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Cash transfers in Sierra Leone: Are they appropriate, affordable or feasible?

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Key points

- Current government spending on social protection is limited: 0.6% of government expenditure and a small fraction of a percentage of GDP
- To achieve political acceptability, particularly from donors, cash transfer programmes in Sierra Leone must be linked, programmatically and institutionally, to the wider economy and economic growth processes
- Implementation challenges including institutional capacity and physical infrastructure are serious, but not insurmountable

Sierra Leone is recovering from a decade of civil war, which destroyed most of the economic and physical infrastructure in the country. In 2006, 70% of the population existed below the poverty line (Le 2,111 a day – under US$1 – based on daily per capita expenditure on food and basic needs). More than 25% of these people were below the extreme poverty line (defined by being unable to meet the minimum nutritional requirement of 2700 calories per adult equivalent) (Government of Sierra Leone et al., 2006).

As part of the country's recovery process, programmes have shifted from emergency relief to reconstruction. This includes physical and economic infrastructure, economic growth programmes to rebuild people's livelihoods and efforts to rebuild social cohesion and social capital to contribute to the peace process.

The country's national development strategy, the 2005-2007 Poverty Reduction Strategy Paper (PRSP), recommends the development and implementation of a national social protection policy. The aim would be to improve and prioritise vulnerable groups' access to food, social services and other social safety nets (Government of Sierra Leone, 2005). Under particular discussion is the potential for cash transfers as a social protection tool. The National Social Security and Insurance Trust (NASSIT) is leading discussions with the government on a Safety Net/Social Assistance Programme and the National Commission for Social Action (NaCSA) is preparing a proposal for conditional cash transfers for families with children. In addition, there are a small number of governmental and non-governmental cash transfer schemes.

This Project Briefing discusses whether cash transfers are an appropriate, feasible and affordable tool to assist Sierra Leone's post-conflict transition and contribute to reducing poverty levels.

Are cash transfers appropriate?

Given the high levels of poverty and social fragmentation preceding and resulting from the war, can cash-based social protection programmes be an appropriate policy response to address the economic and social challenges of reconstruction? The small number of cash transfer projects currently implemented include contributory and non-contributory pension schemes and public works programmes. They have a number of objectives in common:

- Meeting immediate income needs;
- Putting cash into the community and stimulating the local economy; and
- Empowering people by enabling autonomous decision-making over expenditure.

Whilst these objectives align with the need to address economic and social vulnerability in Sierra Leone, the political acceptability of cash transfers remains a challenge. There are concerns, particularly among donors, that cash transfers could create a public dependency on this money, and that a focus on social protection as welfare would be at the expense of growth, as well as a question over whether cash transfers can address the causes of social instability.

First, years of humanitarian aid in Sierra Leone has created the concern that people may become dependent on post-conflict programmes, including cash transfers. 'Dependency' is associated with the provision of emergency relief and is seen as undermining people's own initiative to work to meet their basic needs and engage in economically productive activities (Harvey and Lind, 2005).

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Discussions with programme providers indicate that many post-conflict programmes have been designed or chosen partly on the basis of reducing dependency on 'hand-outs', and so explicitly promote sustainable livelihoods through start-up capital programmes (see Box 1). Using in-kind transfers instead of cash to avoid recipients expecting long-term assistance in the form of cash has been thought to be an important feature in these.

Whilst there is no evidence that humanitarian aid has created any kind of dependency, such as people not wanting to invest in their own livelihoods, the concerns influence decisions about levels and types of assistance and are a real factor driving policy and programme objectives in Sierra Leone. There is a need to overcome the assumptions around aid dependency in Sierra Leone and make the case for long-term and temporary support for those people unable to develop sustainable livelihoods by other means.

Secondly, there is a concern that cash transfers as a welfare programme will not contribute to the broader goals of economic growth. Discussions with government and donors suggest that if cash transfers are to be supported in the country, they almost certainly need to be explicitly linked to processes of growth. The linkages between growth and cash-for-work programmes (for example, building community assets) are much more visible than direct transfers, and there is institutional pressure to ensure that programme and institutional linkages to the wider economy are in place.

