Guidance note for DFID:

Exploiting the synergies between social protection and economic development

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Preface – a note for DFID staff

Although the core objective of social protection is meeting shortfalls in people's basic consumption and protecting the vulnerable in the face of shocks and stresses, social protection also has the potential to contribute to wider objectives including economic development. In practice, it isn't always simple to achieve these wider objectives. But it is worth your attention, not least because many governments in developing countries that you work with do focus on using social protection to improve the livelihoods and employment prospects of poor people and because, at a minimum, your programme work should not have negative effects on productivity, employability, economic development and growth.

This note is intended to help you - DFID staff - and other people working on social protection to understand how you can maximise synergies between social protection and economic development. We take you step-by-step through the knowledge, analysis, decisions and practical steps required to do this. We try to do so in a way that doesn't heap too many expectations on social protection programmes – it's important not to lose sight of their basic role – but does allow all of us to broaden and deepen the impacts of social protection where this is feasible.

We also know how busy you are so we have designed the note so that it can be used in two ways:

The Whole Deal: If linking social protection and economic development is a central theme in your work, or if you learn best by getting to grips with the detail and then translating it into a systematic approach to achieving outcomes in your programmes, we suggest you start at the introduction and work through the whole thing. After that you can use the checklist to keep an eye on your progress and make sure you are following a logical process and not missing anything important. Click here to go to the introduction.

The Light Touch: If linking social protection and economic development is not a major priority for you or if you who have time to no more than dip into the detail on linking social protection and economic development, we suggest you start with the checklist. You can use it to make sure you don't deliver your work on social protection in ways that could inadvertently undermine economic development, to sense check your decisions at various stages in the programming progress and to make sure that 'you know what you don't know'. At a bare minimum, focus on the core messages in the first column in the checklist. Click here to go to the checklist. If particular issues become important, you can dip into specific parts of the full report – the links in the checklist will take you to the right place. You might also want to go to the introduction at specific times to understand why we've taken particular decisions (for example, to focus primarily on social transfers) or to figure out how to use the guidance if your circumstances are different (for example, if you are not starting a social protection programme from scratch but are working on an existing programme).

Acknowledgements

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Checklist: Programming for social protection and economic development

Guidance: Before you start …

Know what is feasible / realistic

- Get a working knowledge of the main mechanisms through which social protection can contribute to economic development. Get started with the basic mechanisms here.
- Get to know how, when and where these mechanisms have worked in practice – in low-income countries, in different regions and in different social and economic contexts. Get it here.
- Get to know the different forms of graduation and what is happening in your country.
- Remember that the first objective of social protection is usually reducing poverty and vulnerability and this should not be lost sight of among economic development objectives.

Guidance: During design - support governments to:

Keep it as simple as possible!

- Establish shared and **prioritised objectives** among stakeholders. Remember stakeholders will have different priorities (reduce income poverty, enhance food security, inclusion of marginalised groups, buffer households against shocks). Avoid having too many or conflicting/inconsistent objectives.
- Work out **how far household and local-level economic development should be a priority** for the programme and remember programmes should have one principal objective. If it is a priority, try and focus on only one or two sub-objectives for economic development, e.g. protecting assets. To get this right you'll need to:
  - Do **contextual analysis** of local markets for labour, goods and services and the barriers to poor households' participation.
  - Analyse the extent to which **complementary programmes** exist to pick up where social protection leaves off in terms of supporting economic development.
- Recognise in this that, in practice, **government concerns** about dependency, limited fiscal space and negative views of the poor mean programmes may need to include economic development or asset building objectives, even if you don't think they should be a main priority.
- Work out **what approach** to supporting economic development is appropriate:
  - ***Simple social transfer*** – where transfers alone contribute in the long term to increases in human capital, especially by ensuring improved health, nutrition and education;
  - ***Sequencing*** – sequential interventions where beneficiaries gradually move from programmes supporting and stabilising their basic consumption to those which enhance their productivity;
  - ***Layering*** – where households simultaneously receive a range of different kinds of support.
- Recognise that all these approaches need to be embedded within wider and comprehensive development policy: social protection is one tool among a variety of policies and programmes that are coordinated to ensure that all of the conditions are in place to allow poor households to accumulate assets that they are able to use efficiently to generate income and insure against shocks.
- Select **appropriate instruments** based on the objectives, the approach chosen and the human and financial resources available, and identify the specific design features (level of transfer, timing of transfer, frequency of transfer, target groups).
- Identify and tackle **trade-offs** (between coverage and levels of transfer; between targeting the poorest and targeting those most likely to successfully enhance their productivity; and between entry and exit criteria) in design and, subsequently, during implementation.

Guidance: during implementation

Get the basics right

- **Get the basics right!** Remember that good design is nothing if social protection programmes are not delivering at the right levels, on time and predictably. Delivering programmes well is the single most important way to achieve synergies between social protection and economic development.
- Ensure that **monitoring and evaluation (M&E) systems** include indicators of economic impact and of good implementation practices, as well as explicit graduation criteria (if applicable) that are integrated into the logical framework and theory of change.
- Ensure **feedback loops** from M&E to design are strong and be prepared to change the design; scale down programme elements that are not working and scale up elements that are.
- **Revisit contextual analysis** and information on local market conditions and complementary programmes and make adjustments as required.

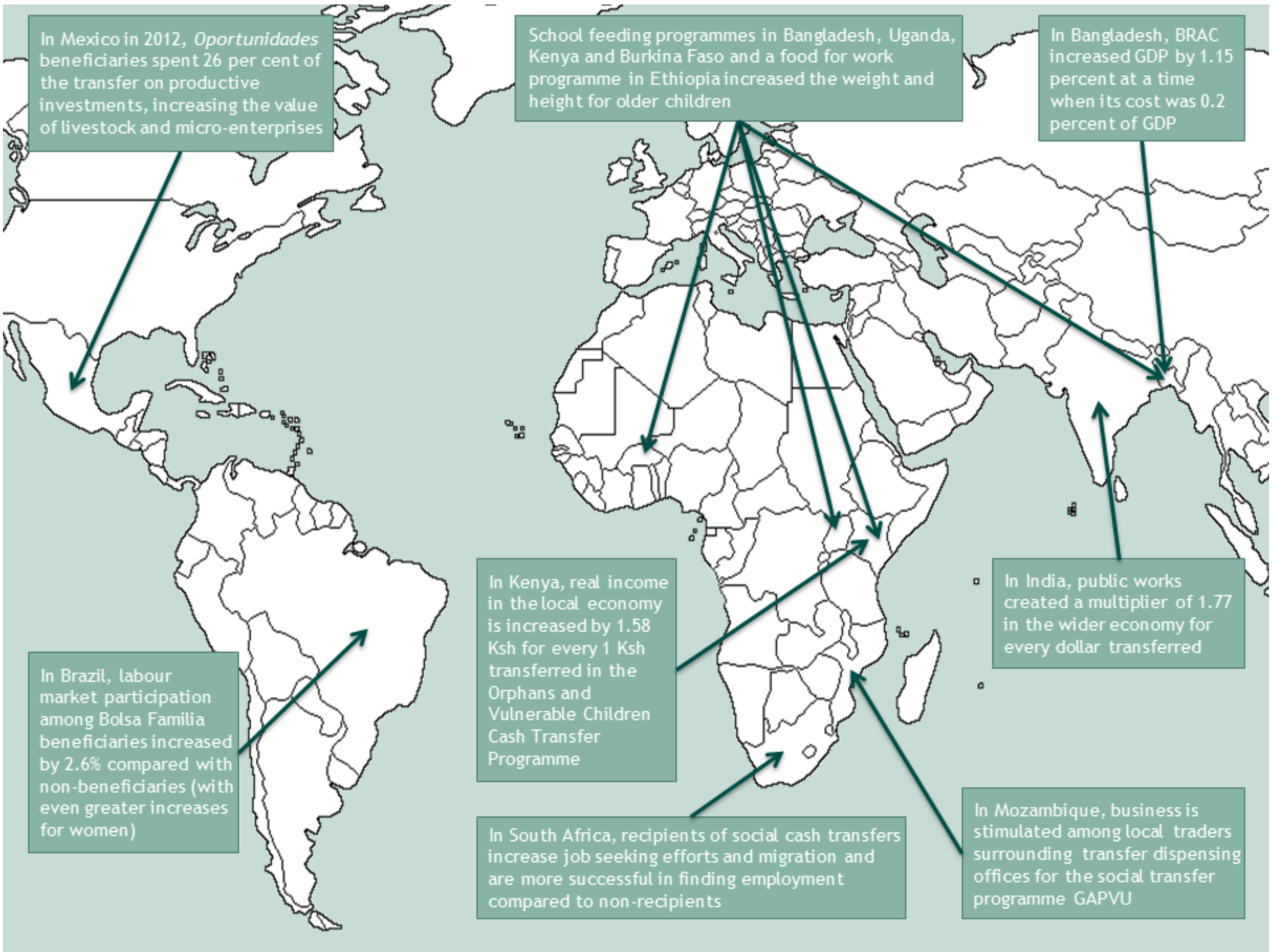
Contents

1. Introduction

1.1. Why a guidance note on synergies between social protection and economic development?

The core objective of social protection programming is to ensure that people are able to meet their basic needs – food, clothing, shelter, and so on. But social protection also has the potential to have direct impacts on people's capacity to achieve a secure and sustainable independent livelihood and can have economy-wide effects (Figure 1). These experiences have been synthesised in a number of places to start to identify the key design and implementation features that maximise synergies between social protection and economic development. However, despite this growing literature, there is a paucity of guidance for policy-makers and programme designers and implementers on ***how*** social protection programmes can be strengthened to better support the poorest by promoting economic opportunities, sustainable livelihoods and economic development at the micro level.

Figure 1 Examples of social protection contributions to economic development – short and long term



Sources: Alamgir, 1996; Mallick, 2000; Case, 2001; Devereux, 2002; Samson et al., 2004; Keswell et al., 2005; Aguero et al., 2006; Oliveira et al., 2007; Barrientos and Scott, 2008; Hirway et al., 2009; Samson, 2009; IEG, 2011; Alderman and Yemtsov, 2012; Gertler et al., 2012; Samson and Miller, 2012; Taylor et al., 2013

This guidance note aims to support the UK's Department for International Development (DFID) advisers and programme staff to maximise the synergies between social protection and economic development by:

- identifying what people working on social protection need to know before they design and implement programmes
- identifying a range of approaches aimed at maximising the synergies between social protection and economic development
- showing which social protection programme design features are most likely to help enhance economic development
- identifying which actions can most quickly and simply help to maximise synergies between social protection and economic development, and
- describing how the term 'graduation' fits the wider picture of economic development and sustainably improving livelihoods.

