



**NGOMA CHARLES KUMBI**

**“SOCIAL SECURITY SYSTEM REFORMS IN THE  
DEMOCRATIC REPUBLIC OF CONGO: INITIATING  
CASH TRANSFERS IN THE FIGHT AGAINST  
POVERTY”**

***“REFORMA DO SISTEMA DE SEGURIDADE SOCIAL  
NA REPÚBLICA DEMOCRÁTICA DO CONGO:  
INTRODUZINDO O PROGRAMA DE TRANSFERÊNCIA  
DE RENDA NO COMBATE À POBREZA”***

**Campinas  
2012**





UNIVERSIDADE ESTADUAL DE CAMPINAS  
INSTITUTO DE ECONOMIA

NGOMA CHARLES KUMBI

**“SOCIAL SECURITY SYSTEM REFORMS IN THE DEMOCRATIC  
REPUBLIC OF CONGO: INITIATING CASH TRANSFERS IN THE  
FIGHT AGAINST POVERTY”**

**Orientador: Prof. Dr. Alexandre Gori Maia**

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REPÚBLICA DEMOCRÁTICA DO CONGO: INTRODUZINDO O  
PROGRAMA DE TRANSFERÊNCIA DE RENDA NO COMBATE À  
POBREZA”***

Dissertação de Mestrado apresentada ao Programa de Pós-Graduação em Desenvolvimento Econômico, área de concentração: Economia Social e do Trabalho do Instituto de Economia da Universidade Estadual de Campinas para obtenção do título de Mestre em Desenvolvimento Econômico.

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CHARLES KUMBI E ORIENTADA PELA PROF. DR.  
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# **Dissertação de Mestrado**

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**“Social Security System Reforms in the Democratic Republic of Congo: initiating cash transfers in the fight against poverty. (Reforma do Sistema de Seguridade Social na República Democrática do Congo: introduzindo o programa de transferência de renda no combate à pobreza)”**

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A luta continua!



## **ABSTRACT**

With the current global economic market imbalances and the policy instability of financial institutions patterning our World, the less fortunate are mainly the forgotten reserve army of unemployed population. This situation accentuates the poorer the country is.

Our focus in this dissertation is this population classified as the poor who are left out of the Social Safety Nets and exposed to all sorts of socioeconomic calamities.

By reforming the social security systems we first look at quick measures to palliate to the current situation faced by this unfortunate people highly concentrated in less developed countries; and our attention goes to the Democratic Republic of Congo (DRC), a country long savaged by decades of civil war, political and economic instability, leaving the majority of the population into extreme poverty and desperation.

To reach such a goal in a shorter time, Cash transfers are found to be the ideal remedy. As a strategy to reconcile poverty reduction with human capital development, Cash Transfer programs (CTPs) provide cash to poor families. Conditional or unconditional, these cash transfers are aimed at smoothing the impact of poverty in a short term by allowing beneficiaries to afford basic living needs, and in a long term by investing in human capital through education, children health care and nutrition.

Our question in regard to the DRC is “how feasible can these programs be in such a devastated country?”

This question is examined through a comparative study of two CTPs models, one from Brazil and the other from South Africa but also appended with empirical data from similar countries either in Latin America or in Africa.

From this theoretical framework emerges our concluding discussion defining the feasibility of Cash Transfers (CTs) in the DRC regardless of political and economic challenges faced.

In both cases results have been strikingly positive; and encouraging outcomes from other similar countries used also proved to be a confirming statement as to the feasibility of CTs in the DRC. However it is also noted that political willingness of local authorities and better policies for sustainable economic growth are irreversible and very determinant factors for the success of CTs.

Poor people never chose to be poor but are left with no opportunity to overcome this poverty; so we also insist in this dissertation that creating jobs should remain the focus policy for poor countries in order to curb poverty and build a sustainable economic growth by integrating the less fortunate into the labour market.

**Keywords:** Social policies, Poverty, Social security – Democratic Republic of Congo

## RESUMO

Com os atuais desequilíbrios econômicos e a política de instabilidade das instituições financeiras moldando o nosso mundo, os menos afortunados são, sobretudo, aqueles do esquecido exército de reserva da população desempregada. Esta situação é ainda mais graves nos países mais pobres. Nosso foco nesta dissertação é a população classificada como pobre que é deixada de fora do sistema de proteção social e exposta a toda ordem de calamidades socioeconômicas.

Ao analisar o sistema de proteção social, nós buscamos, sobretudo, olhar para medidas de alívio imediato à situação atual enfrentada por esse povo desafortunado, altamente concentrado nos países menos desenvolvidos. Nossa atenção vai para a República Democrática do Congo (RDC), país afetado por décadas de guerra civil, instabilidade política e econômica, que contribuíram para deixar a maioria da população em condição de extrema pobreza e desespero.

Para alcançar o objetivo proposto em um curto período de tempo, programas de transferências diretas de renda (TDR) são propostos como remédio principal. Como estratégia para conciliar a redução da pobreza com o desenvolvimento do capital humano, os programas de TDR fornecem rendimento às famílias pobres. Condicional ou incondicional, essas TDRs objetivam atenuar o impacto da pobreza no curto prazo, permitindo que os beneficiários usufruam de necessidades básicas de vida, e, em longo prazo, através do investimento em capital humano através da educação, atenção médica à criança e nutrição.

A nossa pergunta em relação à RDC é: "esses programas de TDR são viáveis em um país devastado?".

Esta questão é examinada através de um estudo comparativo de dois modelos de TDR: um do Brasil e outro da África do Sul. Também apresentamos resultados empíricos de estudos em outros países, quer na América Latina ou na África.

A partir deste quadro teórico surge a nossa discussão final, concluindo pela viabilidade de programas de TDR na RDC, independentemente dos desafios políticos e econômicos a serem enfrentados.