The Youth Employment Scheme, a public works programme implemented by the Ministry of Youth and Sports, illustrates some of these tensions. The programme has been criticised for being too short-term in nature and lacking a vision for long-term sustainability, because it is regarded as having limited or no linkages to longer-term skills, employment structures or private enterprises. However, whilst there are reported plans to incorporate a long-term vision as the scheme develops, the implementers stressed that meeting short-term needs are as important as long-term objectives. The programme fills short-term income gaps by paying workers in cash, and contributes to social stability by encouraging youth to work.

Moreover, some people, such as the elderly, sick or disabled, are likely to require direct assistance, such as pensions. Because such people tend to be less productive, the links between cash transfer programmes and growth are less obvious. Emerging evidence from other countries suggests that cash transfers can put money into the hands of those who need it, which stimulates local trade and the local economy through increased demand for goods and services. Thus, recognising that cash has multiplier effects may actually help to overcome the perception that cash transfers are implemented at the expense of livelihood promotion.

The question of how cash transfers could play a part in addressing the social risk and inequalities which Sierra Leone faces, especially since the end of the war, is less clear. Any social protection programme in a post-conflict society should address threats of violence and social inequality, and Sierra Leone is no exception. Existing social protection programmes aim to promote social cohesion and contribute to the peace process and political stability as a secondary effect of their programme objectives. Programmes aim to reintegrate specific groups into the economy and society by providing economic opportunities to, for example, ex-combatants and marginalised youth — particularly girls. The extent to which social cohesion objectives are being achieved through existing social protection programmes is, as yet, unclear.

However, the bigger issue in Sierra Leone is the implication that targeting categories of people on the basis of social status differences (e.g. gender and age) can be unhelpful in addressing the root causes of social exclusion and discrimination. In Sierra Leone, poverty and vulnerability are shaped not only by economic factors, but also by unequal relationships within society that are based on existing lineages and social hierarchies (Richards et al. ,2004). Addressing issues of social inequality, at the very least not exacerbating existing tensions, needs to be a central part of any cash transfer and social protection programme in the country.

Box 1: In-kind or cash assistance?

In-kind assistance or grants in the form of start-up capital such as tools, sewing machines, or agricultural inputs have so far been far more popular programme instruments in post-war Sierra Leone than cash.

Why are in-kind transfers seen as more appropriate? Three key reasons were cited by social protection implementers delivering in-kind aid:

(1) In-kind assistance has been seen as a better way of achieving the stated objectives of a programme. Organisations often have better access to the market for purchasing tools and inputs at a large scale and can receive more advantageous prices.

(2) There was concern (whether real or perceived is unclear) that giving cash to beneficiaries would lead to misinterpretation of programme objectives and build up an expectation from beneficiaries that they would receive longer-term assistance in the form of cash. This perception is not reported to be a problem with a start-up kit of in-kind materials.

(3) The World Food Programme states that giving food, instead of cash, in the form of payment for public works supports existing community cultural practices in some areas of the country whereby agricultural workers are paid in this way.

Are cash transfers feasible?

Sierra Leone is grappling with extremely limited institutional capacity, both in terms of staff numbers and skills, and resources. It also has poor transport and financial infrastructure. These are key challenges to the feasibility and implementation of cash-based approaches, but they are not insurmountable.

Infrastructure

Sierra Leone has an emerging network of regional banks, but coverage outside district towns is still non-existent, and no formal substitute (e.g. post offices) currently exists. Limited infrastructure and few developed institutions increase the likelihood of a delay in the delivery of large sums of money and the risks involved in the transfer of large sums of money. Whilst these are very real concerns, there is often a tendency to underestimate the scale of existing (and previous) transfers. Significant transfers are already being delivered, requiring considerable implementation capacity. Remittances from the cities to rural areas are sent through informal networks (i.e. by hand) and represent a much larger flow of cash transfers than any scheme the government could implement in the near future. Local councils and, increasingly, schools far from the capital city, are now being paid via bank accounts, suggesting that improvements to financial infrastructure may make cash transfer programmes viable in the short term.