1.2. Who is the guidance for? Where might it be most useful?

The guidance is commissioned by DFID in response to strong demand from DFID country offices. It draws heavily on the programming parameters and systems within which DFID operates, focuses on the contexts in which DFID commonly works (especially low-income countries and fragile or conflict-affected countries), and attempts to align with DFID's current policy engagement with economic development – rather than solely poverty reduction – as an objective of its bilateral aid programming. It is hoped that the guidance will also be useful for those outside DFID – including officials working on social protection in governments in low-income countries, in other bilateral and multilateral agencies, and in non-governmental organisations (NGOs).

The scope of the guidance, as laid out in the terms of reference, is focused on:

- low-income contexts in sub-Saharan Africa and South Asia, but includes lessons from middle-income countries where there is specific relevance to low-income settings
- people living in poverty who have productive capacity (for example, cash transfers to the working age poor rather than old age grants)[1]
- micro or household level synergies but with a consideration of wider impacts where these are relevant
- social assistance rather than social insurance (though we will continue to use the term 'social protection' throughout).

The guidance does not explore the impacts of social protection on macro-level economic development and growth, nor the role of social protection in supporting other economic reforms which could be good for economic development, such as reforms to subsidies. These issues are important but not addressed here because in low-income countries, especially those in which DFID works, there are currently few if any instances of programmes working at a scale that are likely to affect macro-level growth.

The guidance follows the cycle of designing and implementing a social protection programme and provides advice about what to do during each stage. Given that it will be far more common for DFID staff to be thinking about how to maximise synergies with economic development in programmes that already exist, we tailor the guidance so it is relevant to those working with existing programmes.

[1] Whilst we are asked to focus on households with productive capacity, we also recognise that social protection can increase productivity in the long-term – by improving the human capital of households that have constrained labour capacity – and we do consider transfers to households and individuals with limited productive capacity and their impacts in the long-term.

1.3. How was the guidance developed?

There were two main stages of background work for the development of the guidance: an assessment of existing literature and evidence reviews of the impacts of social protection on growth, employment and markets; and an assessment of specific pieces of programme documentation and impact evaluations. In the case of the literature and evidence reviews the main sources were: Mathers and Slater, 2014; Tirivayi et al., 2013; Alderman and Yemtsov, 2012; Barrientos, 2012; and Grosh et al., 2008. In the case of the programme documentation, we focused specifically on programmes where DFID had a role in design, funding or implementation. DFID programme documents were reviewed for eight programmes[2] to investigate whether there was (1) a clearly articulated theory of change (TOC) related to economic development outcomes and (2) indicators for and monitoring of (a) economic development impacts and (b) design and implementation features that are known to enhance positive economic development impacts. The eight programmes from South Asia and sub-Saharan Africa included four with explicit economic development objectives (and graduation mechanisms – see below) and four without. The purpose was not to identify strengths or expose weaknesses in specific programmes but to paint a general picture of the current state of practice and to highlight any best practice. A number of drafts of this guidance were produced, which at each stage were reviewed by a reference group of DFID staff, wider stakeholders and experts.

1.4. How are social protection and economic development defined?

We take a broad definition of social protection (Box 1) that supports our focus on providing guidance for those interested in the ways in which social protection might contribute to economic development objectives or link to other policies, programmes and instruments with this objective.

Box 1 Defining social protection in relation to economic development

Defining social protection is not a neutral process – how we define it can set parameters around the objectives that programmes have and the instruments chosen, and these in turn affect the ways in which they might contribute to economic development. Given our focus on trying to understand wider impacts of social protection beyond meeting basic consumption needs, adopting a definition that allows us to recognise a broad range of objectives is important. For the purposes of this paper, social protection is defined as follows:

Social protection describes all public and private initiatives that provide income or consumption transfers to the poor; protect the vulnerable against livelihood risks; *maintain and build productive assets and livelihoods activities*; and enhance the social status and rights of the marginalised, with the overall objective of reducing the economic and social vulnerability of poor, vulnerable and marginalised groups (adapted from Devereux and Sabates-Wheeler, 2004: 9 – with additions in italics).

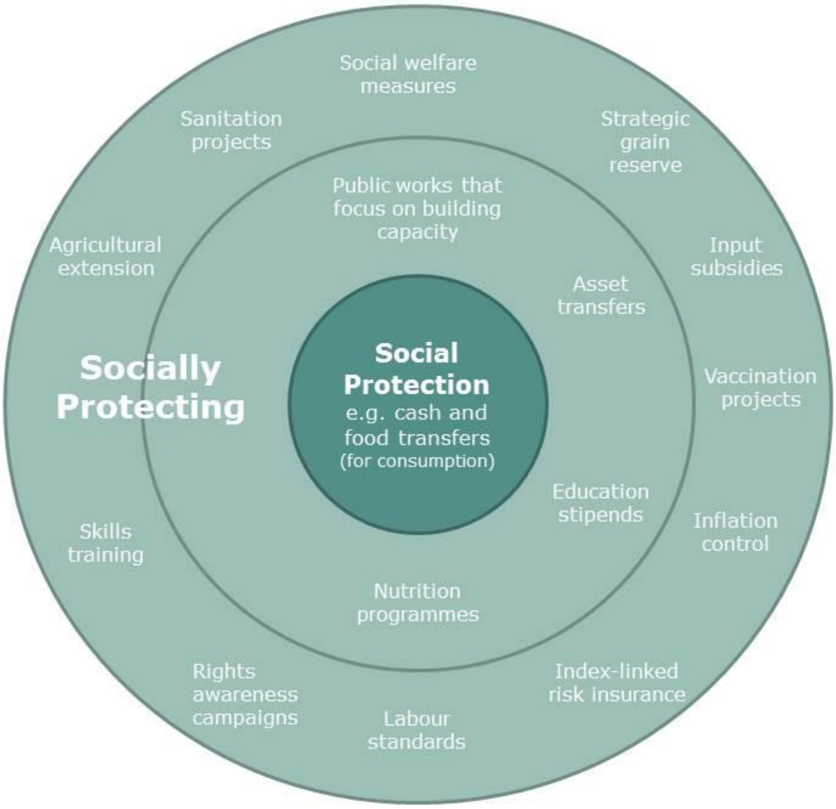
We use this definition for a number of reasons. First, DFID has explicitly asked us to explore both basic social transfers and programmes that combine transfers with other instruments or activities. This definition therefore allows us to capture programmes such as public works (which can be seen both as providing a transfer and creating productive assets) or school feeding programmes (which can be seen as in-kind transfers to substitute for household expenditure on food, or as nutrition interventions, or as an education intervention to tackle the demand side barriers to education), and programmes that link transfers with other components such as credit or training. It also allows us to think about the role that programmes play in providing an insurance function (i.e. protecting people against specific shocks or stresses that threaten their livelihoods). We can then view the range of social protection instruments in a series of layers: with transfers at the core and outer layers comprising instruments which play a role in reducing vulnerability and as such are 'socially protecting' (Figure 2). This is important because, as we will see later, it can be the linkages between core social protection and other policies and programmes that really matter for economic development, and it allows us to include programmes that combine social protection and livelihoods components.

[2] Documents available for review included annual reports, mid-term reviews, project completion reports, logical frameworks and business cases. They were sourced from the DFID DevTracker and direct from country programmes. Programmes reviewed included Bangladesh CLP, Bangladesh CFPR, Ethiopia PSNP, Kenya Cash Transfers (HSNP, OVC), Uganda ESP, Rwanda VUP and Zambia Child Grant.

How does DFID define economic development?

DFID considers that economic development takes place when a country achieves long-term, high rates of economic growth and when this growth is accompanied by a wider economic transformation that benefits the poor and shares prosperity broadly. The overall objective of DFID's work on economic development is to reduce poverty and increase prosperity by creating jobs and increasing incomes through the promotion of high, sustainable and inclusive growth. DFID's focus on economic development includes activities under five pillars: improving international rules for shared prosperity; supporting the enabling environment for private sector growth; catalysing capital flows and trade in frontier markets; engaging with businesses to help their investments contribute to development; and ensuring growth is inclusive and benefits girls and women (DFID, 2014c).

Figure 2 Defining social protection in relation to economic development



2. Guidance: Before you start

2.1. What do policy-makers and programme designers and implementers need to know before they start?

Know the mechanisms through which social protection can result in economic development outcomes in theory.

A framework for these mechanisms is shown in Table 1.

Table 1 The potential ways in which social protection can contribute to economic growth[3]

	Direct impacts on growth	Indirect impacts on growth
Household level	• Prevent loss of productive capital • Accumulate productive assets and improve labour force participation • Increase innovation and risk taking	• Increase investment in human capital
Community level	• Multiplier effects of consumption and production • Accumulation of productive community assets • Labour market impacts (demand for labour; employer-employee relations)	
National Level	• Cumulative increases in household productivity and labour force participation • Stimulate aggregate demand • Increase capital markets • Effects of taxation and borrowing	• Facilitate economic reforms • Enhance social cohesion and reduce inequality • Enhance human capital • Impact on fertility rates

Source: Mathers and Slater, 2014 drawing on Arjona et al., 2002; Grosh et al., 2008, Piachaud, 2013; Alderman and Yemtsov, 2012; Barrientos, 2012.

Recognise how mechanisms have worked in practice

The most recent evidence[4] shows considerable variation in the performance of the different mechanisms for achieving economic development outcomes, but also suggests some common trends which highlight the decisive role of programme design, implementation and contextual factors (such as attitudes to people living in poverty, how thin labour markets are, or gender divisions of labour and access to infrastructure). The recent literature shows that forms of social protection provision often have *limited impacts* in key areas – household investment in productive activities, engagement in profitable non-farm enterprise activity and increases in output and productivity – but it does also help us to understand what enhances or reduces these impacts. There is very little emerging evidence on local economic development or macro-level national impacts. A very basic synthesis of this evidence is shown in Box 2 – limited to the specific focus of this guidance on household and local economy effects, rather than wider macro effects. One particular issue to note is the importance of recognising that social protection can have short, medium and long-term effects on growth. In the short-term this is usually about increasing physical and financial capital in households to help them

[3] Whilst the focus of this guidance is not on households and community effects, we also note the main mechanisms at national level on the basis that DFID staff ought to at least to be aware of them.

