

# **Lump Sum Cash Transfers in Developmental and Post-Emergency Contexts: How well have they performed?**

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## Background and Acknowledgements

Evidence on how cash transfers can reduce poverty remains a hot topic in both development and relief circles. Some development agencies have put cash transfers at the centre of their social protection strategies. However, cash transfers are far from a panacea, and questions around the appropriateness and feasibility of cash transfers in different contexts are important and urgent.

This paper is one of a series of outputs from ODI's research study (2006-09) 'Cash Transfers and their role in Social Protection.' It is also one of five commissioned studies on lump sum cash transfers in developmental and post emergency contexts - part of the same study. The study aims to compare cash with other forms of transfers, identifying where cash transfers may be preferable, the preconditions for cash transfers to work well and how they may best be targeted and sequenced with other initiatives. The study explores a number of issues of interest to donors and governments, including which forms of targeting and delivery mechanisms are most appropriate. This project is co-funded by the Swiss Agency for Development and Cooperation (SDC) and the UK Department for International Development (DFID).

The views expressed here are those of the authors alone and do not necessarily correspond with those of the SDC or ODI.

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## List of Acronyms

<i>Bolsa Familia</i>	Social programme in Brazil
CARE	Christian Action Research and Education
CEDEPLAR	Centro de Desenvolvimento e Planejamento Regional
CLP	<i>Chars</i> Livelihood Programme, India
DFID	Department for International Development, UK
ERRA	Earthquake Reconstruction and Rehabilitation Authority, Pakistan
IAY	<i>Indira Awaas Yojana</i> – Indira Housing Scheme, India
ICT	Information, Communication Technology
IRDP	Integrated Rural Development Programme, India
NCDS	National Child Development Survey
NGOs	Non-Governmental Organisations
NOAPS	National Old Age Pension Scheme, India
OECD	Organisation for Economic Co-operation and Development
RMK	RASHTRIYA MAHILA KOSH, National credit fund for Women, India
UNICEF	United Nations Children Fund

## Executive Summary

This paper reviews a range of evidence on the performance of lump-sum transfers to individuals. Transfers to communities or organisations are outside the scope of the paper. A distinction is made between post-emergency and development contexts, and, in the latter, the evidence is considered under the two broad sub-contexts of grants for housing and for the purchase of productive assets. The paper is concerned with questions of whether, compared with small, regular cash transfers, lump-sum transfers require conditions to be attached to the grant; how far such conditions have been met; how far funds have been dissipated across a number of purposes; what supporting measures are required, and whether large grants are more prone to corruption than small, regular ones. Given the limited range of evidence, the conclusions drawn here must be treated as provisional.

In post-emergency contexts, lump-sum transfers appear to perform well where local markets for e.g. building materials and productive assets have not been too severely disrupted. Recipients are familiar with the types of investment they need to make to replace lost assets, and the proportion of cases in which funds are mis-directed or dissipated appears to be low. The extent of corruption in the administration of funds appears to be no higher than with in-kind transfers.

In development contexts, funds for the purchase or construction of housing are potentially divisive, since far fewer grants can be given than there are families in need therefore, they are likely to be diverted to other purposes especially where the lump sum is inadequate for the purchase or construction of a house, or where preconditions such as secure tenure of a plot of land are not met.

There is a tendency to consider funds for productive investment as a form of social protection. But these can specifically benefit the poor only where closely managed. The Bangladesh Chars programme provides an example of this, supporting female-headed households in the purchase of a cow, providing support on husbandry and veterinary care, and providing a small monthly stipend to prevent enforced sale of the assets during the period before benefits (in the form of milk and calves) come on-stream. The programme appears to have been successful, but with inevitably high management costs.

Where they are less closely managed, lump-sum transfers for productive investment are better regarded as enterprise funds than as a form of social protection. The evidence from Lesotho and elsewhere suggests that an “open to all” approach results in a high degree of failure, even where support (in the form of business planning, skills enhancement etc) is provided. This is partly attributable to the uneven distribution of entrepreneurial skills across the population, and the limited extent to which these can be “taught”. Also notable is a potential gender bias in such approaches, since women appear to face greater constraints in making productive investments than men.

Where an enterprise approach is to be introduced, the evidence suggests that individual transfers should be limited to the equivalent of between 0.5 and 3.0 times average per capita national income. To pay more than this runs the risk that they will be spent on investments beyond the range with which the poor are familiar, or dissipated, or serve as a disincentive to work. Where more socially protecting approach rather than an enterprise approach is required, policymakers would be better advised to introduce small, regular cash transfers rather than lump-sums.

Where, as in Lesotho, beneficiaries have some choice between food transfers, regular cash payments and lump-sum payments, there is some evidence of a shift from food to regular cash payments, partly attributable to the logistics of obtaining and storing food, partly to the ease of sharing cash more equitably among offspring. There was a view among some that daughters benefited more from food transfers since they were likely to spend longer periods at home. Also in Lesotho, beneficiaries had a strong notion that payments were compensation for livelihoods lost as a result of dam construction and that lump sums would be a preferable way of sharing this

compensation among offspring. However, the desire to retain lump sums in this way was frustrated by regulations which only permitted lump sum transfers to those who could produce an investment plan.

Both lump sums and small, regular transfers are prone to corruption measures, for example: demands for “speed money” and falsification of eligibility lists. With regular transfers, there is some prospect of amending such lists since payments are made over time, and of automating payments via electronic transfer. Lump sums are often made in single payments and so do not offer these potential safeguards. Also, there is some evidence that they attract corruption in the form of diversion of funds for political purposes. Key individuals capable of assembling “vote blocks” may be rewarded with lump sums directed towards them, whereas politicians may find that re-directing small, regular payments to large numbers of individuals represents too much effort for too little gain.

## 1. Introduction and typology<sup>1</sup>

In only very few cases do developing country governments allocate more than 1% of GDP to cash-based social assistance programmes, compared with an average of 8% in OECD countries (Tabor, 2002). However, cash transfers have been successful in middle-income countries, such as Brazil, Mexico and South Africa. Other Latin American countries and low-income countries in Sub-Saharan Africa and Asia are now considering them as a starting-point for integrated social protection systems (IPC, 2008).

Whether social transfers should be provided, in what form, and in what amount, have been the subject of much debate. Whilst there has been growing commitment to needs- or rights-based social transfers, the view that social transfers are a drain on public resources and cause disincentives to work continues in some quarters to influence debates about transfers in developing countries (Farrington *et al*, 2005). In an effort to avoid perceived “handouts”, a major new social protection instrument in India: the National Rural Employment Guarantee Act, was designed around the principle that people should work (i.e. on public works programmes) and so “earn” the cash provided. In response to fears that transfers will be wasted on non-essential expenses (e.g. gambling, alcohol, tobacco), the evidence reviewed by the Chronic Poverty Research Centre (2007) and Devereux *et al* (2005) suggests that individuals and households are likely to make careful decisions about how to use additional income for their best short- and long-term interests. A study of Brazil’s *Bolsa Familia*, which has raised incomes on average by 11% (Medeiros *et al*, 2008) finds no disincentive to work, except among those whose work is hazardous or very low grade. An earlier study by CEDEPLAR (2006) found that labour participation rates were slightly higher among households receiving *Bolsa Familia* funds than among those which did not. Part of the rationale for this may be that cash transfers alleviate liquidity barriers to starting a business (see Khan in Annex 2).

