Department for International Development

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DFID Response

January 2017

DFID Response to the Independent Commission for Aid Impact (ICAI) recommendations on: "The effects of DFID's cash transfer programmes on poverty and vulnerability: an impact review. January 2017"

DFID welcomes the ICAI Review and its recognition that our "support for cash transfers helps to alleviate poverty and vulnerability for the poorest households, in accordance with the leave no one behind commitment", that the portfolio "presents a strong value for money case" and that DFID has "used evidence and learning well to strengthen its results". We also welcome the recognition that "DFID has made an important contribution to encouraging and supporting its partner countries to establish and expand national cash transfer systems".

We recognise some of the challenges ICAI has identified, and the importance of continuing to improve our impact in this vital area which is at the heart of achieving Sustainable Development Goal 1: End poverty in all its forms everywhere. Well administered cash transfer programmes also make an important contribution to the Goals on hunger, health, education, gender equality, water and sanitation, work and economic growth, and inequality. We have considered where we can further improve our performance – notably on building sustainable systems. This is outlined below.

Recommendation 1: DFID should consider options for scaling up contributions to cash transfer programmes where there is evidence of national government commitment to improving value for money, expanding coverage and ensuring future financial sustainability.

Partially accept

- DFID pursues a long-term aim of increasing the coverage, quality and sustainability of national cash transfer systems, as noted by ICAI and as set out in the 2016 Bilateral Development Review. We do this by helping to build robust systems that are effective in reaching the poorest and most vulnerable people, alongside funding transfers and strengthening partner government capacity to fully manage programmes themselves. However DFID's funding of cash transfers is not indefinite; we are explicit in encouraging partner governments to pay for an increasing share of programme costs over time, working towards the point at which partner governments are able to fully domestically finance and run their own systems.

- We have increased our support to cash transfers since the mid 2000's, reflecting the important role they play in alleviating extreme poverty and delivering a broad range of benefits. They contribute, as part of a wider package of poverty reduction and economic development efforts, to enabling people to graduate out of poverty. The programmes we support vary in objective and design, and are at different levels of maturity. In most programmes DFID provides funding for the actual cash transfers alongside systems building support and technical assistance.

- Going forward, we do not plan automatically to scale-up DFID contributions in existing programmes, nor do we plan to cut the programme portfolio. Whilst we agree with ICAI that scaling-up DFID financial contributions could, in theory, increase programme coverage and value for money, and positively impact on a greater number of poor people in the short-term, there are several reasons why we choose not to do so. There is a risk that too much DFID financing could undermine partner government ownership and efforts to increase domestic financing, and thus undermine efforts to move towards sustainable systems. It is also important that DFID investments do not encourage cash transfer programmes to scale-up too quickly, ahead of there being robust systems in place and sufficient government capacity to manage and maintain programme quality at scale.

- We also consider the timeframe of DFID investment and engagement in cash transfer programmes, and the mix of support we provide (including making greater links to our work supporting countries to raise and use their own taxes) as just as critical as the scale of DFID funding in helping partner governments achieve greater coverage, value for money and financial sustainability of their cash transfer systems. Developing nationally owned cash transfer systems takes time, particularly as the countries we work in are often starting from a low base and many systems are still immature.

Recommendation 2: DFID should be clear about the level and type of impact it is aiming for in each of its cash transfer programmes, and ensure that these are adequately reflected in programme designs and monitoring arrangements.

Accept

- We absolutely agree that we must be clear about the impact we expect to see in all our programming, and we already strive to do that. Programmes can be designed and implemented to help maximise particular outcomes, beyond the primary objective of reducing poverty and vulnerability, and DFID works with partners to do that based on an analysis of needs. However a key benefit of cash transfers, particularly unconditional cash transfers that make up the majority of DFID's portfolio, is that they give poor and vulnerable people the choice to spend on the things they most need, thereby maximising the benefits of additional household income. This has implications for how precisely the level or type of impacts can be set, particularly at the beneficiary level, and how best to reflect these multiple impacts in design and monitoring arrangements. Cash transfers can achieve multiple outcomes, including positive outcomes beyond the scope envisaged in the original programme.