[4] Overall the evidence base is variable in terms of coverage of geographical regions, types of instruments, types of effects and the quality of the evidence. This guidance note is based on two main sources: a set of literature reviews by a range of different research institutes and donors (see reference list under Table 1); and programme documentation and evaluations. It is worth noting that, on the whole, systematic reviews of the impacts of different social protection instruments have identified very few outputs that meet systematic review quality criteria (http://r4d.dfid.gov.uk/SystematicReviews.aspx#Social Protection and Social Inclusion).

enhance their productivity, while in the long term it is changes to human capital (through education, nutrition and health) that can have positive impacts on growth.

Box 2 Evidence on how social protection promotes productivity, inclusive growth and local economic development

a) Promoting inclusive growth – social protection and household productivity

There is substantial (albeit patchy) evidence that social protection can have positive impacts on household productivity. Social protection can support poor households to **accumulate productive assets and improve labour market participation** by overcoming the savings and credit constraints that prevent them from investing more in livelihoods or seeking employment. Households enrolled in Mexico's *Oportunidades* invested about 26% of their transfers, leading to an increase in agricultural income of almost 10% after 18 months of benefits (Gertler et al., 2012). Regular transfers to poor households can also increase their credit worthiness and thus their access to credit for investment (IEG, 2011; Scott, 2009) and provide resources for job seeking. Brazil's *Bolsa Família* increased beneficiaries' labour-market participation by 2.6% compared with non-beneficiaries, with greater impacts for women (Oliveira et al., 2007).

There is increasing evidence that cash transfers can lead to diversification and **investment in higher risk but higher return livelihoods**. For poor households, a risky investment could result in losses that bring them below the consumption level needed to survive. Long-term and predictable cash transfers provide some security against potentially catastrophic outcomes: small-scale farmers in Maharashtra were found to have invested in higher-yielding but riskier crop varieties as a result of their enrolment in the employment guarantee scheme (Devereux, 2002).

Social protection can help break the cycle of inter-generational poverty by overcoming the savings and credit constraints that prevent households from **investing in human capital**. The child support grant and old age pension in South Africa have led to improved nutrition, health and height of children (Aguero et al., 2006; Samson and Miller, 2012). Conditional cash transfers in Nicaragua, Honduras, El Salvador, Colombia, Mexico and Turkey have all been found to increase enrolment rates by up to 13 percentage points (IEG, 2011). The evidence is currently stronger for Latin America where programmes are more established.

Social protection can **reduce the loss of productive assets** and human capital following shocks and stresses such as natural disasters, rising food and fuel prices, ill health or the loss of employment. For large-scale disasters, existing social protection systems may be scaled up or humanitarian assistance may be required. Measures introduced in Indonesia in response to the East Asian financial crisis included targeted fee waivers for public health care, scholarships, and rice subsidies. Studies have shown that service use fell less among programme participants (Grosh et al., 2008) and that the response was instrumental in stabilising consumption and reducing child labour (IEG, 2011).

b) Impacts of social protection on local level growth

Multiplier effects in the local economy result from increased spending, consumption and production. This is particularly the case for programmes targeted at poor households in small, self-contained local economies who tend to spend locally on locally produced products (Arnold et al., 2011; Barrientos and Scott, 2008). Taylor et al. (2013) find that Kenya's cash transfer for orphans and vulnerable children increases real income in the local economy by 1.58 Kenyan shilling for every shilling transferred, with most additional benefits accruing to non-recipient households. Next, most public works programmes result in the **creation of productive community assets** such as roads or projects related to land management such as irrigation. However, while there is ample evidence of the construction of infrastructure, there are very few studies which examine their economic impacts. Anecdotal evidence suggests that the quality of the assets produced is poor and their economic effects are marginal (Barrientos, 2012; McCord, 2013). Finally, public works and other labour market programmes can help **improve the functioning of local labour markets**. Employment programmes not only increase demand for labour, but can change the relationships between labourers and landowners. Poor households in Ethiopia's *Meket* Livelihoods Development Project have been able to renegotiate sharecropping and livestock arrangements with better-off households (Adams and Kebede, 2005). These effects will depend on the state of local markets, the scale of the programme and size and regularity of the transfers.

(Source: Mathers and Slater, 2014)

2.2. Fitting the evidence to context

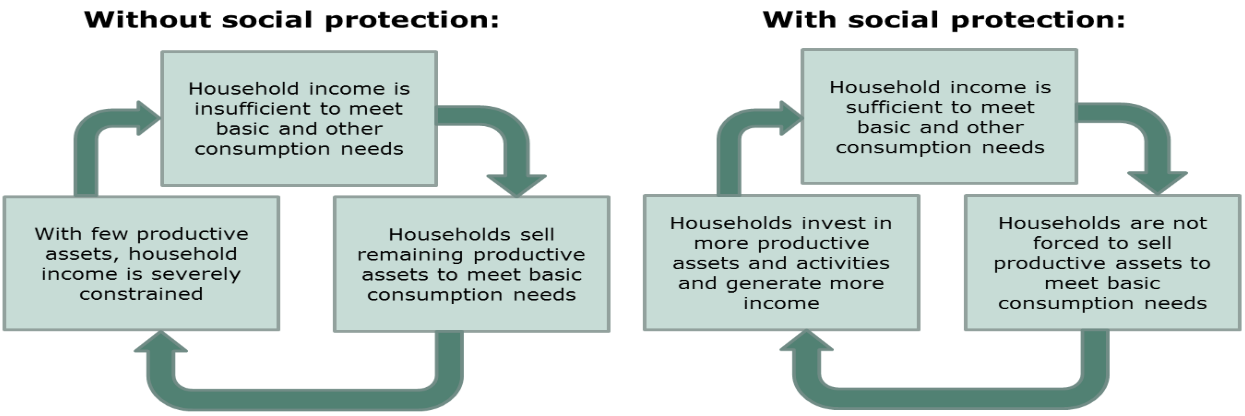
In practice, it is important for knowledge of what has worked to be focused on specific contexts: geographical regions, types of instruments, low versus middle income contexts, more or less fragile situations. But there are two reasons why this is challenging. First, because the evidence on social protection and economic development remains rather patchy, there is not yet a single 'go-to' source that works through each of these contexts in turn. Second, the impacts of social protection on economic development are not always predictable or generalisable for the same types of programmes. Barrientos (2012) notes that similar programmes don't always have similar effects on economic development. The first reason for this is that relationships between consumption and production are not linear; if a household increases its production or income, it doesn't automatically increase consumption by the same amount. The second reason is that a programme's specific features can drive household investment decisions in different directions. So, for example, the beneficiaries of conditional cash transfers may make different expenditure choices than beneficiaries of an unconditional programme because the conditions influence their spending choices. Or, to take a different example from Lesotho, cash transfer income is allocated differently in households depending on what programme implementers told beneficiaries about what and who the money was for (Slater and Mphale, 2008).

2.3. What is 'graduation'? And where does it fit in?

Focusing on economic development at the household or local level brings us face to face with 'graduation'. Graduation is a difficult concept to pin down but has become particularly prominent in countries where there are fears that beneficiaries become 'dependent' on social transfers and that social transfers will make people living in poverty less likely to work hard. For the Consultative Group to Assist the Poor (CGAP) programme, with its roots in the BRAC model, it is about targeting the extreme poor (who are currently not reached by most mainstream development efforts such as micro-finance) and, by getting them into the mainstream of development programming, helping them onto a path towards sustainable livelihoods (Hashemi and de Montesquiou, 2011). For others, especially those who design and implement social protection programmes, graduation is an administrative process relating to the income or asset level at which a household exits a programme (what Sabates-Wheeler and Devereux (2011) have called 'threshold graduation'). Slater et al. (2010a) focus on what people move into, rather than only on what they move from. So graduation is:

> the movement of households from a state of high vulnerability to shocks and stresses (and usually high levels of poverty) to one of an improved income and asset base, increased resilience to such shocks and stresses, and subsequent improved livelihood security. (Slater et al., 2010a)

Figure 3 Graduation: from poverty trap to virtuous circle



Source: adapted from Slater et al., 2010a

In theory, graduation occurs where social protection helps households out of a poverty trap and into a virtuous circle (Figure 3). In practice, social protection alone is insufficient for graduation (and indeed some households with chronic needs will never graduate) but it can lay the foundations for graduation: by ensuring households can meet their basic needs, social protection reduces the need for distress sales of assets which reduce productivity, and instead enables households to maintain and even increase their asset portfolios and, subsequently, generate greater income and meet their own basic needs. **For graduation to work in full, it requires additional or complementary programmes and policies.** The guidance here focuses on graduation as the process of *moving into a sustainable livelihood* (Slater et al., 2010a, Sabates-Wheeler and Devereux, 2011). However, we also highlight elements of programme design and implementation that can maximise administrative or threshold graduation – because many DFID staff work in programmes where threshold graduation is a priority for government or other stakeholders. In these cases it is important that government officials are realistic about the timeframe over which administrative graduation can and should be achieved and that they stay focused on reducing poverty or maintaining consumption (and not achieving graduation) as the primary objective of their programmes.

3. Guidance: During design

3.1. Agreeing and prioritising objectives

A clear and shared vision of what the programme is trying to achieve is critical. Social protection is not an end in itself but a means to an end which might be, for example, reduced income poverty, enhanced food security, inclusion of marginalised groups, buffering of households against shocks, etc. That end needs to be established using evidence – particularly poverty analysis and an assessment of what elements of poverty are particularly serious and which poor people are already supported through existing programmes and where.

It is also important to understand how far economic development at the household and local level should be a priority for the programme. Ideally, social transfer programmes will have only one or two objectives, such as to ensure consumption and protect assets, and within that one principal objective. Even when economic development is an important priority for national governments, we don't recommend making it the primary objective of social protection programmes, both because the primary focus of social protection should be on directly tackling poverty and because other instruments may be more effective for achieving economic development. We should strive for synergies with economic development through social protection programmes nested in a wider set of policies, rather than centring social protection objectives on economic development. Achieving consensus can be challenging, between government and donors and between donors themselves, but lessons from the Productive Safety Net Programme (PSNP) in Ethiopia, within which there has been a strong (and sometimes hotly debated) focus on graduation from the outset, show how it can be achieved (Box 3).

Box 3 Building consensus for social protection: insights from the PSNP

Lessons learned from the Productive Safety Net Programme (PSNP)

1) High level political commitment to social protection is crucial, especially for larger programmes and those using government systems. This must go beyond the commitment to resolving a particular problem (food or livelihood insecurity, exclusion from services, etc.) to accepting some form of social protection as the solution. This can be achieved through discussion, evidence, long-term financial commitment and other political incentives.