It is against these tensions that debates about the desirability of social transfers in general, and cash transfers in particular, must be located. On the positive side, cash allows recipients to acquire the goods or services they need – preferences will vary among households and individuals – and cash lends itself to automated transfer where electronic technology is in place. It is likely to be less costly to transfer than goods. On the less positive side, it may be more prone to various kinds of misappropriation than in-kind transfers (a point we consider in detail below), and the “quality” of spending may vary by gender - with women more likely to spend on children’s and household needs than men. Against this background, cash transfers, whether in small, regular amounts, or as lump sums, are becoming increasingly popular. Ostensibly, ***lump-sum*** transfers offer two distinct advantages: one is the ease of “single shot” administration; the other is that they permit a rapid boost to livelihoods either in post-emergency or in developmental contexts, where, for instance, large assets such as a house, fishing boat, or livestock are to be acquired or replaced. On the other hand, they may represent a much larger sum than households are accustomed to handling, which (in the absence of adequate advice and training) may increase the risk that the lump sum is either dissipated or poorly invested. Also, they lack the continuity which may be necessary for meeting essential household or production-related expenditures as and when they arise.

The purpose of this paper is to assess how effective lump-sum transfers have been in the developmental and post-emergency contexts in which they have been used. It asks three particular questions:<sup>2</sup>

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<sup>1</sup> This paper draws on a number of commissioned studies, which are reproduced under individual authorship in Annexes 2-6. Opinions expressed in the paper are those of the author alone and do not necessarily reflect those of commissioned authors or of ODI or the Swiss Agency for Development Cooperation which funded this study. References from the commissioned studies are consolidated at the end of this paper.

- First, whether the money has been spent on the intended purpose and whether any other conditions have been adhered to.
- Second, whether lumpy transfers are more prone to corruption than small, regular transfers, and
- Third, what kinds of support might be appropriate to households so that they can make best use of the transfer, what the optimum size of transfer for investment purposes might be, and whether support systems for the management of windfall gains<sup>3</sup> in OECD countries offer any guidance.

These questions will be addressed against two broad contexts, namely **post-emergency** and **development** contexts. Within development contexts, attention is focused on the purchase of housing, and on the creation of self-employment opportunities, particularly where it involves the purchase of productive assets. These contexts are covered in the papers annexed to this report<sup>4</sup>. Job-creation, through e.g. public works, rarely involves the transfer of lump-sums to individuals and so is not considered here. The concern throughout is with transfers to individuals and not to communities or organisations.

Reaching definitive conclusions on the cost-effectiveness of lump-sum grants in comparison with small, regular payments, or in-kind transfers for example, is not straightforward as there are rarely comparable experiences involving the three approaches with the same population and in the same contexts. Nor are counterfactuals available. This paper therefore restricts itself to drawing inferences from comparisons of somewhat dissimilar case studies and, for this reason, and also because the number of case studies is not large, the conclusions must be regarded as tentative.

The broad types of cash transfers commonly used in development and post-emergency situations are set out in Table 1. The Table suggests that lumpy transfers are unsuited to certain kinds of payment, e.g. for engagement in public works, and are found in the form of vouchers only in post-emergency contexts. They are found less in the context of service provision (such as the provision of health and education to children), or the provision of pensions or related payments, and more in that of purchase or (re-) construction of assets. Lump-sum and small, regular payments may be made in tandem, with a major single payment for livelihood recovery or enhancement being followed by small, regular and timebound payments; livelihood protection for instance. An example which is discussed later (Annex 6) is provided by the DFID-supported *chars* Livelihoods Programme in Bangladesh where the programme funds the purchase of a cow for poor households, which then receive a stipend of approximately US\$3 per month over 18 months until the cow reaches maturity and begins to produce a stream of benefits in the form of calves and milk. The stipend allows minor household expenses to be met without incurring forced sale of the asset.

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<sup>2</sup> These are a re-grouping of the six categories of question posed in the study proposal, which are reproduced as Annex 1.

<sup>3</sup> In economic terms, lump-sum transfers are equivalent to a windfall gain, and there is some literature on the preconditions for successful management of these.

<sup>4</sup> Apart from the annexes on the India housing fund and the disasters context, these annexes each cover several of these contexts.



**Table 1: Main types of cash transfers used in developmental and post-emergency contexts**

Type of Instrument	Type of cash transfer	
	Small, regular transfers	Lump sum transfers
Unconditional cash transfers	Often used for payments to those who cannot engage in productive activity (elderly, children, disabled etc), or as support to other low-income households and as small, limited-term stipends to prevent forced sale of major assets.	Sometimes used to support basic needs and/or livelihood protection and recovery, instead of or in addition to regular payments
Conditional cash transfers	Commonly used to ensure e.g. that health and education services are accessed by children	Lump sum transfers frequently used in programmes with shelter, reintegration and livelihood recovery objectives – completion of one stage of construction of a house may be a condition prior to payment for the next stage
Vouchers	Used in a range of developmental contexts, including access to crop and veterinary inputs, and for food rations.	Vouchers often distributed on a one-time basis (unless for food rations), but choice of items and vendor restricted to varying degrees
Public works	Cash (or food) provided in development or relief contexts for time spent in public works.	Lump sum transfers rarely used

Adapted in part from Harvey, P. (2007)

In reality, the contexts of cash transfers are likely to be more dynamic than illustrated in Table 1; in particular, recipients' preferences are likely to change as contexts evolve. For instance, in post-emergency situations, the immediate priority may be to meet basic needs of food, medicine and shelter, while households in the later (recovery) stages may prioritise the recovery of livelihood assets. Conditions attached to cash transfers, and the balance between lump sum and small, regular transfers will need to be tailored to these differing priorities. Similarly, food price variations over the agricultural season will influence the purchasing power of both regular and lump sum transfers, and may need to be allowed for (see Khan in Annex 2 for references and further discussion).

There is also a more general question of the relationship between cash transfers and local markets. In one dimension, cash transfers may be inflationary, especially in e.g. post-emergency contexts where the supply of goods and services in local markets has been disrupted. One way of minimising this was identified in by UNICEF and its partners in eastern Democratic Republic of Congo where refugee returnee households were given vouchers for the purchase of non-food domestic items (kitchenware etc) and then brought together with traders in "voucher fairs" (Bailey and Walsh, 2007). In a different dimension, there are questions over whether the products or services generated by investing lump-sum transfers into productive assets will face limited markets. This has been addressed by case studies in Lesotho (Annex 5) and Bangladesh (Annex 6), where market restrictions were found in the former but less so in the latter. Where markets are limited, early investors will have strong advantages over later investors. It is important for those managing the disbursement of funds to recognise that sequencing is not neutral – those who are 10<sup>th</sup> in line may generate very different returns to investment from those who are 1,000<sup>th</sup>.