**Palavras-Chave:** Política social, Pobreza, Seguridade social- República Democrática do Congo.

### **List of abbreviations and acronyms**

- ACTSA Action for Southern Africa
- AfDB African development Bank
- AIDS Acquired Immune Deficiency Syndrome
- AMP Alliance de la Majorité Présidentielle (Alliance of the Presidential Majority)
- BAfD Banque Africaine de Développement (African development bank)
- BCC Banque Centrale du Congo (Central Bank of the Congo)
- BIG Basic Income Grant
- BIT Bureau International du Travail (International Labour Organisation)
- BPC Benefício de prestação continuada (Continuous Cash Benefit)
- CCT conditional cash transfer
- CIA Central Intelligence Agency
- CTP Cash transfer program
- DFID Department for International Development (UK)
- DR Congo Democratic Republic of Congo
- DRC Democratic Republic of Congo
- EC European Commission
- EPRI Economic Policy Research Institute (South Africa)
- FCND Food Consumption and Nutrition Division
- GDP Gross Domestic Product
- HIV Human immunodeficiency virus
- IDS Institute of development studies
- IFPRI International Food Policy Research Institute
- ILO International Labour Organisation
- IMF International Monetary Fund
- INSS Institut National de sécurité sociale (National Institute of Social Security)
- ISSA International Social Security Association
- KILM Key Indicators of Labour Market
- LIC Low income country

- MDGs Millennium Development Goals
- MIC Middle-income country
- MLC Mouvement pour la Libération du Congo (Movement for the Liberation of Congo)
- NGO Non-governmental organization
- OECD Organisation for Economic Cooperation and Development
- ONG Organisation non gouvernemental (Non Government Organisation)
- PLHA people living with HIV and AIDS
- PNAD Pesquisa Nacional por Amostra de Domicílios (National Household Survey)
- PNUD Programme des Nations unies pour le développement (United Nations Development Programme)
- PPRD Parti du Peuple pour la Reconstruction et le Développement (People's Party for Reconstruction and Development)
- PRS Poverty reduction strategy
- PSNP Productive Safety Nets Programme (Ethiopia)
- PWP public works programmes
- RD Congo République Démocratique du Congo (Democratic Republic of Congo)
- RDC République Démocratique du Congo (Democratic Republic of Congo)
- SARW Southern Africa Resource Watch
- SASSA South African Social Security Administration
- SSA Social Security Administration
- UCT unconditional cash transfer
- UN United Nations
- UNAIDS United Nations Programme on HIV/AIDS
- UNDP United Nations Development Programme
- UNICEF United Nations Children's Fund
- UPN Union Pour la Nation (Union for the Nation)
- US United States
- USAID United States Agency for International Development

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## **INTRODUCTION**

Social security is one of the most important socio-economic systems for a country in modern times and Cash transfer Programmes (CTPs) are one of the most popular interventions in the social sectors in developing countries. To establish and improve a social security system corresponding to the level of economic development is a logical requirement for coordinated economic and social development. It is also an important guarantee for the social stability and the long-term political stability of a country.

Currently in the Democratic Republic of Congo, there is no coherent Social Security System in place, most institutions have been left impotent, social security is almost inexistent and political instability has plunged almost 80% of its population into severe poverty. Medical care and School fees are unaffordable for most families. While this sounds unordinary, initiating cash transfers is identified as the quickest and most effective way to tackle the problem.

The system is actually extensively used in Latin America and some African countries and has produced positive results. So far cash transfer programmes have been proven to be very effective in reducing poverty in the short term since they have helped to increase household income and consumption in poor families. They have also worked effectively in increasing school enrolment and attendance, especially in middle school. A substantial improvement in health and nutrition of the children that benefit from these programmes has also been acknowledged.

According to the World Bank, the DRC needs to break with past practices and to ensure a dramatic improvement of living conditions throughout the country, as a condition for sustainable peace and eventual economic recovery.

The CT programme in a country such as DR Congo shall help curb the prevailing inter-generational transmission of poverty and foster social inclusion by providing poor families with cash intended to ease affordability on services such as education for children, health etc. This will also ameliorate the social accountability relationship between playmakers and the beneficiaries.

Bearing in mind the realities faced and pre-existing conditions in the DRC, the main question to focus on in this thesis is:

“Can cash transfer programmes help reduce poverty in the context of the DRC?”

Our key words are: Cash transfers – Poverty reduction – Human development

## **Hypothesis**

This work-piece like any other similar studies argues that cash transfer programmes have effectively helped improve household income and consumption in poor families within a short term regardless of the country's situation.

The social independency of destitute families has dramatically improved impacting positively on school attendances and health conditions of children.

The programmes have also promoted equality of gender since they provide larger funds to girls given the fact that girls mostly drop out earlier from school mainly in developing countries for many reasons such as early marriage or pregnancy which both can be related to poverty.

Countries with effective and efficient social security systems are better equipped to cope in both situations, either without or when hit by a crisis than those who do not have the foresight to put such systems into place.

Income transfers through social security have a positive effect on income stability and poverty in developing countries especially in Africa. A comprehensive social security system is vital in times of crisis because it cushions workers and their families, stabilises the society and the economy by supporting aggregate demand and facilitating recovery.

On the other hand a better established social protection system helps shield the lives of those socially uncovered or unprotected and who sadly happen to be the poorest and most vulnerable people of the society.

## **Methodology**

Talking about Social security and social protection is a journey into a labyrinth, regarding the magnitude and complexity of the topic. We will for this reason focus our work on cash transfers as social tools for the fight against poverty. The methodology is articulated in two ways:

Due to the scarcity of data about the DR Congo we have adopted a theoretical approach based on empirical values to support the hypothesis with most of the resources being either collected from electronic bibliography by means of internet and available hard copies. General theories from different authors will then be used to embed our arguments in terms of cash transfers effectiveness in the fight against poverty.

Secondly a comparative approach will determine how practical and realistic the hypothesis is. Here certainly the case of Brazil as the host country will be reflected from time to time, to enshrine the theories developed in our work. We will use two country models: Brazil as our reference case in Latin America and South Africa in Sub Saharan Africa.

The overall work will be divided into 3 main chapters:

- ❖ Chapter1:

- Talking about the country overview will give readers a clear picture on what the Democratic Republic of Congo looks like. In short it's a synopsis of the demographic, Political and Socioeconomic situation of the country.