2) Agreeing objectives is a political process, not a technical exercise. Key elements of programme objectives and design will be influenced by ideological perspectives, such as 'dependency' (resolved by having public works rather than unconditional transfers for households with labour capacity and linking the PSNP with the Household Asset Building Programme), and other political motivations such as the pressure to deliver results. Negotiations between government and donors and among donors themselves are fundamentally political processes. The final shape of a programme may be a compromise that is politically acceptable to all parties.

3) Donor harmonisation can be a disharmonious process and still achieve its aims. Disagreements and conflict among international actors about programme objectives and design stemming from different incentives and institutional perspectives can be overcome, if the will to achieve an overarching goal (such as a desire to move beyond the annual cycle of emergency appeals in Ethiopia) is strong enough.

4) Don't confuse entry points with the end point. A clear shared vision from the start is helpful, but not essential. As long as key players share a motivation for change and a space for dialogue exists, the detail can be worked out over time. Before the inception of the PSNP, it was clear what the transition was from but less clear where it was leading to. However, decisions were taken to buy into the process anyway with the expectation that, over time and with growing experience and trust, a common vision would emerge.

5) Be opportunistic. Shocks, crises or political changes can shift government and popular attitudes towards social protection and alter the incentives faced by leaders.

Implications for designing and supporting social protection programmes

Invest in **shared analysis** with government and donors to build a common understanding of the sources of poverty and vulnerability.
Providing financial, technical and capacity support to government can **create incentives for social protection.**

Understand the **political incentives** facing government. Do poverty and hunger threaten the government's legitimacy and authority? Could social protection be a vote winner? Does it enable government to project a more positive image internationally?

Understand **government and popular attitudes** and discourses around social protection and issues such as 'dependency' and the 'deserving poor'.

Appreciate and acknowledge the different **incentives** and institutional **positions** of international actors.

Consensus building on social protection is fundamentally about **compromise.** If the objective is to move from relief to social protection, then **don't let the best be the enemy of the good.**

If an impasse is reached, it may make sense to leave some issues **strategically unresolved** and to use subsequent negotiations to iron them out.

Begin processes where there is interest. There is no point pushing for a 'better' solution where there is no political support.

Once space is opened for social protection, **more comprehensive social protection programmes may become more acceptable** for initially reluctant governments.

Work to create space for debate on social protection. In many contexts civil society may play a key role in building a constituency for social protection, gathering and disseminating evidence on the scale and character of poverty and hunger, and lobbying government at different levels.

Source: Adapted from Ashley et al., 2007

Overall, it is important to try and focus on only one or two sub-objectives for economic development such as protecting assets. To achieve this, a number of steps will be required:

- Contextual analysis of local markets for labour, goods and services and the barriers to poor households' participation in these markets;
- Analysis of the extent to which complementary programmes exist (or can be created) to pick up where social protection leaves off in terms of supporting economic development processes.

3.2. Working out what kind of approach to take and what instrument(s) to use

What approaches are there?

Across countries and programmes there are numerous approaches to achieving productivity gains, increasing asset portfolios and achieving wider economic development using social protection. Some programmes aim to provide social transfers and simultaneously address some of the contextual factors that limit the impacts of transfers on economic development. A number of programmes, for example the Chars Livelihoods Programme (CLP) and the Challenging the Frontiers of Poverty Reduction (CFPR) Programme in Bangladesh, the Productive Safety Net Programme (PSNP) in Ethiopia and the Vision *Umarenge* Programme (VUP) in Rwanda all link access to micro-finance, particularly credit, to social transfers. Other programmes, which do not make these linkages, are likely to achieve impacts on productivity only in the longer term. Examples include conditional cash transfers which, by encouraging specific health and education expenditure, seek to enhance human capital assets in poor households over a number of decades, and school feeding programmes that deliver improved nutrition and regular school attendance. By looking at a range of different programme types, a number of different approaches to achieving economic development can be discerned. There are three main approaches: using ***simple social transfers*** to build human capital which over time enhances productivity and employability and contributes to economic development; ***sequencing*** social protection so that households move from one type of support to another; and ***layering*** a number of different interventions, including social transfers, so that a single households receives a package of support. The approaches are explained further in Box 4.

In the case of DFID-supported programmes, a range of approaches are found (Box 4), although in practice it is not always immediately clear which approach is in place. Government actors and donors might be trying to take different approaches in a single programme. Or some beneficiary households might be on a sequencing track and others on a layering one. In Ethiopia, for example, some households move from the PSNP to the Household Asset Building Programme (HABP) (sequencing), while other households receive PSNP and HABP simultaneously (layering). Similarly, in BRAC's CFPR and the CGAP pilots that it has spawned in various countries, households receive layers of support simultaneously but are then expected to progress/graduate into mainstream micro-finance programmes. The repercussions of multiple approaches happening simultaneously are twofold. First, sequencing is likely to take longer than layering, with implications for the timeline over which graduation can be expected to take place for households in the same programme but on different tracks. Second, graduation may be undermined where different agencies are taking different approaches within a single programme. This makes coordination among government and donor agencies especially important.

Box 4 Approaches to using social protection to achieve economic development

Simple social transfer (achieving economic development by building human capital in the long term). Social transfers are expected to contribute directly to increases in human capital, but often only in the long term. The theory of change is that by maintaining consumption, improvements are achieved in health and nutrition, and parents are able to avoid withdrawing their children from school for labour (Box 5). There may also be small additional effects from protecting and increasing productive household assets and households making small investments, and from injecting cash into the local economy. DFID-supported examples are the Hunger Safety Net in Kenya and the Child Grant in Zambia.

Sequencing programmatic interventions from basic income and consumption support through to enhancing productivity. Social transfers are one part, usually the first part, of a sequential chain of programmes or projects. This approach recognises that not all households are (always) in a position to achieve increases in productivity and so the support they receive needs to be tailored to their circumstances. Households 'graduate' along a chain of support from one programme to another (see Box 6). DFID supports a sequencing approach in Rwanda under the Vision 2020 *Umarenge* Programme

Layering of programme support to households so they simultaneously receive a range of different kinds of support. Social transfers are one component in a programme delivering a number of different components – usually transfers, credit, savings and intensive coaching and training. Classic examples include the DFID-supported CLP and CFPR in Bangladesh plus the BRAC/CGAP model and the DFID-supported PSNP in Ethiopia (Box 7), although it should be noted that the extent of the layers in some programmes means that we might want to classify them as livelihoods programmes rather than social protection programmes.

Evidence suggests that, whichever of these approaches is taken, on their own social transfers will not contribute much to economic development because of the scale at which they are currently delivered in low-income countries –especially in sub-Saharan Africa where less than 20% of the poorest quintile are covered by social safety nets (World Bank, 2014). **So, to maximise their potential and achieve synergies with economic development, all of these graduation approaches need to be embedded in a wider policy framework.** There are two parts to this: the wider elements of social protection beyond social transfers; and wider economic and social policies. The wider elements of social protection that might be important in particular contexts include:

- ***Transformative interventions or social equity measures***. These include: *legislative measures* that address discrimination and exploitation (e.g. labour standards such as minimum wage, equal pay and paid maternity leave, anti-discrimination legislation, inheritance rights, laws to protect children from exploitative forms of labour, etc.); *rights awareness campaigns* that transform discriminatory public attitudes towards marginalised groups; and *access to justice* that addresses the structural barriers that stop people benefiting from, and contributing to, economic development and decent work agenda.
- ***Social welfare services*** also play an important role in facilitating people's access to economic opportunities. For instance, ensuring that public work schemes provide access to childcare facilities can help mothers achieve a greater balance between their care-giving and productive work responsibilities, bringing positive spill-over effects on child welfare (and human capital development). These services might be considered by programme designers when selecting a portfolio of interventions in a sequenced/layered programming, or they might be viewed as part of the wider policy framework that social transfers should link to.
- ***Insurance-based instruments*** such as social security for informal sector workers, social insurance or index-based weather insurance, etc., can be considered by programme designers as part of the wider social protection policy framework. Alternatively, insurance type instruments (both contributory and/or subsidised by the government) can be included as part of both sequencing and layering approaches, to prevent people from falling back to poverty at times of shocks.

Key elements of the wider economic policy framework include broader economic policies that promote access to land and business property, to labour markets, gender-sensitive infrastructure, access to commodity market information and support to innovative small and micro business models that can work together with social protection to improve poor entrepreneurs' access to markets and make better use of productive assets.

Linking to this wider framework brings both opportunities and conflicts – and it is difficult. Working in social protection requires an analysis of potential conflicts between social protection and economic development policies, which may arise if policy objectives across the sectors are not consistent with each other. One good example is when trade and investment policies supported by economic ministries create conducive an enabling environment for economic development overall (such as through the use of land incentives to bring foreign investors in to agriculture) but may ultimately have a negative effect on the poorest beneficiaries, as they may lose land in this process. This underscores the importance of recognising how social protection integrates into and relates to broader economic policies. Achieving this is practice is enormously challenging. DFID staff working on social protection have made the big step from supporting social protection programmes and projects to supporting social protection systems. Getting coordination for social protection across government and donor stakeholders is tough enough, so extending that coordination into other numerous sectors requires a dose of realism. Those working in social protection will need to understand what the key linkages with the wider policy environment are (these could be education, water, health, infrastructure, transport, active labour market policies or a whole host of other sectoral areas) and prioritise the linkages that are most important.

How to work out what approach is best / more appropriate

Given what we've learned about the different potential approaches to maximising synergies between social protection and economic development, the next step is to work out what kind of approach to graduation is appropriate and realistic. Where there is a long-term commitment to social protection for the poorest and for tackling inequality, it might be possible to think about graduation as a long-term process where human capital bottlenecks are unblocked, allowing young people to enter labour markets with higher levels of skills and experience compared to their parents. In low-income countries there is a tendency to expect productivity to be built more quickly, so sequencing and layering approaches are far more common. Working out what approach is appropriate and realistic demands political, social and economic analysis covering a number of issues (many of which should already have been covered – see 'Before you start'):

- What are the main barriers to economic development at micro-, meso- and macro- levels? For example, are commodity markets thin and susceptible to shocks? Is there a demand for labour (of what kind) or is there a large surplus labour force?
- What other programmes exist to tackle barriers to economic development (for example, those supporting access to micro-finance, access to inputs, training, market development, integrated rural development, measures focusing on empowerment and tackling exclusion)? Where there are a number of complementary programmes, the likelihood of achieving layering or sequencing is far higher. In addition to mapping what programmes exist, DFID staff can also play a role in ensuring that other programmes are put in place or better coordinated across sectors, and in assessing the coherence of incentives across policies, programmes and sectors.
- What capacity exists for institutional coordination? Can the Ministry of Labour and Social Affairs (which will deliver the transfer) coordinate with the Ministry of Agriculture (which delivers public works) and the Ministry of Trade (which delivers micro-finance)? Will administration systems allow coordination (e.g. is there a single registry system that will allow tracking of layered interventions)? Complementary programming is unrealistic without mechanisms for coordination and cooperation across government and other agencies. In low-income countries these mechanisms are often absent or weak.
- What evidence exists from previous social transfer programmes about at what benefit levels graduation results could be expected and in what timeframe?
- Which parameters are already fixed for the programme and which are not yet prescribed (duration, level of transfer, number of beneficiaries, targeting)? For example, if it has already been decided that the programme will target older people in households, the extent to which productivity gains should be sought is limited, except through investments in children in those households.
- What is known about the thresholds at which income can be used for investment and assets become efficient?
- What data is available for understanding the household conditions, incentives and behaviours that will influence what type of graduation might be realistically achieved? In particular, what structural features are prevalent in households (such as high dependency ratios, elderly-headed or skipped-generation households) that might influence the capacity to increase productivity?