As discussed below, the evidence points in different directions as to whether and under what condition, beneficiaries prefer lump sums over small, regular amounts, but underlines that preferences are largely context-driven. The 2005/2006 food crisis in Niger highlighted that the extreme vulnerability of households to the impacts of droughts and food price increases necessitates interventions that address chronic vulnerability even before shocks happen. In 2008, CARE began distributing cash grants of \$178, paid in two instalments, to vulnerable households as part of its Disaster Risk Reduction programming. A feasibility study for the project noted that prospective recipients preferred the transfer to be paid in one or two instalments because small, regular instalments would be less likely to enable investment (Bailey, 2008). Similarly, the evidence from a UNICEF pilot using cash and vouchers for non-food items in the Democratic Republic of Congo suggests that the lump sums given to aid recipients encouraged 'big ticket' purchases.

The Lesotho case (Annex 5) differs from others in two main respects: first, it is the only example considered here of a scheme for *compensating* rural people for loss of assets following the construction of infrastructure (in this case, a reservoir); second, it offered an opportunity to beneficiaries of switching between food and regular cash transfers, or receiving a single lump-sum instead of these. Numerous households over time shifted from food to regular cash transfers, partly given the complexities of acquiring and storing large amounts of food, partly because of the attractions of regular cash transfers (in this case, annual) for meeting large annual outgoings, such as school fees. There was acute awareness among beneficiaries of two further sets of advantages and disadvantages of the different kinds of transfer. They saw food transfers as benefiting female more than male offspring, since girls tended to stay at home longer than boys. Second, they saw lump sums benefiting men more than women, since, in the absence of strong investment advisory services, men had more experience and connections to make profitable investments, at least in the early period of compensation – small markets meant that early investors captured profits which later ones could not. Overlying these perceptions was the dominant one of the “compensatory” nature of the funds received. Many felt an obligation to share this compensation with the next generation, since the livelihoods that they might have inherited had been lost. They saw lump sums as the most appropriate way of passing on this inheritance, but could not (as many wished) simply place the lump sum in a bank account until a suitable moment arrived for sharing it out. Instead, they had to prepare an investment plan for approval by the compensating authorities, but faced the twin problems of diminishing investment opportunities and lack of support in preparing investment plans. Accordingly, many remained with regular transfers whereas their preference would have been for lump sums.

## 2. How far has the intended purpose of the lump sum, and any conditionality, been adhered to?

### 2.1 Post-emergency contexts

Some cash transfers have been provided with tightly-defined conditionality, for instance, Save the Children (Canada) provided grants to livestock keepers in Isiolo, Kenya, following the 2005 drought, specifically to allow for the re-stocking of livestock, and to cover other necessary minor expenditure so that livestock would not have to be sold to meet these. Similarly, following the 2005 Pakistan earthquake, grants were made inter alia to small shopkeepers to assist them in re-stocking. In other cases, for instance with grants provided to refugees returning to Afghanistan and Burundi, conditions have been less specific (see Bailey in Annex 3).

These observations can be supplemented by cases in which no specific focus was attached to the sums granted. For instance, in a 2005 post-emergency programme in parts of Kenya, livestock herders spent 85% of the (approx.) £230 grant they received from Save the Children (Canada) on livestock-related items, and almost all the remainder on production-related items or essential consumption. Only one household admitted to spending on alcohol or tobacco products, though as the researchers observed, there may well be social pressure to avoid admitting to this. "Intention to spend" surveys among pastoralists in Mongolia similarly revealed priorities for livestock or related productive activities, and in Guyana for intended improvements to housing and (for rural dwellers) intended investment in agriculture (Khan in Annex 2).

In the post-2006 tsunami emergency, the British Red Cross gave \$1,000 to households in Aceh, allowing a range of expenditures that included assets, education and services. Considerable effort was made to ensure that conditions attached to the grant were adhered to: the grant was given in four stages, with verification and approval of purchases before the programme would release the next instalment. This complex administrative system is likely to have increased accountability regarding cash usage, but added considerably to administrative costs (Harvey, 2007).

Other efforts to promote "good spending" of the monies transferred have relied on combinations of information campaigns and monitoring. For instance, the government of Pakistan launched the Livelihood Support Cash Grant programme in March 2006 in order to support the livelihoods and immediate needs the most vulnerable households, distributing \$300 to 267,402 households.<sup>5</sup> The programme conducted a substantial information campaign, carried out a field survey, enrolled 750,000 households in order to determine their eligibility, created a central monitoring and management information system, and established a grievance mechanism (ERRA, 2007).

### 2.2 Development contexts

**Housing:** The *Indira Awaas Yojana* (Indira Housing Scheme), with a budget allocation of some US\$6bn over the 5 years 2007-12, is the largest of several Indian schemes attempting to address a national shortage of housing that meets basic standards, (currently estimated at some 15 million units). For most areas, it has provided a grant (in instalments) of Rs25,000 per beneficiary household (approximately US\$600)<sup>6</sup>. It provides an example of the way in which staggering payments is intended to reinforce conditionality (see Annex 4). Despite this, less than full compliance with conditions remains common, but for complex reasons; these include:

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<sup>5</sup> [www.erra.gov.pk](http://www.erra.gov.pk)

<sup>6</sup> Increased in 2008 to Rs 35,000. In hilly and remote areas, the grant was Rs27,000, now Rs38,000.

- The fact that, until major increases in 2008, the sum allowed for construction or refurbishment was inadequate. In some States this sum was further reduced as governments switched central funds into local flagship schemes unrelated to housing, or converted part of the grant item into a loan. Some beneficiaries left the work unfinished, others borrowed money to complete the work, but got into difficulty and failed to complete; a third category abandoned the work at an early stage, and failed to obtain subsequent instalments, but spent most of the first instalment on other priorities.
- In 60% of cases, beneficiaries did not have land on which to build, and the government has been slow or unable to provide it, so they tended to reallocate the monies received. Beneficiaries, on the whole, are not the poorest, and the lack of plots especially among the poorest is likely to contribute to a tendency to switch funds away from the intended purpose.
- Requirements to incorporate a smokeless hearth and sanitary latrine into house construction were met, according to one estimate, in only 50% and 57% of cases reviewed by the Comptroller and Auditor General of the Government of India (Annex 4). This is in some cases attributable to widespread cultural resistance to the notion of having a kitchen and (especially) a toilet within the house.