- ❖ Chapter2:

- This part is a theoretical journey into the focus topic which is the cash transfer Programmes. The chapter shall shed light on the general aspect in terms of

functionality and evidences about cash transfers. In so doing, the major points captured in this chapter will emphasise:

- ❖ The conceptual basis to understanding Cash transfer programmes and their role in social policy.
- ❖ Conditionality or non conditionality of cash transfer programmes
- ❖ The evidence of impacts on consumption, poverty and human development (education, health, and nutrition) outcomes captured in two countries (Brazil and South Africa).

❖

### ❖ Chapter 3:

This chapter is a proposal of cash transfer programmes in the DRC and will focus on policy and design options by capturing for instance criteria to select the beneficiaries. It will in a sense argue on the applicability of cash transfers in Congo, taking into account the administrative, financial and political aspects implicated.

By using experience of other conflict-affected countries, we will be trying to prove how we think the success of those countries could match the outcomes expected in the DRC after the introduction of CTs.

The major arguments in this final chapter are reflected in an open discussion about the applicability of CTPs in the DRC and will delve into the following points:

- The evidence on the effects of alternative design features such as choice of targeting methods, size of transfers and conditions applicability.
- The role of cash transfers in the context of social protection policies.



- The last part of this chapter which is our Conclusion is none than a summary of our work but will also portray our reflection regarding the feasibility of CTs in DR Congo and a sustainable economic environment to shield these programmes.

This will include challenges, opportunities and recommendations regarding the feasibility of sustainable CTPs in the DR Congo.



## **CHAPTER I. THE DEMOCRATIC REPUBLIC OF CONGO: Country overview**

### **1. Introduction**

The DRC is indeed a giant in size, wealth and by its potentially rich land and soil. Its forest is the World second biggest after that of Brazil; its mightiest river, after the Amazon, drains a watershed that branches throughout the country blessing its fertile land gracefully covered by a climate conducive to agricultural activities and providing the country with big hydroelectric sources of energy.

The country is the fifth largest producer of copper, cobalt and the first reserve with colossal various strategic metals such as germanium, uranium, coltane etc. combined with an important reservoir of natural gas reserve.

With its huge Diamond and gold resources, one will be tempted to name the DRC as a geological scandal.

But probably what makes the gigantism of Congo is also the cause of its weakness. Wealth has triggered lust and concupiscence from many vicious wealth hunters described as war lords roaring like hungry lions across the country which has resulted in decades of military and civil wars.

A paradise in hell, DRC has been turned into a social scandal with some of the worst poverty incidences and human atrocities so far recorded in the world.

Bad governance and high level of corruption are certainly aggravating circumstances to this poverty ridden country.

Social Inequality is very high and regional disparities are much accentuated as a consequence of the government's unjust distribution of wealth. Regions with high mineral resources or better infrastructure represent so far the highest rates of inequality recorded (République Démocratique du Congo, 2006).

With no source of income for the majority of the population, many intellectuals and youth are massively leaving the country seeking for greener pastures; hence remittances have become considerable means of social security and social protection for Congolese families having family members abroad.

It becomes quite clear that the cause of political instability and its ramified side-effects are a direct impact of lack of income thus initiating cash transfers to hinder poverty and political instability sounds a great deal in the case of the DRC.

## **2. Historical and Political background <sup>1</sup>**

The DR Congo got its independence from Belgium in June 30, 1960. This period characterizes the rise of strong socialist movement in the continent of Africa under the leadership of Nkrumah in Ghana, Nyerere in Tanzania and Lumumba in the DRC. Many African countries broke the chains of colonialism around this period to obtain independence from their European colonial oppressors.

Peace was not long lived as the country quickly became a victim of political crisis due to leadership's lack of maturity and experience attributed to the European unwillingness to groom future cadres during colonialism.

In November 1965, General Mobutu seized power in a military coup d'état with the complicity of the Central Intelligence Agency (CIA) and imposed dictatorship under military rules for 32 years, from 1965 to 1997.

His reign was marked by terror with an early and first public assassination of a group of ministers and other politicians he falsely accused of bringing the government into disrepute, but whom in fact were closed to the communist Patrice Lumumba that he

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<sup>1</sup> Text compiled from different internet sites, mainly on: <http://www.tlfq.ulaval.ca/axl/afrique/czaire.htm>; <http://www.kas.de/kongo/fr/pages/804/>; [http://www.getloud.ca/fr/gpi\\_issues.asp?id=12](http://www.getloud.ca/fr/gpi_issues.asp?id=12) and <http://www.state.gov/r/pa/ei/bgn/2823.htm>

killed in the early 1960s by order of his patrons from CIA whose first objective was to wipe out every partisan from the left wing.

Succeeding to silence his enemies at gunpoint, he then imposed an autocratic regime favouring his friends and family to reap off the country's wealth. Corruption and other vicious tactics were used by his gang and saw Mobutu at a time being mentioned in the list of wealthiest people in the World.

In 1996, Laurent Kabila the main opponent of Mobutu helped by foreign troops from neighbouring states started war that ousted the dictator in 1997; far from liberation this was just the beginning of another long lasting war still prevailing in the country up to this day.

Laurent Kabila himself was coldly assassinated in 2001 and was succeeded by his controversial son Joseph Kabila who is still leading the Country.

Power in the DRC is highly centralised, and executive power is vested in President Joseph Kabila. His political party is known as the People's Party for Reconstruction and Development (PPRD).

Following the 2006 elections, two broad alliances emerged in the 500 seat National Assembly: the Alliance of the Presidential Majority (AMP), comprising 332 seats, and the opposition Union for the Nation (UPN), comprising 116 seats.

The cabinet is appointed by the ruling party and the prime minister is elected by parliament. The DRC has a bicameral parliament consisting of a directly elected 500 member National Assembly and a Senate, the Senators of which are elected by provincial assemblies.