The analysis can take different forms – it can draw on existing research, or be based on entirely new empirical analysis, or emerge from dialogue among key informants and stakeholders – but it should be done in as much depth, and with as much rigour, as is possible in the given circumstances.

The approach taken to achieving economic development through social protection has implications for what kinds of instruments are most appropriate. By definition, for a simple social transfer approach, the most obvious instruments are cash transfers, food transfers and school feeding programmes. In low-income countries they are likely to have a particular focus on investing in children to allow them to break the intergenerational cycle of poverty. For sequencing, a range of programmes – from simple social transfers, to programmes that support access to productive assets (for example targeted inputs subsidies or micro-credit and savings) are most appropriate (see Box 6).

Layering approaches tend to bring together some combination of basic consumption stipends, lumpy/asset transfers, extension and training, and micro-credit and savings (see Box 7) but could also include social welfare services. For example, a household headed by a person with a disability will need linkages to rehabilitation services to support engagement in a productive work.

Box 5 Simple social transfers: Contributing to human capital development in South Africa in the long term

South Africa's social protection system provides substantial evidence of the instrumental role social protection can have in improving long-term human development outcomes. Importantly, some of these impacts have been observed in programmes for which the primary objectives are not human capital development, such as the Old Age Pension. This highlights the importance of understanding the behavioural effects of transfers and the intra-household allocation of benefits. For example, in households where income is pooled, tensions may be created between the primary objectives of social transfers and the outcomes: a transfer that is intended for one group (e.g. a pension or child grant) but that is shared among household members may not maximise the benefits for the intended group.

Education Children in households that receive social grants in South Africa are more likely to attend school, with greater effects for girls than for boys. This has been observed for both the state Old Age Pension and the Child Support Grant, achieving up to 25% reduction in the school non-attendance rate. It is also the case that income from social transfers has a greater effect on school attendance than income from other sources, supporting the idea that recipients of social grants place a greater emphasis on school attendance.

Food and nutrition Households that received income from *any* of the major social grants in South Africa (pension, child support, disability) allocate a greater share of household expenditure to food. This increased spending on food is associated with better nutritional outcomes; the same households experience lower prevalence rates of hunger for children and adults, even compared to households not receiving social grants but with comparable income levels.

Health While there is evidence to show that social transfers are often used for health expenditure, the South African case shows the opposite, with lower spending on health care. This can be explained by social transfers leading to better health outcomes through other pathways, which reduces the need for medical care. As already shown, social grants are associated with better education and nutritional outcomes and greater household access to piped water, all of which are associated with better health outcomes.

Source: Case, 2001; Samson et al., 2004.

It is important to note that background review for this guidance found that programmes might be over-emphasising increasing non-labour assets and productivity and not paying enough attention to enhancing labour productivity. This is particularly the case for own-account (or self) employment in agriculture, which is often the focus of attempts to graduate households. Similarly, there are emerging concerns that programmes tend to assume that all beneficiaries have the capabilities or desire to be entrepreneurs or businessmen or business women, when often what they really want is a job (see McCord and Slater, 2014 forthcoming). In fact, there is lots of emerging evidence about the impacts of social protection on labour which requires more attention: change in access to labour markets is emerging as a consistent feature of programme impact. In some cases social protection allows beneficiaries to move into less adverse forms of employment and own production (Standing, 2013) or functions to improve their terms of employment in the casual wage labour market (McCord and Slater, 2014 forthcoming). Active labour market programmes (primarily training and skills development to improve the quality of labour supply and promote employability) might, therefore, be a useful addition to sequencing and layering approaches.

Box 6 Sequencing in theory and in practice: The case of Zambia and Rwanda

Sequencing approaches are less common and are rarely clearly articulated, with the exception of VUP in Rwanda. Zambia in the late 2000s provides a good example of a sequencing approach.[5] The sequence begins with the Public Welfare Assistance Scheme (PWAS – social transfer to households without labour / severely labour constrained) or more recently the child grant. This is followed by the Food Security Pack (food and some agricultural inputs transfer), and then by access to subsidised agricultural inputs on credit (Holmes and Slater, 2008). In theory, over time, the size and coverage of each programme will change.

In practice, the connections between programmes are implicit rather than explicit. For example, in the 2005 Social Protection Strategy of the Ministry of Community Development & Social Services, food security policies (i.e. the Food Security Pack) were mentioned alongside cash transfers as means to increase abilities to meet basic needs, but the links were not spelled out clearly and the Fertiliser Support Programme was not discussed (MCDSS, 2005). On the whole, the Fertiliser Support Programme was reaching reasonably well-off farmers with larger farms (Minde et al., 2008) and it was not clear whether a high proportion of graduates from the Food Security Pack would be able to proceed directly to the Fertiliser Support Programme (Holmes and Slater, 2008). There is also no evidence of information sharing regarding beneficiaries (e.g. passing on lists of beneficiaries who have graduated from one programme and now qualify for the next one). Finally, the budgets assigned to the programmes did not support the logic of sequencing.

Table 2 Budgets and beneficiaries of programmes to tackle poverty and vulnerability

Programme	# of beneficiaries	Budget	Benefit level
Social cash transfers	11,354	ZMK 5.97 bn (2006)	ZMK 52,581 ($11)
Food Security Pack	9,000-150,000 (77,560 average)	ZMK 155.5 bn (average)	ZMK 200,490 ($40)
Fertiliser Support Programme	125,000 (2007)	ZMK 185 bn (2008)	ZMK 1,480,000 ($316)

Source: RHVP, 2007; ILO, 2008; Ellis, 2009. Currency converted using www.oanda.com, 2004 USD

Sequencing in Rwanda's Vision 2020 *Umurenge* Programme

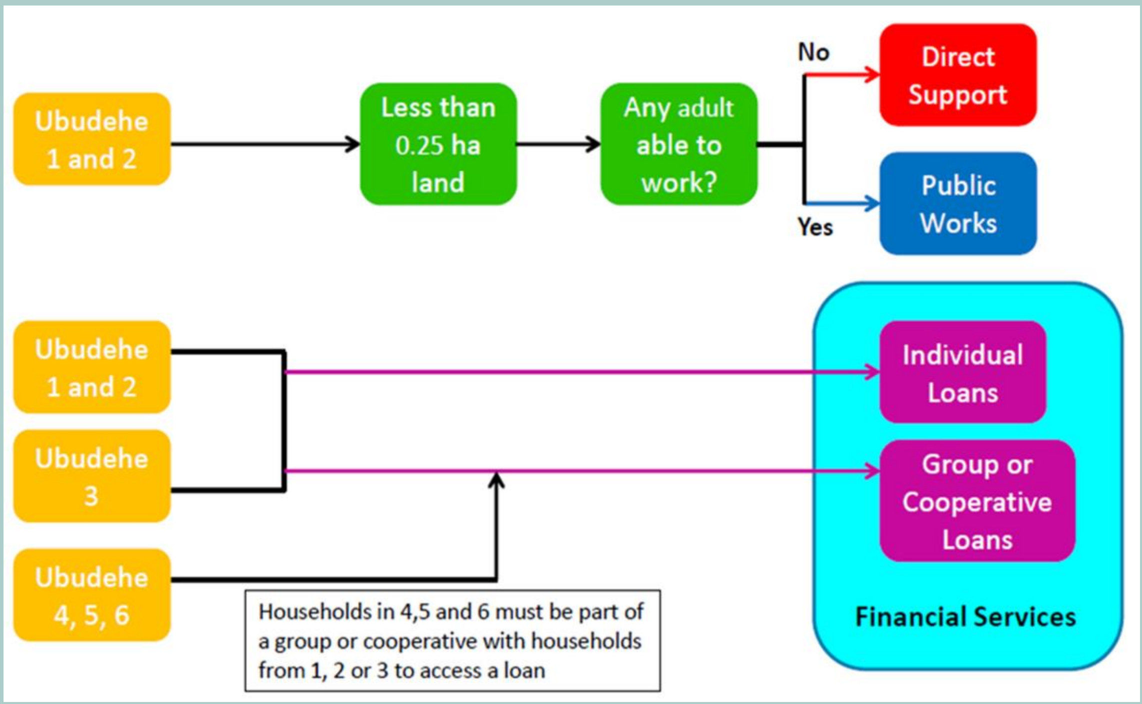
The core of Rwanda's Vision 2020 *Umurenge* (VUP) approach to graduation is sequencing but there are some elements of layering involved. The theory of change posits that the provision of income, assets and resources allows individuals and households to accumulate assets, thus building resilience to future shocks, and enabling a move into higher risk but higher return livelihoods (Sabates-Wheeler and Devereux 2011). In theory, this *sustainable* transformation of livelihoods allows households to 'graduate' from external support.

VUP was conceived as an integrated local development programme and has three main components. The public works programme began first, in 2008, offering temporary work on community infrastructure projects to one member of extremely poor households that have labour capacity. Direct support was introduced in 2009, providing regular unconditional cash transfers to extremely poor land-constrained households that have no adult member who is able to work. Beneficiaries of direct support are also expected (although not obliged) to participate in skills and knowledge acquisition activities such as handicrafts and nutrition classes. The financial services component started in 2010, and offers low interest loans for predefined and agreed investments to a broader category of clients, including those eligible for direct support and public works. Bank accounts and saving facilities are also provided to all eligible households.