**Self-employment and the acquisition of productive assets:** Reviewing a range of evidence from OECD countries, Khan (see Annex 2) draws several lessons for developing countries in terms of the relationship between windfall gains and self-employment, namely that:

- Small to moderate<sup>7</sup> windfalls are positively correlated with successful establishment of own-business;
- This occurs more among male than female recipients;
- If too large, the windfall may encourage expenditure on investments well outside the recipient's normal range of experience, or may simply be dissipated, and/or may prompt partial or complete withdrawal from the labour market;
- The age of recipients is also important: older persons appear to have less "drive" to invest productively, and the receipt of a windfall may encourage them to retire early;
- Back-up support in business skills, investment plans etc is important, but not all aspects of entrepreneurial ability can be "taught".

These findings suggest that lump-sum transfers that are intended to stimulate self-employment need to be carefully targeted towards categories of the population likely to be most entrepreneurial (and some prior research may be needed to identify who these are), provided in small to medium amounts, and provided with back-up support. The policy dilemma here – and to which we return later – is that such transfers may serve more to stimulate enterprise than to provide social protection.

However, even small transfers can help promote self-employment - Medeiros *et al* (2008) explored the criticism that *Bolsa Familia* was providing people with an incentive to work less or exit employment altogether. Their study found that small monthly cash transfers typically raised family incomes by around 11%, and that this did not cause recipients to cease work, except where their jobs were extremely low-paid, unstable or hazardous. Indeed, transfers seemed to increase the commitment to work by allowing impoverished workers to overcome entrance barriers to more

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<sup>7</sup> These are difficult to quantify, but appear to lie in the range 0.5 to 3 times per capita national income – see Annex 2.

advantageous segments of the employment market, for example, in allowing a street vendor to buy stock.

Studies on self-employment and young people, whilst few, have addressed the hypothesis that many young people wish to become self-employed but are unable to afford start-up costs or capital. In the UK, in their analysis of the *National Child Development Survey* (NCDS) Burke *et al* (2000) found a greater disparity between actual and desired entrepreneurship in areas more severely affected by unemployment and poverty. They found that low-income UK respondents aged 23 and under who received windfall payments of £5000 or more were twice as likely to be self-employed as those who did not, and they attribute this disparity largely to liquidity constraints. They found that a windfall gain increases the estimated probability of self-employment at a rate that decreases with increasing size of windfall. Windfall gains also increase, at a decreasing rate, the level of male entrepreneurial job creation and the value of male entrepreneurial enterprises. In short, small-medium level windfalls are most conducive to young men's transitions to self-employment. In developing countries, the pattern is similar. For instance, evidence from Colombia (e.g. Attanasio *et al*, 2006) shows that young people are resourceful agents in identifying and making use of opportunities to become self-employed, even with small amounts of start-up capital.

The intention of many cash transfer schemes is that the funds should be invested in new or replacement assets, whether necessary to cover basic needs (such as housing) or for productive purposes (such as livestock or non-farm enterprises). Various types of conditionality have been used to try to ensure that recipients comply with these intentions. In very broad terms, conditionality refers to the conditions imposed on beneficiaries by providers of social transfers to help ensure that the intended purpose of the transfer is met. They are usually associated with phased payments of a lump sum, or small, regular payments, so that conditions can be reinforced with the threat of withholding subsequent payments if conditions are not being met. This threat cannot be made with single lump-sum payments, so conditionality in these cases is inevitably weaker.

### **2.3 Further dimensions of conditionality**

Arguments for and against conditionality have a long history: in the *development context*, cash transfers to the poor have their historical precedent in the cash assistance and social welfare payments made to the poor in OECD countries, and in the debates between unrestricted cash, conditional cash and in-kind payments that dominated the provision of social welfare through much of the twentieth century. In several OECD countries, assumptions that the poor would be unable to spend cash sensibly underpinned efforts towards providing vouchers linked to the purchase of particular goods or services, and towards conditionality (Harvey, Slater and Farrington, 2005). A common type of conditionality is that attached to the provision of services to those unable to articulate their requirements, such as the provision of health and education to children. Outside these contexts, the restrictions imposed by vouchers or in-kind transfers for example, may be incompatible with people's priorities, often leading to their "black market" sale, and often for a fraction of their face value.

The experiences reviewed in Annexes 2 – 6 indicate the wide range of conditionalities used: the Bangladesh *Chars* Livelihoods Programme (Annex 6) began by offering recipients a choice of productive asset to purchase with the cash they had received. Increasingly, this was geared to the acquisition of a cow, with support provided in purchasing and subsequently veterinary care. In other cases, payments were phased so that later payments would only be made where recipients had been compliant in spending early payments as intended (British Red Cross in Aceh – Annex 3; IAY in India – Annex 4)

Whilst appealing as a means of improving quality control, conditionality raises the costs of programme administration. Indeed, there are questions, parallel to those raised by Handa and

Davis (2006) in relation to small, frequent transfers, of how long it will take, and at what cost, to raise the capacity of poorer countries to administer conditional transfer programmes.

## **2.4 Reasons why observed spending patterns do not correspond with what was intended**

In a significant minority of cases, observed spending patterns diverged from the intended purpose of the lump sum transfer. The reasons for this include:

### *Tensions between transfer providers' priorities and personal preferences*

Households may have priorities other than the programme objectives. Diverting spending to these priorities undermines the objectives of the transfer, the transfer does not respond to their most pressing needs. For example, in an Oxfam project designed to support livelihood recovery in Indonesia following the 2006 earthquake, 45% of grant recipients would have preferred instead to use the grant to rebuild their homes (Dunn, 2008).

### *Timing*

The timing of cash transfers impacts on how they are spent. Lump-sum or not, cash transfers given in the early stages of emergencies may be spent on priority basic needs, while transfers in the recovery stages may be better suited to investments and recovery of livelihood assets. When given in 'lean seasons' – periods when food needs and prices are higher than other times of the year – basic food needs are higher (as are food prices) than immediately after harvests. The types of expenditures that a programme wants to promote should take into account these two aspects of timing – whether for lump sum grants or regular ones of limited duration (see Annex 3). A further element of timing mentioned above is that, where markets for the streams of goods or services generated by a productive asset are limited, "late investors" in particular may find the intended investment unattractive and reallocate it elsewhere.

### *Amount*

Evidence from both Bailey and Walsh's study and a UNICEF pilot using cash and vouchers for non-food items in the Democratic Republic of Congo, suggest that the large amount of money given to aid recipients encouraged 'big ticket' purchases rather than spending money on more, less expensive items:

*It appears that the large amount of money given to participants may have influenced them to make larger purchases. One male participant said that, 'I proposed to my wife that we purchase clothing for the children. She preferred that we buy higher value objects now and that the children's clothing we could purchase later'. Considering that mattresses and bicycle parts cost \$29-\$32 and upwards – an amount that could take months for a household save – the opportunity to purchase a big-ticket item was probably seen as too good to pass up. The cash lump-sum enabled beneficiaries to purchase certain items that might otherwise be unattainable (Bailey and Walsh, 2007).*

However, 'big ticket' items were not necessarily investments in directly productive assets – mattresses were a popular purchase in both cases (Bailey and Walsh, 2007; personal communication).