International experience also shows that in conflict-ridden countries such as Somalia and Afghanistan, innovative delivery mechanisms, such as the use of private companies, can implement cash transfers even where much of the infrastructure is lacking. Furthermore, in Sierra Leone, there is substantial implementation capacity in the form of UN agencies and NGOs, which is likely to remain significant, at least in the short to medium term.

Institutional capacity

By the end of the civil war in 2002, government capacity had been progressively deteriorating for at least two decades. With a great deal of international support, it is in the process of being rebuilt, but a significant amount remains to be done. After the war, the country reinstated a decentralised system of local government. Performance varies across councils and in terms of devolved functions. There are also teething problems with regard to institutional capacity and local authority (traditional chieftancy systems) as well as budgetary allocations and disbursal. The councils are, however, widely seen as contributing positively towards improving the functioning of democracy and strengthening the state-citizen contract by improving the government's responsibility and accountability in delivering programmes. The councils could become increasingly effective in coming years and will be an important part of any potential cash transfer programme.

Risk and corruption

Critical functions in need of further development for local councils, and particularly for any involvement in the disbursal of funds for a cash transfer scheme, are those of accounting, auditing, monitoring and reporting for all funds and activities. Indeed, given the high level of corruption in Sierra Leone (the country was ranked 142 out of 163 in the 2006 Transparency International rankings), mechanisms for accountability and transparency are vital.

Corruption continues to be a significant concern in the implementation of any project in the country. Public financial management reforms and, in particular, Public Expenditure Tracking Surveys (PETS) have gone some way towards providing accountable mechanisms in some of the key government departments. The Ministry of Education temporarily hired a private company to set up delivery systems for scholarships and build confidence in their delivery. These are positive steps towards addressing the challenges of corruption, and similar measures would also be vital for any implementation of a cash transfer. Stakeholders expressed concern that cash transfers would be much more susceptible to the risks of corruption, yet international experience shows that the risks are not greater in delivering cash, they are simply different. Identifying where corruption may occur in the process of implementation is key to addressing these risks (Harvey, 2007). Ensuring accountable and transparent systems is one of the key aspects of gaining donor support for a cash transfer in the country. UNDP is already carrying out a financial capacity assessment in the Ministry of Youth and Sports (who are implementing the Youth Employment Scheme) before providing support to the programme, and will be setting up financial accountability systems and hiring its own staff to support and monitor the process inside the ministry if UNDP's involvement occurs.

Are cash transfers affordable?

Budgetary resources are limited in Sierra Leone, and expenditure plans can be fragile and subject to frequent change. There are likely to be clear limits to the scale of cash transfer interventions that its government could support without donor assistance.

Total government expenditure on social protection was budgeted at around US$1.5 million in 2006 and US$2.8 million in 2007. In per capita terms, this works out as around US$0.3 per person in 2006 and US$0.56 in 2007. Social protection expenditure is estimated at around 1.5% to 2.5% of non-salary, non-interest recurrent government expenditure, 0.3–0.6% of total government expenditure and a small fraction of a percentage of GDP.

As a recent briefing paper on cash transfers by the NaCSA in Sierra Leone (National Commission for Social Action, 2006) notes: *'Resource affordability is critical to the success of the CCT [conditional cash transfer] and an overall social protection agenda. It is more a function of political will and less so (though important) of actual resource availability. Experience across continents and in Africa in particular has shown that social protection spending is less than 1% of GDP and 3% of government spending. Therefore, social transfer programmes are generally affordable in a wide range of low income countries including Sierra Leone.'*

Several options for cash transfer schemes are proposed in Box 2.