Sequencing, in the Rwanda case, means gaining access to different packages of support over time depending on (1) the poverty level of the household (based on locally defined wealth groups, or *ubudehes)*, (2) the amount of land owned by the household (more or less than 0.25 ha) and (3) the availability of adult labour in the household. Targeting, through re-classification of households, occurs every 12 months before the start of the new annual programme cycle. *Ubudehe* 1 and 2 households are eligible for public works or direct support (depending on labour availability) and have access to individual loans. *Ubudehe* 3 households are eligible for group or co-operative loans, and *Ubudehe* 4, 5 and 6 households must be part of a group or cooperative with households from *Ubudehe* 1, 2 or 3 to access a loan (Figure 4).

[5] It should be noted that in Zambia there is now a more explicit focus on a simple social transfer approach (DFID 2012a).

Figure 4: The VUP targeting model



In theory, as a household moves up the wealth group or accumulates more land, they "graduate" from accessing one programme package to another. In practice, however, there have been challenges with the sustainability of this sequenced graduation approach. Between 2006 and 2009 VUP was found to have directly contributed to 8.4% of households moving out of the first two *ubudehe* categories where the programme was operational. However, as Sabates-Wheeler and Devereux (2011) explain, receipt of direct support transfers or public works wages is often sufficient in itself to 'graduate' beneficiaries within a single annual cycle. In other words, households are only reclassified into a higher wealth group because of the programme transfer. Once the transfer is withdrawn, they quickly fall back in to a lower wealth group. Sabates-Wheeler and Devereux (2011) identify this as *threshold* graduation, rather than *sustainable* graduation. With the introduction of financial services in 2010, the programme offers greater potential for more sustainable graduation through investment in income generating activities. However, while VUP has significantly increased access to financial services, there have been challenges related to implementation of the scheme, with a (timely) loan repayment rate of 46% (DFID, 2013e).

Source: Sabates-Wheeler and Devereux, 2011; Kindness, 2010; DFID, 2013e.

3.3. Getting design features right

From our background evaluation of research, programme documentation and impact evaluations, a number of features of programmes that have led to productivity and local-level growth are immediately discernible. On the whole, these are basic features that are found in all programmes, irrespective of whether they have economic development objectives. Taken together these are features that ensure the **adequacy** and **predictability** of transfers.

Size of transfer

In low-income countries, most programmes fail to provide meaningful transfers – that is, transfers that are large enough to make a significant difference to the income and consumption of households. Where the monthly value of a transfer equates to the purchase of a single chicken (as it does in the case of the Child Grant in Nepal), the extent to which it can adequately support nutrition, never mind allow investment in productive assets, is severely hampered (Adhikari et al., 2014). The limited size of transfer (coupled with low coverage) also explains why, in low income countries, social protection has such a limited impact on macro-level growth. Levy (2006: 19-20, cited in Barrientos, 2012) notes in relation to Mexico's *Progresa-Oportunidades* programme that 'if all poor households' income (net of *Progresa-Oportunidades* transfers) increased by 5% a year, aggregate income would increase, at most, by an additional 0.12% a year over the growth rate without the program'. Even with a significant scale-up in low income countries, social protection is unlikely to contribute to a large increase in GDP growth. Sabates-Wheeler and Devereux (2011) note that the capacity of social transfers to translate into improvements in productivity depends on bringing *enough* households above a critical threshold. Without this, they argue, any multiplier effects will be minimal and producers cannot benefit from economies of scale. A final issue is indexing, where cash transfers track against the price of food in markets because frequently it is food price inflation or volatility and not the availability of food in markets that results in hunger. Indexing is difficult in practice because it requires flexible (and potentially limitless) resources and is only really realistic with fixed upper and lower limits.

Duration of transfer

In low-income countries, most poor people's experiences of transfers are of 'one-off' payments. Food or cash transfers that come from NGOs or the UN are often received only once or twice a year and should probably be classified as humanitarian assistance. Most people's experience of transfers through public works results from a single, short-term episode of work, perhaps for two weeks, which is not repeated again that year (McCord, 2012). One-off payments are not represented in the examples of where social protection has contributed to economic development in Figure 1 (even Bangladesh where the one-off lump sum transfers are accompanied by consumption stipends that are provided over a number of years). Rather, the examples are all of long-term programmes where benefits are received over years, and preferably decades, in order to have strong impacts on productivity and economic development.

Duration of programme

There is evidence that programmes can have sustained impacts at household level if not more broadly in terms of community and regional growth, but this can only happen when programmes last years, or better still, decades. An example is the CFPR, in Bangladesh. Early documentation indicates that the results were not achieved in the first years of operation (DFID, 2008), but with consistent support and enhanced complementary interventions an integrated programme providing technical, social and financial inputs to ultra-poor households can achieve livelihoods impacts. While in the early stages it was found that benefits were not sustainable, DFID's recent end of project report found that the productive assets of ultra-poor participant households had increased in real terms in excess of the target, and that these outcomes were likely to be sustainable in the absence of severe covariate shocks (Adair et al., 2012). The report found:

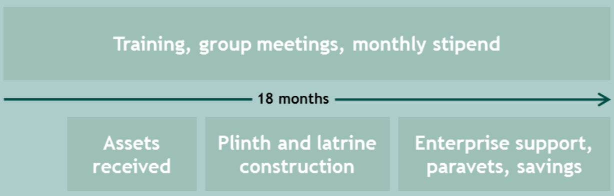
> Prospects for *sustainability* are ranked very highly. STUP (Specially Targeted Ultra Poor) cohorts consistently improve their graduation rates suggesting that the programme is working in a sustainable manner. Even after the direct asset-building and asset-supporting benefits end, programme participants are able to continue to increase their productive assets, improve their livelihoods activities and achieve developmental outcomes. We observe that households are able to generate increases in the value of assets in addition to the asset transfers faster than those in the control group. This adequately demonstrates that participants are not dependent on the programme but rather increasingly self-reliant, providing a strong indication of the sustainability of the programme.

Box 7 Examples of and lessons from layering approaches

Chars Livelihood Programme (CLP), Bangladesh – The CLP's goal is to halve extreme poverty and reduce hunger in riverine islands of Bangladesh. The theory of change is based around a layering model where a combination of interventions create a pathway out of extreme poverty. The time-bound suite of interventions allows extremely poor households to build up human, economic and social assets to generate reliable and sustainable independent income. The package is provided over 18 months and includes: (1) financing a productive asset (usually livestock) and a small cash stipend; (2) raising homesteads onto plinths 2 feet above the high flood level and ensuring access to clean water and a hygienic toilet; (3) training in health, household financial management and nutrition (and a direct nutrition supplement); and (4) ensuring access to basic health care and to markets for selling produce. After 18 months, most participants are expected to be able to sustain and improve their livelihoods with limited further support.

Challenging the Frontiers of Poverty Reduction (CFPR), Bangladesh – The purpose of CFPR is for people to 'lift themselves' out of extreme poverty and to achieve sustainable livelihoods. The theory of change suggests that graduation out of poverty and into sustainable livelihoods depends on improvements to the economic status of the participants, improvements to health status, and increases in social capital and agency resulting from a suite of interventions which simultaneously 'push down' (income generating activities, cash stipends) and 'push out' (access to essential health care, rights awareness, social mobilisation and advocacy).

Figure 5 CLP layered interventions



Source: HTSPE, 2011; DFID, 2013a

Table 3 CFPR layered support packages (selected)

Intervention	Model 2 (STUP)	Model 2 (OTUP)
Asset Transfer (average)	Tk 6000	No
Enterprise Devt. Training	Yes	Yes
Stipend	Tk 10/day	No
Loans	No	BRAC regular loans
Health subsidy and social development support	Yes	Yes

Source: DFID, 2011a; Adair et al., 2012

CGAP-Ford Foundation Pilots – The analysis presented by Morduch et al., (2012) examining CGAP-Ford Foundation supported interventions in Andhra Pradesh in India finds that contextual factors, such as the initial labour allocation and livelihoods strategies of participating households, can be a key determinant of programme success, with richer households experiencing livelihoods benefits while poorer ones do not. The authors conclude that enterprise development at extreme levels of poverty is difficult to achieve, even if it is supported by a significant asset transfer and training. The results show that households struggled to maintain an enterprise, despite stipends which covered enterprise-related expenses. The size and purpose of the stipend may have played a role in these results. This highlights again the critical importance of the size of the transfer. Most of all, however, the study highlights the need to recognise the critical role played by the economic opportunities faced by participating households and 'their ability to re-optimise their livelihood strategies'. Interventions can also result in a direct substitution of economic activities which among one set of beneficiaries may not impact positively on household incomes or livelihoods, but may generate important positive impacts in other economic contexts and for households with different initial asset endowments. Overall Morduch (2012) found 'no statistically significant evidence of lasting net impact on consumption, income or asset accumulation' and that 'the main impact was the re-optimization of time use: sharp gains in income from the new livelihood were fully offset by lower earnings from traditional agricultural labor. The result shows how impacts can hinge on possibilities for substitution and complementarity with other programmes and markets.' Similarly, research into the CGAP-Ford Foundation supported Trickle Up Programme (Sengupta, 2012) found that, assessed on a scale of 1 to 5 against CGAP indicators, 58% had achieved the outcomes required for 'graduation' but few had achieved the specific indicators related to economic development. Livelihoods diversification impacts were found to be mediated again by respondents' personal endowments, such as personal characteristics and labour availability – again highlighting the importance of household characteristics.

Productive Safety Net Programme (PSNP), Ethiopia – Berhane et al. (2011) identified the impact of interventions complementary to cash transfers and public works employment on livelihoods outcomes and the need for ongoing support for benefits to accrue. Kumar and Hoddinott (2013) found small increases in food security (of between 1.5 and 2 months) and found that impacts were sensitive to wage level and frequency, although they found no evidence of significant livestock accumulation: additional income was mainly used for consumption (clothing, medicine and participation in ceremonies) rather than productive investment. The coverage of complementary interventions was extremely low due to constraints linked to institutional capacity and resources, and this was a key reason why no impacts were detected in terms of the implementation of the household asset-building programme. This highlights the key role of institutional capacity in constraining the complementary interventions critical for sustained economic benefits.

Frequency of transfer

Expenditure choices are strongly affected by the frequency of payments (Farrington and Slater, 2009). Small, regular transfers result in the purchase of food and other small households items such as candles or soap, while a single annual transfer is far more likely to result in productive investments (seeds, fertilisers, school fees, large health expenditure for a chronic illness, land rental, bicycle or vehicle purchase, etc).