In other cases, transfers have been too low to achieve objectives. Providers may underestimate the costs of assets or extent of household expenditures. In a project in Aceh where cash was provided for the purchase of fishing boats, the amount was only a quarter of the cost of a boat. Boats had conventionally been individually owned, so that there was no tradition of pooling money among fisherman to purchase one boat, and fishermen therefore spent the grant on everyday items or gave it to their wives for small business activities (see Adams and Winahyu, 2006, in

Annex 3). A study of spending aspirations in Latin America (McDonald and McDonald, 1971, cited by Khan in Annex 2) indicates that housing-related expenditure is high on the list of preferences of “settled” populations, but less so for those engaged in shifting cultivation. However, as Khan’s (Annex 2) review of Indian evidence indicates, housing grants are pitched (intentionally or otherwise) at a low level in relation to market prices, and the net sum available is further reduced by petty corruption. This means that beneficiaries cannot afford to meet the intended purpose (here, house construction) without injecting additional funds, which they do not generally possess. This, in turn, stimulates some reallocation of funds by beneficiaries to other priorities, despite attempts (e.g. by staggering payments) to ensure compliance.

In a learning project examining cash-based responses to the 2005 tsunami, Adams (see Annex 3) notes that:

*Another weakness across the board for livelihoods recovery projects was that agencies rarely provided sufficient cash resources to facilitate real and sustainable recovery. Not only did agencies often underestimate household expenses...they also underestimated the costs of re-establishing micro-enterprises. They also often ignored the levels of pre-disaster debt and of debt accumulated since the disaster, which people wanted to pay off or were being pressured to pay off (Aheeyar 2006b). These underestimates compromised effective recovery and many households were only able to regain their livelihoods (or re-launch their enterprises) after a succession of grants from several agencies (Adams, 30).*

An evaluation of the 2005 Save the Children (Canada) project to re-stock herds in Isiolo, Kenya, found that households spent an average of 85% of their grant on livestock. However, the transfer value was not high enough to permit restocking herds to the extent of providing a sustainable source of food and income (O’Donnell, 2007).

#### *Need for complementary activities*

Projects may require complementary activities to achieve objectives. For instance, house reconstruction projects may need to facilitate acquisition and documentation of land ownership, a requirement widely neglected in the India IAY case. For livelihood recovery, cash transfers are only one tool in the complex interaction of resources and assets that promote sustainable livelihoods, and cash transfers alone cannot be expected to enable people to (re)build them to their full potential. Recipients may require technical assistance, training or access to financial services in order to develop and sustain small-scale enterprises (Harvey, 2007). The Bangladesh *Chars* case (Annex 6) underlines the importance of, first, complementary services (such as veterinary) to support the major asset, and, second, complementary funding in the form of small, monthly cash stipends, which are sufficient to cover small household expenses until the products from the asset (here, calves and milk) come on-stream, and so prevent “crisis sale” of the asset.

#### *Sharing*

An area worth further exploration is whether social pressures, cultural beliefs and responsibilities influence the way lump-sum grants are used/shared and thus be a factor in determining their appropriateness. Sharing resources with kin, friends and neighbours is a common strategy in the face of disaster. Evaluations suggest that food is more likely to be shared than cash transfers, but households receiving lump-sum grants may come under pressure to help others, as would be normal when a household comes in possession of a large amount of money.

#### *Compensation*

An element of sharing is also evident in the Lesotho case (Annex 5) where the pervasive belief is that the transfers are intended to compensate entire families (and, though to a lesser extent, their future generations) for the loss of assets such as land. This notion may contribute to a desire to receive regular transfers (in cash or in kind) instead of lump-sum transfers, though other

disincentives to accept lump sums are related to e.g. the limited investment opportunities and the limited support given in investment planning and relevant training.

### *Complexity*

The example of livestock keepers in Mongolia (see Annex 3) suggests that they generally behave on rational economic grounds; their hierarchy of spending and investment priorities reflects market conditions and social/cultural priorities. The difficulty for providers of transfers is that these priorities vary over time according to local conditions, so that the imposition of conditions may be counter-productive. Poorer herders in particular are hostage to fortune, and under adverse conditions they may have to resort to selling or eating animals purchased with a transfer. Wealthier herders are more likely to be in a position to consistently invest in livestock in order to expand breeding herds, but even here conditionality might be detrimental since herders are likely to know best which kinds of investment (new animals, fodder, veterinary services etc.) might yield the highest return.



### 3. Do lump sums attract different kinds of corruption compared with small, regular transfers?

#### 3.1 Post-emergency contexts

Large sums of money are intuitively attractive to potential miscreants, and therefore may be a target for corruption. In the response to Hurricanes Rita and Katriana, 'improper and potentially fraudulent' payments were estimated at 16% of the US\$6.3 billion disbursed (Kutz and Ryan, 2006).

There is a risk that the high value of lump-sum transfers will make them more prone to elite capture in targeting and registering potential beneficiaries. The larger the lump sum, the greater the amount to be gained from falsifying beneficiary lists. If, as is often the case in post-emergency situations, the sum is given as a single payment, then there is no prospect of detecting malpractice and correcting it for subsequent payments. However, a recent study on corruption in humanitarian assistance found cash transfer programmes were not necessarily at high risk for corruption because agencies typically put in place mechanisms to verify targeting and transparent procedures regarding the handling of money by staff or agencies contracted to distribute it (Maxwell *et al.*, 2008). In the post-emergency context, there remains little evidence that cash poses significantly greater corruption, diversion or security risks than in-kind goods.

#### 3.2 Development contexts

There are important questions of whether large cash transfers lend themselves to greater diversion of funds overall, or simply to different kinds of diversion. Our analysis below suggests elements of both.