- Programme logframes can only capture a subset of results, some of which are set at the beneficiary level but others are at the systems building and policy level, in part determined by what can be measured and reported on annually. A more comprehensive set of outputs, outcomes and impacts is captured through broader programme monitoring systems and impact evaluations.

- Programmes are designed, monitored regularly and evaluated with the involvement of DFID staff and external experts and partners. Where circumstances change and monitoring and impact evaluation findings show that assumptions made at the design stage are invalid, delivery plans and logframes can be adjusted to better reflect monitoring and impact evaluation findings, and changed circumstances.

- To ensure our cash transfer programmes are clear about the type of impacts they are aiming for, we will:
  - Review current cash transfer programme objectives against monitoring and evaluation arrangements, and make adjustments where these are not aligned.
  - Going forward, ask programmes to check this alignment as a standard part of the annual review process.

Recommendation 3: DFID should do more to follow through on its commitment to empowering women through cash transfers by strengthening its' monitoring of both results and risks, and using this data to inform innovations in programming.

Accept

- DFID recognises that maximising results for girls and women from cash transfer and broader social protection programmes has not received sufficient attention, and identified it in the 2016 Bilateral Development Review as an area where we will increase our focus. Whilst cash transfers already have multiple positive impacts on girls and women's lives, the ways in which these impacts are achieved and can be maximised is less well evidenced. In addition, there are often capacity gaps and weak incentives to integrate gender considerations from design through to monitoring and evaluation, and so opportunities to have transformational impacts on girls and women across their lives are missed.

- DFID has already started to address the evidence gaps. The 2016 DFID-commissioned cash transfers literature review ('Cash transfers: what does the evidence say? A rigorous review of impacts and the role of design and implementation features') looked at empowerment as one of six key outcome areas. It synthesized the evidence and found that cash transfers play an important role in the empowerment of women and girls. They enable women to have a greater role in household decision-making, reduce the experience of violence, and to save and invest in productive assets and gain employment. Cash transfers are also linked to greater school attendance for girls (and boys), reduced child labour, and safer sexual practices delaying marriage and pregnancy, enabling safe transitions to adulthood.

- Building on this evidence synthesis, and experience from our cash transfers portfolio, we plan to develop a programme in 2017 to strengthen the:
  - Evidence on how to maximise results for women and girls, and minimise any negative unintended consequences from cash transfer and social protection programmes, and
  - Gender-focus of existing DFID cash transfer programmes (from design through to monitoring and evaluation), internal and external capacity, and work with partner governments and other development partners to strengthen the gender-focus of cash transfer systems so that they better deliver for poor women and girls.

Recommendation 4: DFID should take a more strategic approach to technical assistance on national cash transfer systems, with more attention to prioritisation, sequencing, monitoring and oversight.

Accept

- DFID provides a range of technical assistance in support of its cash transfer programmes including staff secondments, short-, medium- and long-term technical advisers, funding for governments to access advice and funding for project implementation units and coordination bodies. DFID staff also play an important role, actively engaging with government and other stakeholders on strategy, policy and technical issues.

- Across our cash transfers portfolio there is variation in programme objectives, design, maturity, DFID role and type of support, other development partner engagement, local capacity, and so on. All these factors influence decisions about the type and focus of technical assistance that we provide. We would not want to lose the ability to be flexible in determining technical assistance according to local context and needs, as well as having room to adapt and make the most of opportunities that arise during the course of programme implementation.

- Nevertheless, we agree with the ICAI finding that greater consideration can be given to prioritisation and sequencing of technical assistance, and that we can continue to improve monitoring of technical assistance. Attribution is often a challenge, and some impacts are very hard to measure but there is certainly scope to improve our understanding of what works to change and improve policy, programme design and performance, and partner capacity through technical assistance, and share learning across DFID programmes and with the wider community. To deliver this we will:
  - Use the existing internal DFID Social Protection Community of Practice to facilitate learning and share good practice on use and monitoring of technical assistance in our cash transfer programmes.
  - Develop a strategy to share findings and learn from the experiences of partner governments and other multilateral and bilateral development partners involved in social protection.