Timing of transfer

When transfers are delivered matters. For example, transfers in the lean/hungry season immediately preceding harvest will help to maintain productivity by avoiding asset erosion. Transfers, particularly lumpy transfers, might also be best disbursed seasonally so that they align with, for example, times of year when farmers might want to invest in seeds and tools. Social protection can in some circumstances help to indirectly mitigate liquidity constraints at particular times of the year - for example, households in Ethiopia receiving payments for six months of the year under the Productive

Safety Net Programme (PSNP) are deemed credit-worthy at other times of the year when they are not actually receiving transfers.

There are no hard and fast rules for how much should be delivered, for how long and how often. Overall, our assessment of recent evaluation literature and programme documentation fails to help us to identify specific details on what transfer size is required, over what period and under what circumstance; nor what models for setting asset graduation thresholds might be appropriate in particular cases. However, as the number and coverage of social protection evaluation increases, some of these parameters will become clearer. In the meantime, examples from low-income settings in Africa and Asia suggest two key pieces of guidance: (1) that programmes will require 5+ years, if not a decade, of support for graduation to be sustainable and a realistic expectation; and (2) that drawing on, for example, the rule of thumb for fixing transfers values in Latin America at around 10% of the poverty line (see Box 8) is inappropriate in many other contexts where the poverty line itself is set so low that a proportion of it does very little to improve consumption.

Box 8 Lessons about transfer values from international experience

A transfer value limited to 10-30% of the ultra poverty line has become accepted practice in several programmes in Africa including Kenya (Ikiara, 2009; Pearson and Alviar, 2009; Stewart and Handa, 2008). This value is based on the analysis of programme performance in Latin America, irrespective of African national or local poverty profiles or income levels. This emerging 'rule of thumb' (Pearson and Alviar, 2009) owes more to concerns about dependency than poverty reduction. The risk of a benefit level being limited in this way is that the resultant transfer may not have a significant impact on household poverty, thereby undermining the very purpose of the cash transfer programme.

Source: Slater et al. (2010b)

3.4. Identifying and tackling programme trade-offs

Because social protection programmes often have multiple objectives, and limited financial and administrative resourcing, designing them inevitably involves numerous trade-offs. Furthermore, some of the trade-offs inherent in social protection programmes are magnified when economic development is brought into the picture.

Trade-off 1: Transfer level versus coverage

In low-income countries in particular, where resources for social protection are frequently constrained, policy-makers often have to make a choice between increasing the level of transfer paid to beneficiaries and expanding the number of beneficiaries. This is the most fundamental trade-off. Because the size of transfer is so important for allowing households to cross the threshold from expenditure on consumption to expenditure on production, the trade-off between size of transfer and number of beneficiaries becomes more acute if programmes are simultaneously attempting to tackle poverty and to achieve increases in productivity, asset creation and wider economic development. Graduation is often undermined when transfers are diluted but in practice it is very difficult, and highly unpopular at community level, to concentrate resources among a small proportion of poor households (Ellis, 2008). Dealing with dilution is a real time problem in many countries. Irrespective of the intentions of design and decisions made about levels of support at the national level, dilution at community level is very likely to happen, especially where there is community-based targeting or district-defined eligibility criteria and quotas. Producing clear guidance, information and implementation manuals for staff at local level is critical for helping them manage the trade-off.

Trade-off 2: Who and how to target?

Aside from the trade-off between size of transfer and coverage, there is also a specific targeting trade-off. How poor the recipients are consistently emerges as a major determinant of economic development impacts in terms of livelihoods and productivity. Evidence that poorer recipients are likely to consume a greater proportion of the transfer than less poor recipients is growing. One example comes from the Social Assistance Grants for Empowerment (SAGE) programme in Uganda. Two transfers of identical value are being implemented under SAGE: one using an age criteria, and one based on a household poverty score (OPM; 2014). By measuring inclusion errors in the different approaches, it was possible to compare investment in productive assets between two groups of recipients, the extreme poor and the fairly poor. The impacts were significantly greater for the less poor group, who consumed a lower proportion of the transfer. This is indicative of a potential tension between effective poverty targeting and productive investment activity. Indeed, in the early phases of the PSNP in Ethiopia, rapid appraisal teams found that in some states, programme implementers were explicitly targeting those households with the greatest likelihood of achieving graduation, rather than those with the greatest food insecurity.

Trade-off 3: Setting programme entry and exit criteria

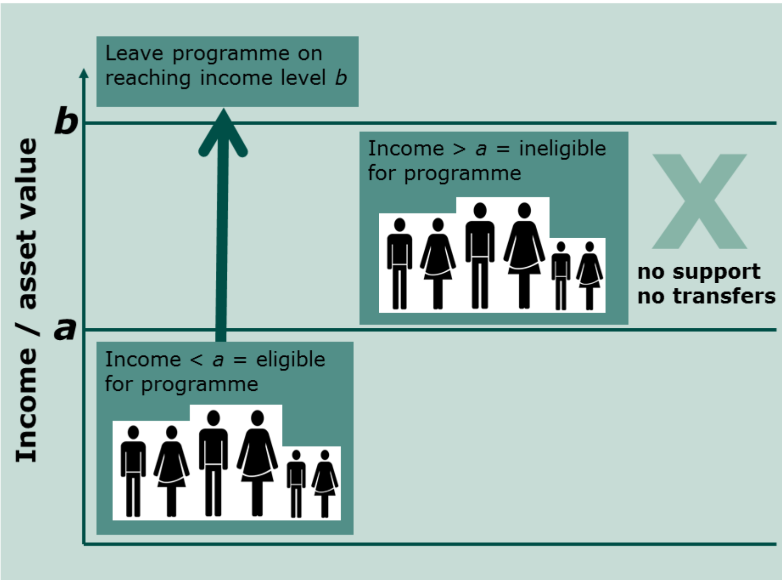
For many government officials (and by extension their development partners) it is also important to work out how graduation will be identified and counted. The answer to this will, of course, depend on what approach to maximising economic development has been selected. Tracking economic development of individuals, households and communities in the long term will require longitudinal cohort studies that are probably beyond the scope of most, if not all, institutions implementing social protection. However, existing panel studies and long-term cross-sectional survey data may yield important insights. Tracking 'sustainable graduation' is similarly difficult. It is not sensible to tie sustainable graduation indicators (even if we have them) to social transfer programmes: sustainable graduation requires inputs that are far beyond the remit and control of implementers of social transfers.

For a layering or sequencing approach to graduation, it is possible to identify indicators or asset thresholds for graduation, but even this is fraught with challenges. Gilligan et al. (2007) explore what benchmarks or asset thresholds for graduation from Ethiopia's PSNP might look like and identify a significant trade-off

> …between the level of the benchmark for graduation and the likelihood of committing exclusion errors, that is mistakenly removing households from the PSNP that are likely to remain food insecure. Lower exclusion errors require higher benchmarks for graduation. (p.1)

They go on to stress that there is a choice to make about what level of shock a household should be able to bear in order to be deemed graduated – a choice which in the context of climatic uncertainty is increasingly difficult to make. A further trade-off associated with identifying graduation indicators and thresholds is notable in low-income countries where poverty levels are high. As Gilligan et al. observe, to avoid mistakenly graduating households that are still food insecure, a high graduation threshold is required. However, in contexts where there are inadequate resources and budgets to reach all poor people with social transfers, a gap – or poverty trap – emerges in which many households find themselves above the threshold criteria for inclusion in a programme, but below the graduation threshold (the level of consumption or assets deemed acceptable) (Figure 6).

Figure 6 Mind the gap – disparities between eligibility and graduation thresholds



A number of these trade-offs have significant implications at the local level for programme implementers. In the case of the gap between eligibility and graduation thresholds, programmers are pushed towards low graduation thresholds otherwise their programmes can become unpopular, unjust and socially divisive (see Ellis, 2009 for an explanation of how transfers can be socially divisive when they allow beneficiaries to 'leapfrog' other poor people). But the trade-off is inefficiency: when the graduation threshold is set too low, households are taken out of the programme (meaning the programme design itself becomes a source of shock for the household) and they immediately slip back below the eligibility threshold and become eligible for the programme again. This 'revolving door' of eligibility has high administrative costs, generates insecurity, anxiety and stress for beneficiaries and makes it less likely that beneficiaries can successfully use their transfers to make improved household resource and labour allocations or make well thought-through plans for investing in productive assets.

So what can those designing and implementing social protection programmes do when faced with these trade-offs?

First, with the exception of always staying true to the primary objective of the programme (often related to consumption/food security and human development), it is important to recognise that there are no right answers or universally applicable solutions to these trade-offs. It is not possible to say outright which option to choose – it depends on programme objectives, context and what is possible within a particular political and institutional environment.

Second, keeping programme objectives simple helps navigate the trade-offs by helping programme designers and implementers to make choices.

Third, it is important to explicitly document the trade-offs in programme documentation, and through dialogue to agree an optimal solution – or at least a solution that people can accept. This should include cost efficiency analysis (as laid out in the DFID Value for Money guidance for transfer programmes here). If there is no agreement on the ranking of the core objectives of the programme, this will not be possible. Documenting trade-offs and decisions becomes important during implementation, when local level staff have to justify elements of the programme to communities or when donor priorities change.

4. Guidance: during implementation

4.1. Getting implementation right

Deliver on your design / reliability

Good design features mean nothing if programmes are not delivered well. So timing, frequency and duration of transfer might be optimal in programme design documents but in the absence of transfer reliability, the impact on economic development will be small. Programmes must deliver the amount they say they'll deliver it, on the day they said, with the frequency they promised. Maximising household resource allocation – for example making choices about whether to risk migrating to seek more remunerative labour opportunities or whether to take a loan to purchase seeds and fertiliser – depends on knowing what resources are likely to flow into the household. Without predictable transfers, informed decision-making about resource allocation is not possible.

Timing, frequency and duration are important for achieving results in social protection, irrespective of whether economic development is part of the programme objective. What is good for social protection is good for economic development. Core objectives (such as maintaining consumption) depend on delivering transfers of adequate size at the right time. In the case of economic development, though, we find that getting these features wrong not only dampens positive impacts on productivity and wider market effects, but can actually undermine them. For example, delivering cash transfers in an unpredictable and poorly timed way can: undermine local markets and drive up prices (Kebede, 2006); lead to poorly-timed use of inputs – such as fertiliser – with negative impacts on yields; and mean that households miss the opportunity to pay school fees and enrol their children in school and buy uniforms.

Despite the limited financial, human and physical infrastructure for delivering transfers in low-income countries, there is a growing body of evidence that outlines how new technologies and innovation can support improved social transfer delivery (for examples see Smith et al., 2011). Implementation also provides opportunities for learning through monitoring and experimentation (see next section). At the local level, slight changes can be made to social transfer programmes, such as increasing the level of transfer or changing the frequency over which it is paid. Monitoring cohorts of households through graduation and beyond can indicate whether thresholds for graduation have achieved the right balance between the 'mind the gap' and 'revolving door' scenarios referred to in the previous section. Monitoring non-beneficiaries and local market demand and prices can help understand spill-over and multiplier effects.