Currently, the judiciary is only nominally independent and the President has the power to dismiss and appoint judges. Presidential and parliamentary elections took place last November 28, 2011 with Kabila suspiciously winning his second presidential term after

palpable proofs of fraud and manipulation were clearly aired by local (opposition) and international observers.

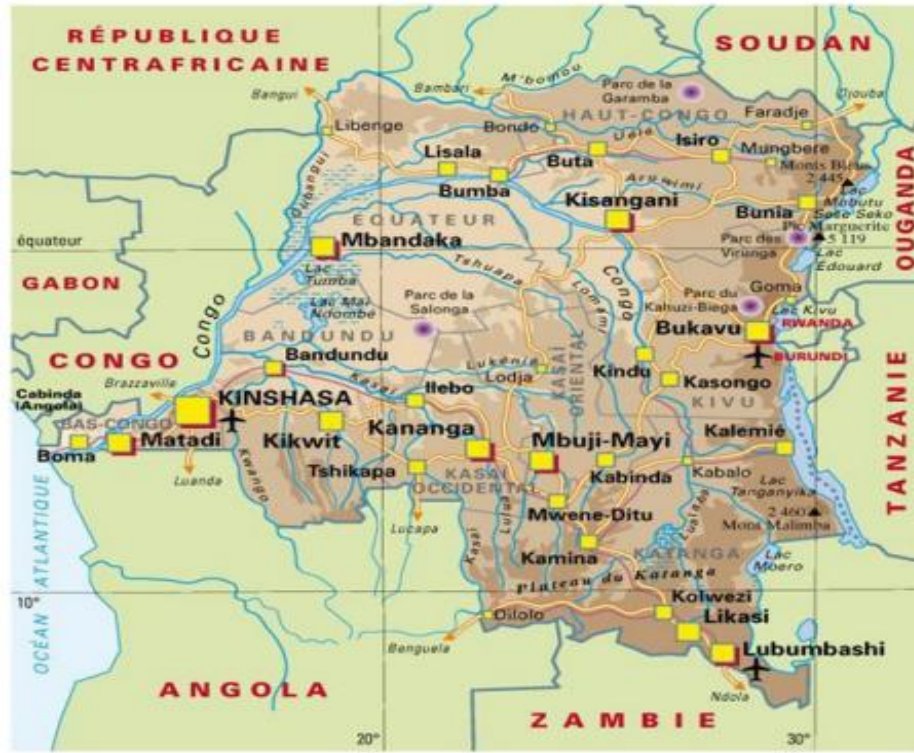
The largest opposition party, the Movement for the Liberation of Congo (MLC), was thrown into disarray in May 2008 when its leader, Jean-Pierre Bemba, was arrested on suspicion of crimes against humanity and taken to the Hague.

### **3. Social aspect**

#### **a. Geography:**

The DRC has its massive land expanded throughout an area of 2,345,408 square kilometres making it the second largest African state after Algeria and is situated at the heart of sub-Saharan Africa. It straddles the Equator, with one-third to the North and two-thirds to the South.

**Figure 1 Map of the Democratic Republic of Congo (2011)**



Source: République Démocratique du Congo, 2010.

As a result of its equatorial location, DRC experiences high precipitation and has the highest frequency of thunderstorms in the world.

The annual rainfall can total upwards of 80 inches (2,000 mm) in some places, and this helps sustain the Congo Rainforest, the second largest rain forest in the world (after that of the Amazon). This massive expanse of lush jungle covers most of the vast, low-lying central basin of the river, which slopes toward the Atlantic Ocean in the west.

This area is surrounded by plateaus merging into savannas in the South and Southwest, by mountainous terraces in the West, and dense grasslands extending beyond the

Congo River in the North. High, glaciated mountains are found in the extreme eastern region (Ruwenzori Mountains).

DR Congo borders the Central African Republic and South Sudan to the north; Uganda, Rwanda, and Burundi in the east; Zambia and Angola to the South; the Republic of the Congo, the Angolan enclave of Cabinda, and the Atlantic ocean to the West; and is separated from Tanzania by Lake Tanganyika in the East.

The country has access to the ocean through a 40 kilometre stretch of Atlantic coastline at Muanda and the roughly 9 km wide mouth of the Congo River which opens into the Gulf of Guinea.

### **Wild life:**

Apart from its rich natural resources the DRC is also a land with a variety of wildlife, sheltering some of the rarest animals in the World such as Okapi, Orangutan and others. The Central Congo lowland forest is home to the rare Bonobo primate. The Northeastern Congo lowland forest is one of the richest concentrations of primates in the world. The DRC is known as part of the World Heritage Sites with several Natural parks: Virunga National Park, Garamba National Park, Kahuzi-Biega National Park, Salongo National Park, Upemba Park and Okapi Wildlife Reserve.

This entire marvel can constitute a great tourist attraction susceptible to offer thousands of jobs.

### **b. Demography**

- ❖ **Population:** the country has a population of 71 million of which about 600,000 are aboriginal pygmies (est. 2011).



- ❖ **Language:** The official language is French followed by four major local languages Kikongo, Lingala, Kiswahili and Tshiluba.
- ❖ **Urban Population:** 30.4% in 68 major cities (est. 2005); showing that the country is still very underdeveloped as compared to South Africa with 59.5% during 1990.<sup>2</sup>
- ❖ **Rural Population:** 69.6% mainly relying on survival agriculture and other forest related activities such as hunting, fishing and charcoal making for both lucrative and energy supply purposes, leading to massive deforestation and life threatening for several species of wild animals.
- ❖ **Density:** 24/Km<sup>2</sup> in other locations and 577/Km<sup>2</sup> in Kinshasa the capital city due to concentration of economic infrastructures, schools, universities, health facilities etc; attracting more job seekers and other opportunists.
- ❖ **Religion:** Christianity (70%) and others (30%). Religion has become very influential as many people pretend to find refuge to the Lord but in reality need help from religious organisations and institutions.

❖ **Socioeconomic impact of churches:**

Churches play a crucial role in the DRC and their impact within the community is very strong.

- The Roman Catholic Church alone has so far rendered its services to almost the majority of the population of the DRC. Its primary and secondary schools have greatly been involved in the education of the Congolese children.