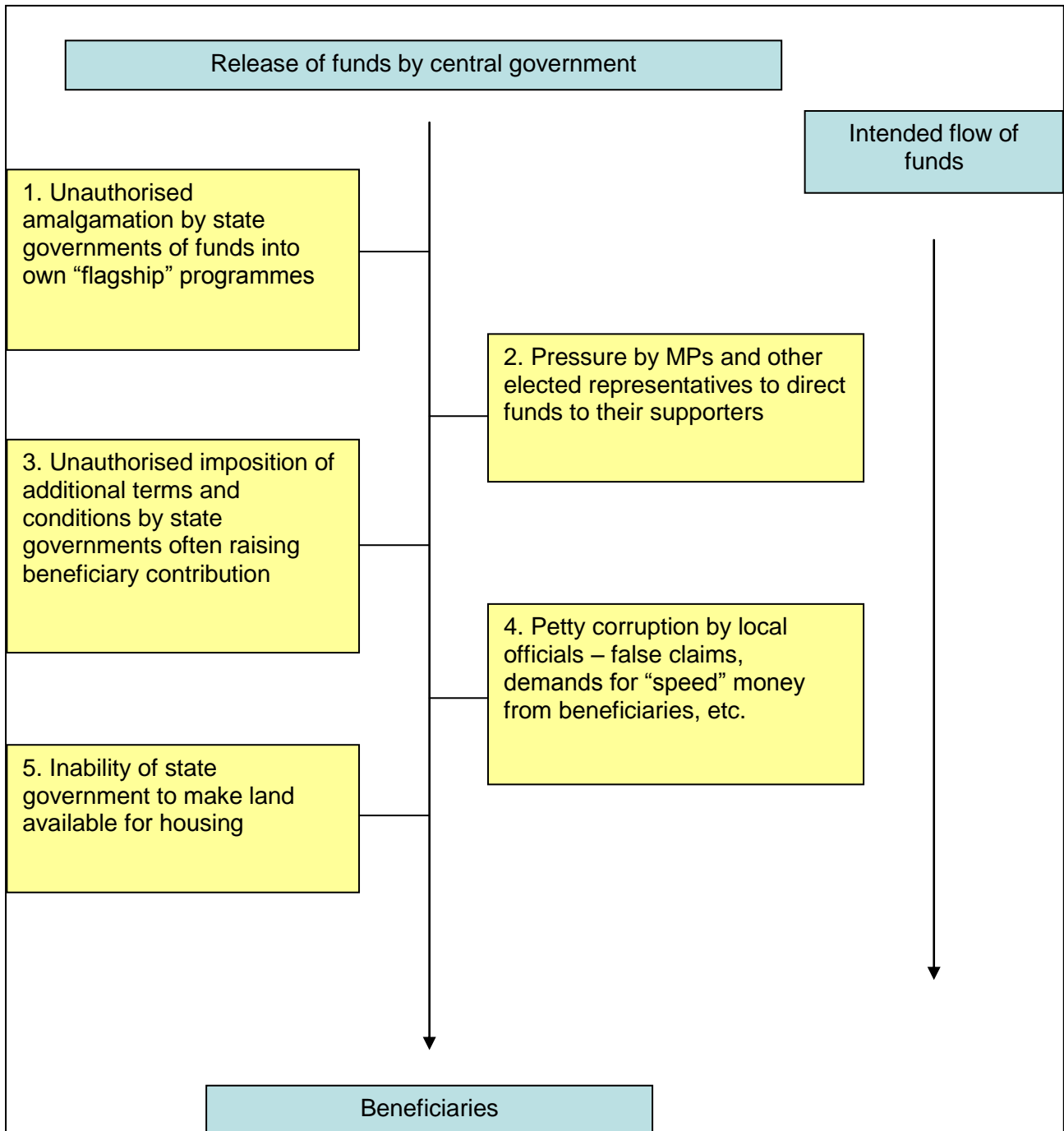
Notwithstanding the different purposes of transfers discussed in the following paragraphs, the generic design features of small, regular transfers versus one-off transfer schemes create differing opportunities for corruption. For instance, the Indian pension (NOAPS) scheme disburses small amounts of money on a regular basis through relatively non-corrupt channels (mainly, the Post Office), whilst IAY allocates large lump sums on a one-off basis. The main difficulty for the poor in the NOAPS case is that of obtaining documented recognition of their age and destitution status, and it is likely that a number of potentially eligible applicants have found their applications either rejected, or more commonly, lost in a bureaucratic maze which they find impenetrable. Despite the small individual amounts of money involved, and the low-income status of applicants, these defects in the registration procedure are associated with some degree of corrupt practice on the part of bureaucrats. However, precisely because of the small amounts of money involved, the scheme has attracted little political manipulation – though the recipients are potentially a valuable “vote bank”, it would take considerable time and effort to organise such a large, dispersed number of voters. By contrast, targeting of a large lump-sum transfer programme, the IAY, has attracted much political attention, with efforts by politicians at State and national levels to influence targeting in order to reward or win over individuals who can then “organise” larger groups of the electorate. We now turn to a more detailed analysis of corruption within housing and self-employment/asset acquisition domains.

**Housing:** Drawing partly on the India's Indira Housing Scheme described above, Figure 1 (page 13) illustrates the types of diversion of funds encountered with a large cash transfer scheme. The scheme is funded largely by central government, with minor contributions by State governments, which are responsible for supervision. Reports by the Government of India's Comptroller and Auditor General, and others (see Annex 4) suggest that the Scheme is subject to various types of corruption:

- In some cases, State governments have diverted the funds to their own supporters (or to those they are trying to attract as supporters) and/or away from those who have refused them electoral support, thereby creating errors of inclusion and/or exclusion;
- diversion to favoured beneficiaries also occurs when local politicians divert funds into their own flagship programmes, which in some cases have nothing to do with housing, but from which they draw political capital;
- in other cases, State governments have made the funds available for the intended purpose, but under different terms and conditions – for instance, in this case, providing part of the transfer as a loan and not a grant, and requiring a higher beneficiary contribution to the cost of house construction;
- the petty embezzlement of funds by minor officials which can take several forms, including the creation of fictitious beneficiaries and other forms of false accounting. At a slightly different level come demands made to beneficiaries for bribes in order to make or expedite payments. Nayak *et al* (2002) suggest that it is these more petty types of corruption that are common to both small, regular transfers and lumpy transfers. However, lumpy transfers appear to attract more strongly the kind of politically motivated diversion of funds described above.

The issue of whether lump-sum transfers are more prone to elite capture than other types of assistance cannot be answered with certainty, but it is clear that the effectiveness of systems and practices that agencies use when programming lump-sum transfers (e.g. targeting methods, accountability systems, cash delivery mechanisms) have a bearing on the likelihood of corruption, elite capture and diversion.

**Figure 1: Misappropriation of “lumpy” funds and related problems at various levels – example of the Indira Housing Scheme in India**



Although perhaps easier with cash transfers, some of these types of diversion are also found with in-kind transfers. Deshingkar *et al* (2005) for instance, document the misappropriation of rice designated for the subsidised food distribution programme<sup>8</sup> in India, by a coalition of politicians, bureaucrats and businessmen, during periods when political pressure to distribute excess stocks held by central government was high.

The computerised registration of beneficiaries, coupled with automated transfer of funds to bank accounts, may help in reducing the more petty kinds of corruption, but it is not clear that they can counter the more politically motivated kinds.

The inability of poor people to understand their entitlements under grant provisions, to make demands accordingly, and to ensure that procedures are correct, undoubtedly contributes to an environment in which corruption goes unchecked. The Indian government's Comptroller and Auditor General noted that there had been virtually no improvement in the performance of the IAY since an earlier assessment, and corruption continues. Drawing on several pieces of field evidence, Rao (Annex 4) notes that those with no or limited literacy (i.e. especially the poorest households) have a very limited notion of their entitlements under the IAY, as also under other government programmes. This is not helped by very limited effort by government to spread information on entitlements in ways accessible to poorer people, and by an attitude among (especially) minor officials that "information is power", and a tendency to privatise information that ought to be in the public domain in pursuit of illicit personal gain.