These elements of good design and implementation are critical. Although getting design and implementation right is not listed as the first piece of guidance, it is probably the most important and the simplest. **Get the basics right: delivering social protection programmes well is the single most important way to achieve synergies between social protection and economic development**.

4.2. What monitoring and evaluation features are important? Examples from DFID programmes

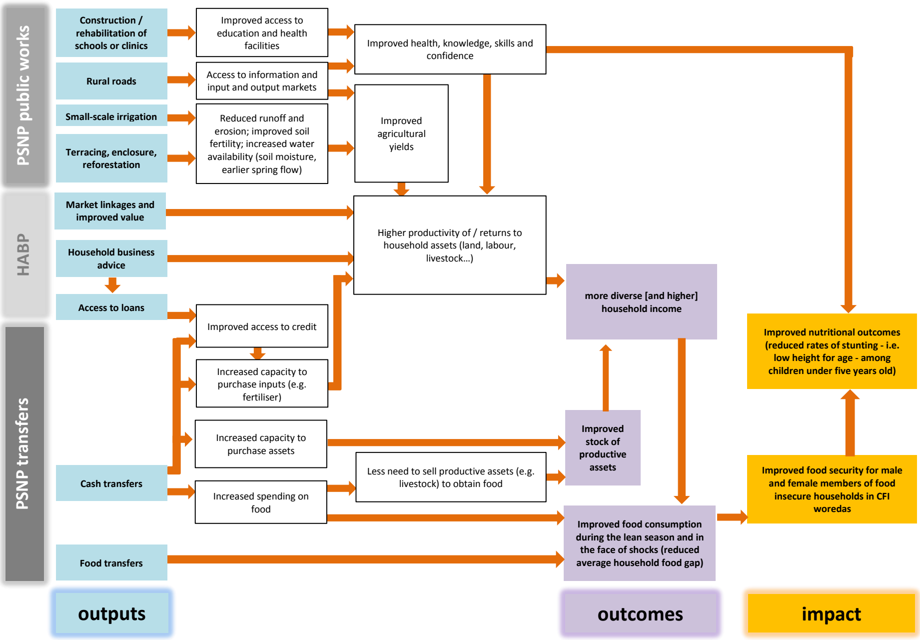
Theory of change

A prerequisite for maximising synergies between social protection and economic development is a clearly articulated theory of change (TOC). Among the DFID programme documents reviewed, only those with graduation objectives have a recognisable TOC, although in some cases it is implied rather than explicit. There is consistency among the TOCs, which in each case describe a package of sequenced interventions that support households to accumulate the physical, human and financial capital to sustainably enhance livelihoods (higher/diversified incomes) independent of external support. Ethiopia's PSNP and Bangladesh's CLP are the most clearly stated and well-articulated examples (DFID 2013a; 2013d; see Figure 7). However, graduation criteria are not made explicit in the programme documents reviewed. This is not to say that graduation criteria do not exist but a number of annual and mid-term project reviews highlighted concerns over the lack of clarity around graduation criteria and measurement. Programmes not explicitly focused on graduation have neither a TOC for economic impacts nor for their poverty alleviation or other objectives.

Specifying (indicators) and monitoring impacts, outcomes and outputs for economic development

In DFID-supported programmes, we found three main monitoring and evaluation issues in relation to maximising synergies with economic development: whether there are indicators related to economic impacts; whether there are indicators of the programme implementation features that tend to enhance economic impacts; and whether these indicators are adequately monitored.

Figure 7 Ethiopia's PSNP and HABP Theory of Change



Source: DFID, 2013d

Among the programmes reviewed, the logical frameworks vary in terms of appropriate application of the intervention logic hierarchy, and the choice, formulation and validity of indicators. While some had clearly defined objectives and indicators with a clear hierarchy between impacts, outcomes and outputs, this was not always the case. Graduation programmes are better at providing indicators for economic impacts such as value of productive assets or level of income attributable to the programme. However, in many programmes there are gaps in the systematic monitoring of these indicators – as noted in most annual reviews. Annual reviews for non-graduation programmes often provide anecdotal evidence of economic impacts but indicators are generally not specified in the logical framework and are not, therefore, systematically monitored.

Furthermore, graduation criteria do not appear to be systematically measured nor is there much tracking of how they have changed over time. This may be because of a general lack of clarity about what it means to graduate, or the potentially political nature of graduation where there is pressure to meet targets. Bangladesh's CFPR is a good example of where graduation criteria are explicit, clearly measurable and measured in the programme documents (DFID, 2008; 2011a).

Lessons from Kenya's Orphans and Vulnerable Children (OVC) programme and Bangladesh's CLP suggest that growth indicators should not necessarily be limited to the assumed primary livelihood activity of programme participants (and non-participants), whether based on the limited programme 'menu' of productive assets available or assumptions about local livelihoods patterns. For example, measuring indicators of livestock holdings was considered appropriate for Bangladesh CLP but economic impacts were experienced across a wider range of (sometimes unexpected) economic activities attributable to the programme – for example, participants sold the livestock provided by the programme and invested in land and market gardening (DFID, 2011a). Impact assessments tend to capture a wider range of unexpected economic impacts but these are often not captured in the logical framework.

Only some programmes explicitly include good implementation indicators. Most commonly, this is timeliness of transfers, but also adequacy (percentage received in relation to entitlement) and sustained participation (length of enrolment). Where these indicators are in place they do tend to be monitored.

Programmes with public works components have limited (if any) indicators on the economic impacts of the public assets created. Where there are indicators, these tend to be based on an assessment of the technical standard of the assets. Only anecdotal evidence tends to be provided in annual reports on whether people found the public assets useful. Only Ethiopia's PSNP monitors both technical quality and perceptions of usefulness systematically, but actual economic impacts are not defined or monitored (DFID, 2013d). There are, however, significant challenges to measuring the impacts of public works because establishing a counterfactual (i.e. understanding what would have happened in the absence of the programme) and attributing economic development to public works is notoriously difficult. Indicators for financial services and programmes are limited to access to and use of the service, such as obtaining a loan, access to credit, obtaining a bank account, and the existence of a business plan.

The final insight emerging from the recent programme evidence is the importance of paying more attention to the criteria against which a programme's success is judged. It is important to avoid getting so focused on measuring increases in productivity or household income and assets that we fail to recognise the extent to which a programme is protecting existing livelihoods – remember that this may be a higher order objective than economic development. This is illustrated by the performance of the Hunger Safety Nets Programme (HSNP1) in Kenya. Judged in terms of participants moving out of extreme poverty, its impact could be considered as limited: only 7% of HSNP households were lifted out of the bottom decile compared to 4% of control households (Merttens et al., 2013). However, if considered in terms of increased resilience and preventing disinvestment and livelihoods destruction, the programme would be successful as HSNP households were able to reduce emergency sales of assets and safeguard their belongings and productive assets. During the 2011 drought, poverty did not increase in HSNP households as it did in non-HSNP households (ibid).

Overall, then, the following steps are important:

- Ensure all programme documents clearly state the TOC for the primary objective and any secondary or tertiary objectives including those where economic impacts may be expected.
- Economic impacts, whether primary, secondary or tertiary objectives of the programme, should have indicators specified in the logical framework and be systematically monitored.
- Indicators of economic impacts should not be limited to primary/single livelihood activities, but aim to capture a broader range of potential impacts based on sound livelihood analysis. The may also want to look at impacts on non-beneficiaries and the local economy where this is appropriate and feasible.
- Programmes with public works components should include indicators of the economic impacts of the assets created on programme participants and the wider community, where it is realistically possible to measure them.
- All programmes should include indicators of good implementation practices which promote economic development impacts including timeliness and predictability of transfers, and length of participation in the programme.
- Graduation criteria should be explicit and integrated into the logical framework as programme outcome indicators – and systematically monitored.

Other examples of good practice from recent annual reviews of DFID programmes include:

- For programmes with a diverse set of interventions (typical of graduation models), a coherent approach to monitoring is required.
- Panel data, or data from different cohorts brought in to the programme at different times (e.g. CLP) is useful for demonstrating the relationship between exposure to the (sequenced set of) interventions and economic impacts such as asset values or income levels.

5. Conclusions

The emerging evidence base on the links between social protection and economic development still has a number of important gaps and any measured impacts tend to be limited; nonetheless, lessons have been learnt that allow DFID staff to understand how they can maximise the synergies between social protection and short-term economic development in their programming. There are clearer impacts on improving consumption and food security and accessing health and education services, which are vital building blocks for human development and long-term economic development. To make further improvements a number of knowledge gaps need to be filled: the local economy effects (for example impacts on demand and supply of commodities in local markets, or the prevailing causal agricultural wage labour rate) and the thresholds of income and assets at which administrative graduation can reasonably occur.

In practice, in many of the countries on which DFID's aid programme is focused, social protection programmes are not yet delivered at a scale or coverage that is likely to result in significant economic growth at the national level. But real differences for individuals, households and communities are possible at the local level (look again at Figure 1!). Limited coverage is a limitation, but also presents an opportunity: as social protection programmes continue to increase in size and scope, DFID can play a critical role in enabling programmes to change and reform in order to achieve synergies between social protection and economic development that will, in turn, help to reinforce their role in national poverty reduction and development efforts in both the short and long term.

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Annex: Acronyms

CFPR	Challenging the Frontiers of Poverty Reduction programme (Bangladesh)
CGAP	Consultative Group to Assist the Poor
CLP	Chars Livelihoods Programme (Bangladesh)
DFID	UK's Department for International Development
ESP	Expanding Social Protection programme (Uganda)
HABP	Household Assets Building Programme (Ethiopia)
HSNP	Hunger Safety Nets Programme (Kenya)
IEG	Independent Evaluation Group (World Bank)
M&E	Monitoring and Evaluation
NGO	Non-governmental Organisation
OPM	Oxford Policy Management
OTUP	Other Targeted Ultra-Poor (BRAC CFPR programme)
OVC	Orphans and Vulnerable Children programme (Kenya)
PSNP	Productive Safety Nets Programme (Ethiopia)
PWAS	Public Welfare Assistance Scheme (Zambia)
SAGE	Social Assistance Grants for Empowerment (Uganda)
STUP	Specially Targeted Ultra-Poor (BRAC CFPR programme)
TOC	Theory of Change
VUP	Vision *Umarenge* Programme (Rwanda)