Apart from education, the Catholic Church has also extended its services in Health sector with a number of hospitals and clinics throughout the country; other

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<sup>2</sup> [www.atlappedia.com/online/countries/southafr.htm](http://www.atlappedia.com/online/countries/southafr.htm)

different activities form part of the Church socioeconomic actions such as Diocesan economic enterprises, agricultural activities and artisan's workshops.

- The Protestant Church on the other hand, apart from being involved in similar activities with his Catholic counterpart has kept a high moral reputation and plays a big role in preaching and sensitizing the population against corruption.
  
- The Kimbanguist church, another Protestant Church found in the DRC and which was named after its creator the Prophet Simon Kimbangu, is on this day quickly growing with most of his followers found in the Province of Bas-Congo and the city of Kinshasa. Prophet Simon Kimbangu was imprisoned until his death by the colonial government for his strong preaching against the oppression of Black people by white colonisers. His Church today also has an extended Network of Hospital, schools and other socioeconomic activities.

Looking at table1 we realise that 44.9% of the population of DRC are below the age of 15 which is very close to half the population and in this group, males are slightly dominant. The group from age 15 to 65 takes 52.6% which is half plus the population, in this age group, women are now systematically dominating and this continues to the next age group from 65 and above. The explanation to this might be that most people don't reach the age of 65 and women seem to live longer than men since they are dominant in the older age groups. Since there is so much violence and war going on in the country our understanding is that men are likely to die earlier than women either for their involvement in war and other violent activities or simply for being killed as men are always first targets during wars.

**Table 1: Population of DRC according to big groups (Est.2008)**

Age groups	Population according to big groups			Proportion of population according to big groups		
	Total	Male	Female	Total	Male	Female
Less than 15	31,332,368	15,769,989	15,562,379	44.9	45.3	44.4
15 to 64	36,745,642	18,269,195	18,476,447	52.6	52.5	52.7
65 and more	1,773,279	740,357	1,032,922	2.5	2.1	2.9
Total	69,851,289	34,779,541	35,071,748	100	100	100

So

urce: Based on own calculation from data by US Census bureau, 2008.

Estimates for the DRC as shown on table 2 explicitly take into account the effects of excess mortality due to AIDS which is directly linked to poverty; this can result in lower life expectancy, higher infant mortality and death rates, lower population and growth rates, and changes in the distribution of population by age and gender than would otherwise be expected (2011 est.).

The negative impact on migration (-1 migrant(s)/1,000 population) is caused by continuous fighting between the Congolese Government Army against an alliance formed by Congolese rebels and the Eastern neighbouring countries since August 1998. This war has so far left about 2.33 million Congolese internally displaced and has pushed approximately 412,000 Congolese refugees to seek for asylum in other countries (2011 est.).

**Table 2 DRC demography (Est. 2011)**

Democratic Republic of Congo demography											
Mid-year in thousand Total population 71,713											
	Sex ratio		Population	Birth rate/	Death rate/	Infant mortality/		Life expectancy for		Fertility	Net migration
Age	(Male and Female		Growth(%)	1000/day	1000/day	1000 live birth 78.4		all 55 years		Rate	rate/1000
Birth	1.03		2.6	38	11	82	75	54	57	5.2	-1
Under 15 years	1.01										
15 to 64 years	0.99										
65 years and +	0.72										
Total	0.99										

Source: U.S. Census Bureau, International Data Base and CIA, 2011.

### **c. Human Development Index**

#### **❖ Education:**

Education was once the pride of the nation but has dwindled due to political instability; by the year 2008 estimated figures reflected only 3% achieving Universities, 30% secondary school, 46% primary school and 21% with no education (BAfD and OCDE, 2007).

Due to the failure of the state's education system, schools are mainly funded by parents.

The enrolment rate is 52 percent. Primary school enrolment has declined because of the growing inability of parents to pay school fees, lack of maintenance of infrastructure, lack of textbooks and lower quality of the instruction. The teachers are paid less than \$ 20 per month (BAfD and OCDE, 2005).

Approximately 4.7 million young children (2.5million girls) are not educated (BAfD and OCDE, 2007).

### **Literacy rate: From age 15 and above <sup>3</sup>**

Total population: 67.2 %

Male: 80.9 %

Female: 54.1 %

### **❖ Health:**

Because of its population size and the severity of the health situation, DRC represents an enormous concentration of morbidity and mortality in the centre of Africa (World Bank, 2005).

The country's blessed tropical climate with rich dense forests is another lethal combination that threatens the lives of its extremely poor population mainly scattered in rural areas where we register the lowest level of sanitation.

Cases of tropical diseases are a common melody in those areas associated with killer ghosts such as Ebola fever, Cholera, Malaria etc. one will say this rich country is instead more of a paradise to killer diseases than to its own population.

The current conflict prevailing in the country has been at the centre of the country's deteriorating health infrastructures. Despite its enormous natural resources DRC has one of the poorest populations in the World. The massive presence of government and foreign troops in its territory is one big reason behind the fast spread of HIV/AIDS.

Women are the most exposed as they are subjected to all sort of violence either from government troops or from the rebel troops. On the other side the United Nations peace keepers Forces have also been cited in many incidents as being the perpetrators.

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<sup>3</sup> CIA Library on site: <https://www.cia.gov/library/index.html> retrieved on 5 April 2012 at 10:35 am

Promiscuity mainly in refugee camps, lack of sufficient awareness and high level of poverty associated to poor health infrastructures are all known as favouring factors to the spread of the disease. Estimates suggest approximately 70% of the Congolese population has limited or no access at all to health care and this including HIV/AIDS care services (USAID, 2010).

Meaning 70% are condemned to death when any deadly disease occurs.

We also have to know that any disease can evolve to a killing machine when no curative actions are quickly taken, so with the current situation prevailing in the DRC it is no surprise to register high level of mortality caused by what could easily be treated if health services were available for the most vulnerable population.