In summary, in the development context, both lump sum and small, regular transfers are subject to the petty corruption of falsified beneficiary lists, arbitrary removal from such lists, demands for "speed money", and so on. However, recipients of small, regular transfers seem rarely to be targeted for political purposes: whilst most are voters, it would require a disproportionate effort to organise such large numbers into "vote banks". Further, small, regular transfers lend themselves to automated payment, which provides further security against misappropriation. By contrast, large lump-sum payments appear more prone to political interference: they have been used in "recruiting" key local individuals to assist in forming vote banks. Furthermore, their "one-off" nature means that they are not covered by the safeguards offered by automated payment systems.

### ***Self-employment and acquisition of productive assets:***

The Integrated Rural Development Programme (IRDP) is one of the largest and longest-standing efforts towards self-employment in India and is implemented by government agencies. By contrast, the National Credit fund for Women (RMK) is relatively new, still small, and implemented through NGOs.

The IRDP operates through a mixture of subsidy and bank loan. The subsidy element has been substantial, in the range of Rs4,000 to Rs6,000 depending on beneficiary characteristics. As with the Indira Housing Scheme (IAY), subsidies of this magnitude have attracted the interest of politicians wishing to divert the subsidies to their current or potential supporters. This has contributed to low repayment rates on the loan component, since defaulters (and bank staff) are aware of the political support enjoyed by this category of beneficiaries. It has also meant that a high proportion of beneficiaries are not below the poverty line.

Malpractice by lower-level officials has been pervasive. Surveys in some areas indicate that a 10% deduction was made by bank officials as informal 'charges'. In other localities, over 20% of the subsidy component was charged in various ways as 'speed money'. Another common form of corruption in some areas was for officials in collusion with favoured middlemen to provide the asset specified by beneficiaries, contrary to the regulations which require these to be provided by

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<sup>8</sup> Under the Public Distribution System

approved suppliers in exchange for cash payments by the beneficiaries. Working in collusion with administrators, the banks have also made illicit 'charges' on beneficiaries.

The misappropriation of funds in the case of the Chars Livelihoods Programme (CLP) has been kept to a minimum by retaining control over funds in the hands of programme staff.

In summary, both lump sums and small, regular transfers are prone to corruption such as demands for "speed money", and falsification of eligibility lists. With regular transfers, there is some prospect of amending such lists since payments are made over time, and of automating payments via electronic transfer. Lump sums are often made in single payments and so do not offer these potential safeguards. Also, there is some evidence that they attract corruption in the form of diversion of funds for political purposes. Key individuals capable of assembling "vote blocks" may be rewarded as lump sums are directed towards them, whereas politicians may find that re-directing small, regular payments to large numbers of individuals represents too much effort for too little gain.

#### **4. Lump sums as investment: Do lump sums have an optimal size and what forms of investment support appropriate?**

The evidence on cash transfers in development contexts reviewed in Annex 2 suggests that even small, regular cash transfers can be used for productive purposes: they can assist in overcoming liquidity constraints, promote employment and self-employment and are rarely a disincentive to work. For many marginalised people, business entrepreneurship is an attractive option, evidenced by findings that beneficiaries of cash transfers have made small savings to invest in health and education, and have used transfers to help in accessing credit and to budget for small-scale business enterprises.

Studies of windfall gains in OECD countries show a positive link with self-employment. Importantly, amounts should not be too high. In their study Georgellis, Sessions and Tsitsianis (2005) found that small to medium-size windfalls were instrumental for young and middle age entrepreneurs when starting-up and surviving in self-employment. They suggest a sensitive relationship between capital and entrepreneurship as large capital gains may lead individuals to shun self-employment. They propose that for those motivated towards self-employment, entrepreneurial 'start-up' funds should be precisely targeted, both in terms of size and intended recipients. Specifically, amounts should not be too high for the maximum transition to occur. Based on their findings, the optimum amount appears to be in the range of 0.5 to 3 times the *per capita* national income<sup>9</sup>. For poorer recipients, the most appropriate size of windfall appears to be at the lower end of this range (i.e. equivalent to approximately one year's income). For those who were not as poor, windfalls of around 3 times were very effective in helping people transit and survive in self-employment. Amounts of more than 7 times the per capita income were counterproductive: people shunned or exited self-employment altogether.

These findings in OECD contexts resonate with studies in developing country contexts showing that small gains result in a high probability of transition to self-employment. They suggest the potential for the productive use of cash subsidies, including lump sums, for poorer beneficiaries. However, the income of those living in poverty is well below the mean *per capita* national income, implying that any given transfer will be much higher in relation to their annual income than for better off recipients. In the case of high levels of transfer, staggered payments may reduce beneficiary non-compliance. A further point is that, whilst policy lessons may be drawn from research in OECD countries that shows a productive link between, self-employment and, for example, inheritance windfalls, caution is needed when drawing inferences of equivalence as inheritance money, for example, may be earmarked as 'special' and treated differently from other monies, as may money received for compensation for displacement (as in the Lesotho case – annex 6)

Liquidity constraints to self-employment are, however, only part of the story. In development contexts, wider, structural obstacles also exist to starting up in business, to meeting domestic demand or to accessing market opportunities. These include inadequate legal and regulatory support frameworks, discriminatory duties and tariffs, lack of tax incentives, complex tax systems, high interest rates on bank loans and the concentration of financial services in urban areas. In addition, as the Lesotho case study demonstrated, the prospects for lump sums to enhance livelihoods will depend on the wider economic and social contexts: where the mortality and morbidity associated with HIV/AIDS are high, where economies are generally depressed because of limited opportunities (and, in this case, declining remittances from abroad) and where the

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<sup>9</sup> Calculations based on windfall gain as a percentage of GNI (World Bank Development Report) for the relevant years studies were conducted using World Bank Development Report statistical tables and historical conversion rates (annual average).

productive base of the land is eroding, the production-related impacts of lump sum investment are likely to be limited, and may at best slow down the pace of decline rather than create net additions to livelihoods.

There are useful lessons that may be translated from models of public sector assistance in the North, for example in the areas of business support and training. In developing country contexts, as in OECD contexts, there is a wide disparity between the desire to become self-employed and actual self-employment that may reflect unrealistic expectations, and/or a lack of access or support. There is a need for specifically targeted, business development schemes that offer skills training and start-up funds to individuals (Khan in Annex 2). However, it has to be recognised that not all aspects of entrepreneurship can be taught.

