The Journal of Development Studies ›
Volume 48, 2012 - Issue 2

Special Section in Honour of Michael Lipton

'We Are All Poor Here': Economic Difference, Social Divisiveness and Targeting Cash Transfers in Sub-Saharan Africa

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Pages 201-214 | Published online: 28 Feb 2012
Cite this article https://doi.org/10.1080/00220388.2011.625408

Abstract

While the central thrust of Michael Lipton's work has been the crucial role of productivity gains in small farm agriculture for rural poverty reduction, in many sub-Saharan African countries this desirable outcome has stubbornly refused to materialise, and growing numbers of rural poor people are found persistently to fail to secure even minimal acceptable levels of food consumption. A social protection policy response is to target social cash transfers to the chronic extreme poor. This article focuses on the level of cash transfers relative to income differences between households in the bottom half of the income distribution, and the social tensions that arise from beneficiary selection and exclusion. It is found that cash transfers to target groups such as 'the poorest 10 per cent' or the 'ultra-poor labour constrained' must be set low, even below the welfare levels they seek to achieve, if they are to avoid socially invidious reshuffling

of the income distribution. The article identifies critical trade-offs between the cost and coverage of different types of social transfer, their social acceptability and their political traction, helping to explain the reluctance of governments to adopt scaled-up poverty-targeted transfers as the preferred form of social cash transfer to those most in need in their societies.

Acknowledgements

I am grateful to Bob Baulch, Gabriel Demombynes and John Hoddinott for supplying me with the mean decile consumption per capita from recent household budget surveys in Malawi, Zambia and Ethiopia, respectively, on which the economic difference discussion of this article is based. Francesca Marchetta and Ed Anderson contributed considerably with additional data analysis. An earlier version of this article was presented at the conference Social Protection for the Poorest in Africa: Learning from Experience, held in Entebbe, Uganda, 8–10 September 2008. The article has benefited from comments by Stephen Devereux, Nicholas Freeland and Phil White, as well as two anonymous referees.

Notes

1. A more extended discussion of these and related policy arguments around social protection can be found in Ellis et al. (2009, especially Chapters 1 and 9).

2. The term universal provision refers to transfers which all citizens who comply with a simple criterion (such as an age threshold) are entitled to receive. However, some writers prefer to call these ‘categorical transfers’ because they apply only to a category of the population. Moreover, whether ‘universal’ or ‘categorical’, such transfers may have exceptions, such as non-eligibility of those in receipt of a government pension to receive social pension payments.

3. This does not happen for self-targeted transfers since non-beneficiaries choose not to participate (or are unable to supply labour), nor for universal transfers (such as pensions) since all citizens who comply with a simple age criterion are included.

4. This occurred during the implementation of some of the Zambia pilot social cash transfer schemes, and is reported by CARE Zambia (2007) and Ellis (2007).

5. For a revealing account of these various social facets of targeting transfers to the poorest as experienced in the poverty-targeted distribution of fertilizers in Malawi, see Levy and Barahona (2002: 11–14).

6. This article was not written specifically as a critique of the 10 per cent rule, which has made an important contribution to evolving practice in the targeting of cash transfers in SSA. Nevertheless in its conclusions it does return to the rule and identifies several weaknesses for its deployment as a targeting principle in scaled-up cash transfers.

7. Ultra-poverty in the IHS2 analysis is defined as insufficient income to secure enough food even if all income is spent on food, which differs from the Lipton (1983) definition mentioned earlier.

8. For a detailed account of how this is done in the Malawi social cash transfer pilots, see Schubert (2008).

9. The published analyses of these surveys can be found in Devereux et al. (2006), Government of Malawi (2005), Government of Malawi and World Bank (2006), World Bank (2005) and Woldehanna et al. (2008).

10. The exchange rates used to convert local currency data from the surveys into $US were: for Malawi MK108.9 = $US1; for Zambia ZMK4566 = $US1; for Ethiopia 8.6 birr = $US1. Purchasing power parity (PPP) exchange rates are not used for this exercise since no comparative analysis of purchasing power between countries is intended.

11. Lest the reader objects to this as requiring a population-weighted average, the purpose here is to examine ‘ballpark’ differences between deciles for economies of the type represented by a Malawi, Zambia or Ethiopia and, therefore, a weighted average that would result in undue weight being given to Ethiopia is not required.

12. The reason this occurs statistically is that even in a clean data set the bottom decile tends to contain some per capita expenditure observations that are implausibly low, in addition to observations that accurately reflect variations in the extreme poverty of households in that decile. It is also the case that the bottom and top deciles always

display considerably more variation that the intervening deciles, reflecting that they contain extreme low observations (bottom decile) and extreme high observations (top decile).

13. The argument here has been developed from per capita expenditure data and magnitudes might differ slightly if household-level deciles were used instead, depending on the relationship between household size and per capita income across the income distribution.

14. This takes into account the impact of 59.6 per cent inflation on the purchasing power of the Zambia Kwacha between 2002–2003 and 2005 when the Kazungula scheme started.

15. Consumption per capita is MK1,750 for the sixth decile and MK2,047 for the seventh decile. These observations are made with respect to the mean rural consumption per capita in the bottom decile, and would vary in magnitude depending on how far below or above the mean consumption is any individual family.

16. The evolving design of these pilot cash transfer schemes is traced in Schubert (2005) and Schubert and Huijbregts (2006).

17. It is more common in such surveys for household samples within districts to be contributing to a statistically valid sample at a higher geographical unit of aggregation, such as the zone or province comprising several districts.

18. An evaluation of the Mchinji social cash transfer pilot conducted in 2008 was critical of setting a fixed guideline for precisely these reasons (Miller et al., 2008) and the chief originator of the approach seems to have conceded that the proportion should perhaps be flexible across districts (Schubert, 2007).

19. It is not uncommon for the administrative cost in public works schemes to be 40–150 per cent above the value of the transfer. This compares to 30–40 per cent for poverty-targeted transfers and around 5 per cent for social pensions. Of course, this comparison neglects the assets created by public works programmes, but these are often found to be poorly constructed or maintained and of dubious utility (Ellis et al., 2009: 85–97).