### **HIV/AIDS Prevalence:**

The negative impact of the high rate of HIV/AIDS in the DRC has been singled out as the cause for excess mortality and higher infant mortality resulting in life expectancy dropping 9% in the 90s. The country is also known as one of the first to have diagnosed a case of HIV amongst hospital patients in 1983 (USAID, 2010).

Figures on table 3 are a true reflection of the current situation in the DRC, with the highest prevalence of HIV/AIDS noted in either the Eastern part (Katanga, Kasumbalesa, Oriental) of the country where civil war is ravaging human lives; this justify the fact that a massive concentration of armed forces are found in the area rendering vulnerable women and children entangled in the war zone.

High prevalence in big cities is a result of high promiscuity and high concentration of the population in urban areas.

**Table 3 HIV/AIDS estimates for the DRC - 2010**

HIV and AIDS estimates 2010							
Mid-year total population 70.9 Million							
		HIV Prevalence in most high at risk pop. in %					
Cities and provinces	Estimated population living with HIV/AIDS	Sex workers	Kinshasa	Lubumbashi	HIV Prevalence in %	Patients receiving Antiretroviral treatment in %	Other areas prevalences in %
	500,000	14.7	23.3	23.3	1.3	24	
Katanga							16.3
Kasumbalesa							16.3
Kisangani							8.7
Oriental							8.7

Source: USAID, 2010

### **Other major infectious diseases:**

AIDS is not the only health hazard threatening human lives in the DRC as we do have some of the most fearsome tropical diseases disseminated throughout the massive area of the country:

- We have food and waterborne diseases linked to lack of sanitation and clean water: intestinal worms, bacterial and protozoal diarrhoea, hepatitis A, and typhoid fever.
- Vector-borne diseases mainly found in rural areas due to disease vector agents living mainly in forest zones: these are malaria, plague, and African trypanosomiasis (sleeping sickness) with high risks in some rural locations.
- Water contact disease: schistosomiasis.

### **❖ Nutrition**

The Population growth is much greater than the increase in agricultural production and bodes large food deficits in the DRC. Over one third of under-five years old children are

chronically malnourished, and 16% suffer from acute malnutrition, reflecting wide vulnerability to short-term crises (World Bank, 2005).

Malnutrition is another cause of children's death in the DRC. A malnourished child is deprived of a strong immune system and vitamins which are an essential combination not only for a child growth but also and most importantly for the defence system against illness and other external agents (i.e. bad weather); for this reason malnutrition alone turns to be a silent but serial killer in most of the affected regions of the country.

A malnourished child is likely to die when affected by any illness compare to a well nourished child who has a much stronger immune system.

It is then clear, for a child to be healthy he needs good and quality food, but this can only be affordable if the family has financial means to purchase in local market.

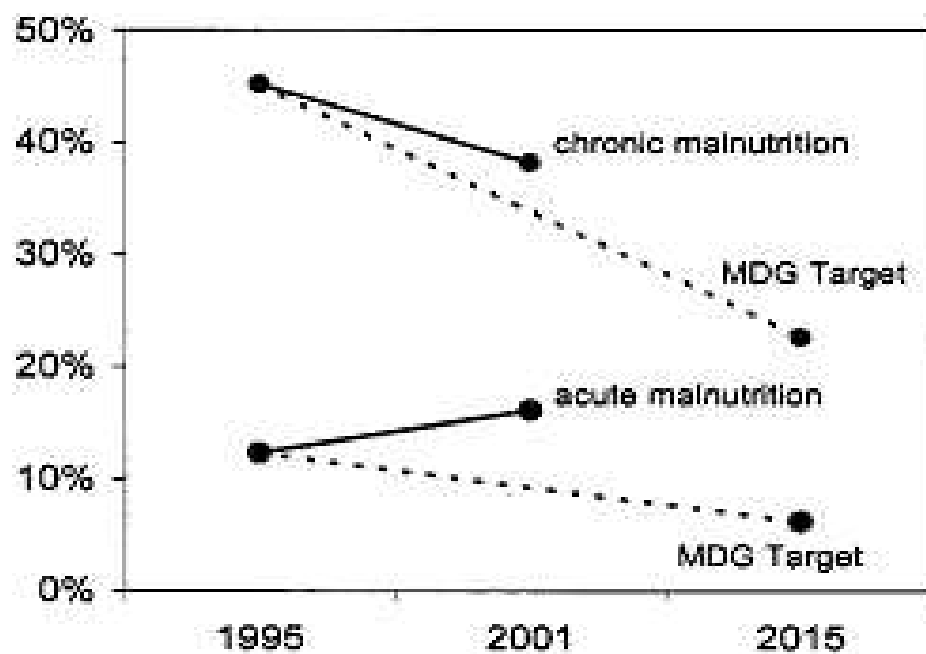
The problem with poor people is that they can't afford this and are exposed to the deadly effects of malnutrition; with children, women (pregnant and breastfeeding) and the elderly always being the most vulnerable.

Most children who survived malnutrition grow slowly and physically weak and are likely to suffer from mental illness and other forms of chronic diseases in the future as a consequence of their past malnutrition, jeopardising their learning capacities (World Bank, 2005).

Figure 2 shows that the DRC is still very far from reaching the Millennium Development Goals (MDGs) in terms of curbing child malnutrition. In 2001 for example chronic malnutrition was at about 38%, higher than the MDGs expected results (approximately 35%). And acute malnutrition in 2001 increased (17%) instead of decreasing as suggested by the MDGs (8%). This low pace is certainly attributed to lack of financial resources caused by bad governance and political instability leaving the majority of families in deep poverty.