There is evidence that young people can become successful entrepreneurs, given capital and support, and that they benefit significantly from business support schemes in both OECD and developing country contexts. In the developing world, such schemes are relatively scarce, compared with the UK government sector, for example, which offers a diverse range of business training, mentoring and support to young and new entrepreneurs. The development of existing schemes, and the possible adaptation of successful OECD models to development contexts, would address both a pressing motivation and a pressing need regarding young people who are seeking to become self-employed. The use of ICT has been successful in linking OECD countries to high-income sectors in developing countries and can be exploited further. However, at the small enterprise level, many young people face not only a lack of business, ICT skills and training, but also a lack of capital or access to credit. This is particularly important at the start-up phase when risk of failure and financial constraints are greatest for new business entrepreneurs. Young people are also often considered less creditworthy due to their age and lack of experience. In this sense, access to start-up capital or to credit is a pressing concern to which lump-sum transfers can make a contribution.

Comparisons across post-emergency and developmental contexts suggest a major difference with respect to the profitability of investments. In post-emergency contexts, recipients of lump sums are generally replacing assets that have recently been lost, and so, on the whole, know what to invest in. In developmental contexts, this immediate link with a lost asset does not exist, and there is ample evidence that the poor, and especially women, have very few ideas concerning what might prove to be a feasible and profitable productive investment for a medium/large lump sum. In the Lesotho case, for instance, the best investments were made by men who had worked abroad, principally in the South African mines, and had picked up ideas from there on potential investments. These were a small proportion of those receiving lump sums: others, particularly latecomers into markets such as the grinding of grain, failed to make profitable investments, as on the whole did women recipients. Poor women invested successfully in productive assets in the Bangladesh Chars programme, but with considerable help from programme management in purchasing the asset and in ensuring its upkeep through the provision of veterinary services.

## 5. Conclusions and some steps towards improved practice

### **Conclusions**

This review is based on limited evidence and so its results must be treated with caution. Nevertheless, patterns are beginning to emerge from the evidence and suggest six main conclusions:

First, lump sum transfers work better in post-emergency than developmental contexts: their potential for rapid disbursement fits well into post-emergency requirements. Further, in these contexts the emphasis tends to be on the replacement of assets with which the recipients are familiar, so that there is a good “fit” between actual and intended spending patterns, and re-investment in productive assets has good prospects of generating acceptable economic returns.

Second (mainly in a developmental context) the performance of assets in which recipients of lump sums have invested in will be influenced by wider economic and social trends. Where markets for the flows of products or services generated by the investment are small, where the economy is generally stagnant (whether through internal or external forces) and where morbidity attributable to e.g. HIV/AIDS is high, then it will be difficult for investments of any kind to generate acceptable returns. All of these conditions apply in the Lesotho case, and the question has to be whether recipients facing some or all of these conditions would not be better served by one of two alternatives: either (as many have resorted to) small, regular transfers in cash or in kind, or a social assistance kind, or “untied” lump sums, which do not require an investment plan, but can be held in savings accounts or similar, and the interest drawn, until individual circumstances permit distribution of the lump sum, particularly among next generation beneficiaries, as required by the concept of “compensation”.

Third, for investments to be successful, other conditions will also have to be in place – not only training and business planning (see next point) but also the funds must be adequate for the intended purpose or are likely to be dissipated, other necessary physical assets must be in place (e.g. secure access to land in the case of housing schemes), services to support the investments (such as veterinary in the case of livestock) must be provided, and small, regular stipends may need to supplement lump-sum transfers for a limited period until the benefits from lumpy investments come on-stream.

Fourth, to provide business planning, skills enhancement and training support to recipients of lump sums will in most cases be a *necessary* condition (except where the individuals concerned have clear ideas on investment from exposure to other economic contexts – as was evident for a few in Lesotho), but will not be a *sufficient* condition for successful choice and implementation of investments.

Fifth, the transfer of large, individual sums attracts two broad kinds of corruption: one is the petty bureaucratic off-take of “speed” money and suchlike, which affects both large and small transfers. The other is more overtly political in nature, and involves the directing of funds by politicians to “buy” or reward support. Making transfers largely electronic (and therefore largely automatic) can do much to reduce the former kind of corruption in the case of both large and small transfers, but not the latter.

Sixth, where lump sums are too large, they risk being invested in assets outside the normal experience of beneficiaries, and/or of being dissipated, and/or of causing “disincentive to work”. For the very poor, they should not exceed around half a year’s average per capita national income; for the less poor, not more than three times average per capita national income.



### ***Options for policy***

As mentioned above, lump-sum grants for housing must be large enough to allow the intended type of house to be purchased or constructed, and other conditions, such as secure land tenure, must be in place. Decision-makers need to assess through monitoring studies how far new housing has increased overall well-being and productivity, and, given the small number of grants that can be afforded in relation to overall need, whether providing grants to only a few is socially divisive. The overall policy question is whether spreading the same total funds over a much larger number of recipients in the form of small, regular cash transfers would increase overall wellbeing by a greater amount.

Lump-sum transfers in the developmental context for purposes other than housing pose different challenges. Basically, two broad models suggest themselves: in a closely-managed model of the Bangladesh *chars* type, lump-sum grants have in fact given way to the purchase of an asset (a cow) for poor female-headed households by programme management. The programme then provides advice and support on husbandry and veterinary requirements, initially free of charge, and subsequently on a fee basis. It also provides a small stipend of approximately US\$3 per month for the first two years of the life of the asset, to prevent enforced sale of the asset before milk and calves come on-stream and so generate an income. This is a coherently thought-out and closely managed approach that ensures high asset retention, and apparently sustainable income streams for women who, in many other contexts, would be judged incapable of productive economic activity. However, it has very considerable management costs.

The less closely-managed alternative is simply to provide a lump sum and, through the provision of guidelines, business planning advice, training, and progress-dependent phased payments, to attempt to ensure that it is spent broadly in the ways intended, and that assets generate intended levels of returns. Although this is a less structured approach, even here considerable monitoring will be necessary, with “course corrections” at the level of both individual recipients and for the programme as a whole. The evidence suggests that, even where support, guidance and monitoring of these kinds are provided, the failure rate is likely to be high, for two main reasons: first, the capacity to make and manage productive investments is not evenly distributed among the population, and the degree to which entrepreneurial skills can be taught is limited. In addition, there appear to be gender effects: the evidence here suggests that women from poor households have been less comfortable with lump-sum grants than men. To improve the capacity of women to use such grants effectively will require long-term changes in gender relations not only at the household level, but also in wider social and economic relations, and, whilst individual programmes may contribute to such changes, they are unlikely to achieve anything more than minor improvements.

It follows that a less wasteful alternative to an “open to all” approach for funds of this kind is to target them towards those able to demonstrate entrepreneurial skills. This implies specific acknowledgement that these are essentially entrepreneurial start-up funds, that provision will be made on a selective basis, and that the exclusiveness (including gender exclusion) of the approach are a price worth paying for more efficient use of scarce funds. Where a more socially protecting than an enterprise approach is preferred, policymakers would be better advised to introduce or expand programmes involving small, regular cash transfers rather than pursue lump-sum approaches.

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