Whether or not a cash transfer scheme is deemed affordable and sustainable will depend not only on national political acceptability, but also on donor support. Current donor programmes in Sierra Leone

Box 1: Cash transfer options

(1) Scaling up a 'Social Safety Net' scheme to the elderly and most vulnerable: 170,000 recipients x US$123.50 per annum + 10% admin costs = US$23.1 million (1.5% of GDP). This scheme transfers about US$10 a month to the most vulnerable, outlined as a priority target group for social protection in the PRSP. Donors in Sierra Leone have expressed concern about supporting a scheme that does not directly support productive economic activity. However, similar schemes in other low-income countries are increasingly being supported by national governments and international donors, indicating a broader commitment to such schemes in development policy and programming. Experience of this type of cash transfer from the pilot scheme implemented by the Ministry of Labour in 2007 suggests there are major administration costs in terms of human input to identify and verify the most vulnerable, and ensure that they receive the correct payments. The reason this is a particular problem is precisely because those targeted are often the least mobile, and the least able to press for their rights when faced with national and local authorities. Thus, additional funds to improve capacity and targeting may be a necessary prerequisite to enable the programme to function successfully.

(2) Target the bottom 10%: close the poverty gap. 100,000 households x US$77.20 per annum + 10% admin costs = US$8.5 million (0.6% of GDP). This scheme transfers about US$6 a month to the 10% poorest households in the country. This can have major distribution consequences because the poorest household's income then jumps above many others. This might make it difficult to implement and prone to conflict over who receives the money, given that data on household expenditure is not likely to be easy to collect or transparent. But, if well-implemented, it would all but eliminate the most extreme poverty in Sierra Leone, and greatly reduce the poverty severity index. However, its impact on dollar-a-day poverty (i.e. extreme poverty) would not be significant.

(3) Support vulnerable children: conditional cash transfer to families with children. 200,000 recipients x US$144 per annum + 10% admin costs = US$31.68 million (2.1% of GDP). The scheme would transfer about US$12 a month to households with children, conditional on education enrolment and regular health care visits. This approach raises similar concerns to those in option (1) regarding the link to productive economic activity in Sierra Leone. This means there is a question mark over the political acceptability of this sort of scheme. However, its resonance with the Millennium Development Goals, together with demonstrated wide-ranging political support for similar schemes in other countries could, if the scheme is well targeted and managed, mean that it would be politically acceptable.

run into tens of millions of dollars and there is potential for significant donor funding in the future. However, there remain significant challenges to the acceptance of cash transfers as an appropriate and feasible programme in the country at present.

Conclusion

It is clear that there are barriers to the take up of cash transfers in Sierra Leone, not only in terms of limited infrastructure and government capacity within the country, but also in terms of political perceptions of cash transfers in a post-conflict context.

The debate over whether cash transfers are appropriate is ongoing: on the one hand there is scepticism that cash transfers would contribute to creating dependency; on the other, there is the view that cash transfers could form part of a social protection strategy which contributes to the economic growth process, and to enhancing political and social stability.

In terms of feasibility, experience from programmes within Sierra Leone and internationally suggests that the challenges to delivering cash are not insurmountable. High volumes of resources have already been transferred across the country in the form of food, in-kind assistance, and cash.

The question of affordability is likely to come down to donor preference as much as national priorities. There is some way to go before cash transfers are widely supported as a viable part of a broader national social protection strategy in Sierra Leone — but both the potential and the interest in cash based approaches is emerging.

Endnotes and project information

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Project information

This Project Briefing is a summary of Holmes and Jackson (2007) 'Cash transfers in Sierra Leone: Appropriate, affordable and feasible?', available at www.odi.org.uk/plag/projects/cash_transfers.html. The paper was an output from the ongoing ODI research study (2006–09) on cash transfers and their role in social protection, and was undertaken in partnership between ODI and the Economic Policy and Research Unit, Ministry of Finance, Sierra Leone. The project is co-funded by the Swiss Agency for Development and Cooperation (SDC).

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