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