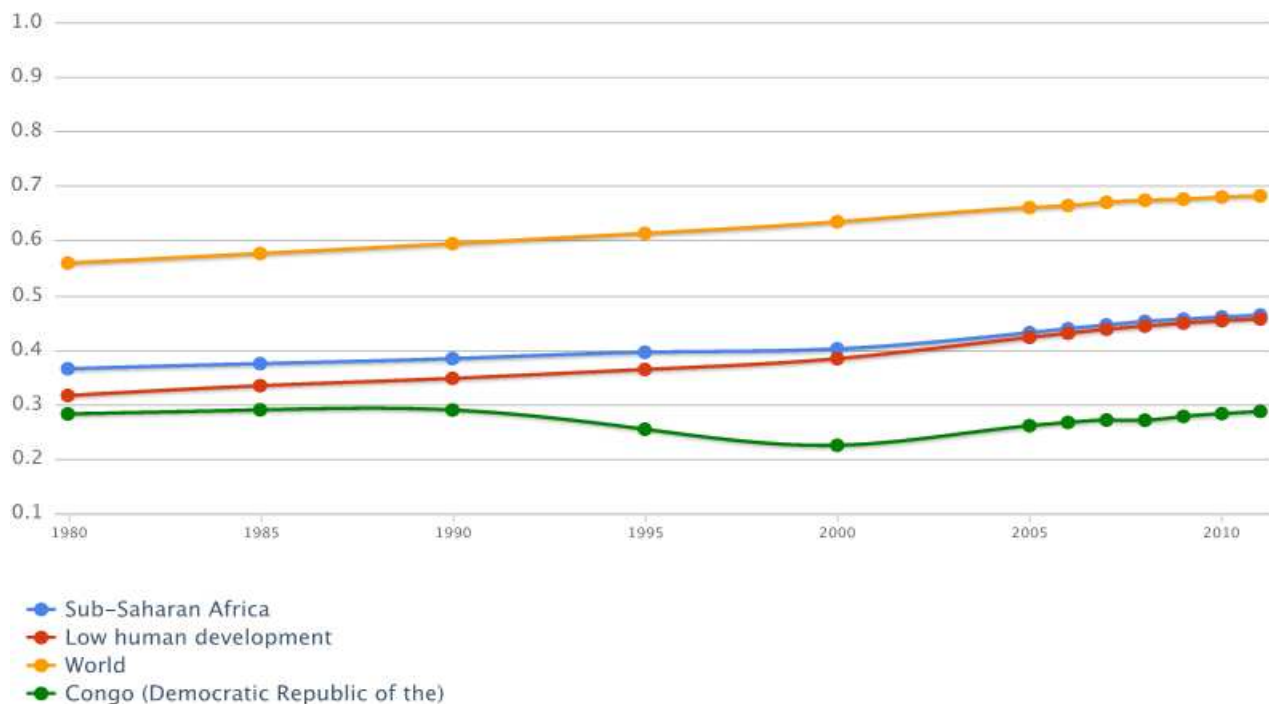
**Figure 2 Trends in estimated prevalence of child malnutrition, DRC**



Source: World Bank, 2005.

Figure 3 depicts the DRC as the lowest country in regards to Human Development Index. The country is ranked today the 187<sup>th</sup> out of 187. DRC's HDI is currently the lowest in Sub-Saharan Africa and the lowest in the World according to the UNDP report.

**Figure 3 DRC Human Development Index: Trends from 1980 - Present**



Source: UNDP website, 2012.<sup>4</sup>

#### **d. Poverty and Inequality**

Poverty is "a phenomenon covering not only the lack of income and financial resources, but also includes the notion of vulnerability, as well as factors such as lack of access to adequate food, education and health, natural resources and drinking water, land,

<sup>4</sup> Downloaded from UNDP site: <http://hdrstats.undp.org/en/countries/profiles/COD.html> on 30 March 2012 at 16:20

employment and access to credit, information and political participation, services and infrastructure" (Commission Européenne, 2000)

The DRC "a very rich land sheltering an extremely poor population" what a paradox! Despite its immense natural resources, the DRC is one of the poorest countries in the world. War, political instability and high corruption have been singled out as being aggravating factors behind the country's extreme poverty leaving the population in deteriorated socioeconomic conditions; especially in areas where armed rebel groups are still rampant.

Social indicators are so low that it is virtually impossible for the country to reach one of the MDGs (Millennium Development Goals). Only 9 to 22 percent of the total population have access to water and sanitation respectively, with wide disparities between regions and between rural and urban areas. (BAfD and OCDE, 2007)

Nearly 80% of the Congolese people survive at the limit of human dignity, with less than \$ 1 per person per day and less than 20 percent of the population have access to regular electricity (Tedika, 2010).

Currently in the Human Development country ranks, the DRC is ranked 187th out of 187.<sup>5</sup>

The per capita national income in purchasing power parity is less than \$ 705 per year. Approximately 1,200 people, half of them children, die every day in the DRC because of violence, diseases and malnutrition. The DRC is also said to have the highest number of children soldiers in the world (Samba et al., 2004).

The populations of the East live with an average \$ 32 per year per capita, while those in the South have 138 dollars and those of the Province of Kinshasa, 323 dollars, ten times more than the East. Poverty is manifested by malnutrition, which affects between 30 and

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<sup>5</sup> Data retrieved from UNDP site: <http://hdrstats.undp.org/en/countries/profiles/COD.html>

50 percent of women and children. A total of 16 million people live under food insecurity (BAfD and OCDE, 2005).

In the DRC, the problems associated with poverty are closely linked to economic and social inequalities, the disparity in the distribution of resources (Kader, 1996).

In general, the inequality index (Gini) is very high (44.4%), which suggests the existence of distributive injustice, discrimination and exclusion almost endemic in the country.

Inequality is marked by considerable disparities; the two provinces of Kasai and Katanga experience the highest rates of inequality (Gini is more than 40%). Inequalities are relatively weak in the provinces of Bas-Congo and South Kivu. The City Province of Kinshasa is also characterized by high inequality (39%).

The inequality index higher (45%) is localized in the extreme categories (households where the head of the family is a senior official). The lowest inequality is found within families with the head being a handyman (27%) or a casual worker (37%) (Ministère du Plan de la RDC, 2006).

#### **4. Economy**

Looking at its enormous natural resources, it is quite surprising that the DRC is classified today amongst the poorest countries of the World. Its economy has been hammered by continuous civil war and political instability on one hand and high level of corruption on the other.

Inequalities are very considerable with approximately 80% of its population living below poverty line. Close to 44% of women and 22% of men have no incomes. Regional

disparities are very high and the overall unemployment is estimated at 40% (BAfD and OCDE, 2006).

Salaries for employed people are either, inexistent, meagre or irregular. Social security structures do not exist and the poor population has to resort to clandestine activities such as illegal mining, poaching and to the extreme level to rebellion and armed militias, hence the durable cause of civil war and political instability.

#### **a. Macroeconomic Indicators**

The economy of the DRC is highly dependent on mineral exports and its financial system still remains less integrated in the International financial market; causing at a time great damage to the local market due to the inefficiency of its financial institutions to control and regulate the financial market.

Exchange bureaus are rather clustered along big cities' streets where dealers called "Cambiste" have managed to secure their survival from corrupt government authorities, and only God knows how they manage to fix prices in such an uncertain and unsecured informal business.

❖ **GDP** : US\$ 6.4 billion (2009 est.) and increased to US\$ 6.8 billion in 2010.<sup>6</sup>

❖ **Annual GDP growth rate**: 3% (2009 est.), increased to 7% in 2010.<sup>7</sup>

❖ **Per capita GDP**: US\$ 99 (2009 est.) increased to US\$ 104 in 2010.<sup>8</sup>

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<sup>6</sup> Constant values based on the year 2000 from World Databank. Retrieved from site: <http://databank.worldbank.org/ddp/html> on 9 May 2012 at 17:05

<sup>7</sup> World Databank. Retrieved on 14 May 2012 at 12:24 pm from site: <http://databank.worldbank.org/ddp/html>

<sup>8</sup> Constant values based on the year 2000 from World Databank. Retrieved from site: <http://databank.worldbank.org/ddp/html> on 9 May 2012 at 17:10

**Natural resources:** the DRC possesses remarkable natural resources with the most dominant being Copper, cobalt, diamonds, gold and other minerals; petroleum, wood, hydroelectric potential etc.

❖ **Agriculture:**

Agricultural activities have dwindled since the beginning of DRC war in 1997; however the most produced products are:

- Cash crops: coffee, rubber, palm oil, cotton, cocoa, sugar, tea.
- Food crops: manioc, corn, legumes, plantains, peanuts.

❖ **Land use:** Agriculture 3%; pasture 7%; forest/woodland 77%; other 13%.

❖ **Industry:** Processed and unprocessed minerals; consumer products, including textiles, plastics, footwear, cigarettes, metal products; processed foods and beverages, cement, timber.

❖ **Currency:** Congolese franc (FC). The U.S. dollar is also used as legal tender.

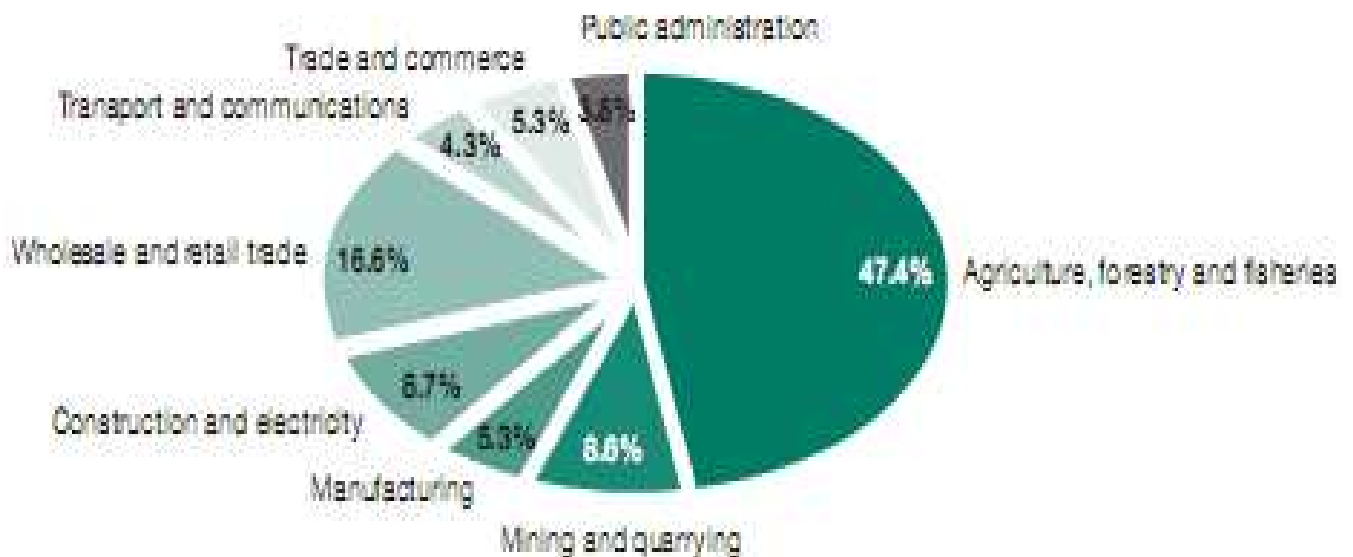
❖ **Trade:**

- Exports (2010): \$7.5 billion Products: diamonds, gold, cobalt, copper, coffee, petroleum, wood. Main partners: EU, Japan, South Africa, U.S., China.
- Imports (2010): \$7.0 billion. Products: consumer goods (food, textiles), capital equipment, refined petroleum products. Partners: EU, China, South Africa, U.S.

❖ **Official debt (2010 est.):** \$3.9 billion.

Looking at figure 4 the most striking indicator is that of agriculture, with only 3% of used land it has been however the dominant sector with 47.4 % contribution to GDP. The Public sector on the other hand is the lowest performer with only 3.8% contribution to GDP.

**Figure 4 GDP by sector in 2006 (Percentage)**



Source: AfDB and OECD, 2008.

#### **b. Foreign Direct Investment (FDI)**

Minerals export in the DRC is the major and principal source of FDI. Due to attractive favourable commodity prices, some major foreign investors resorted into

investing in the mining sector before the 2008 global financial and economic crisis which led to FDI increasing from US\$ 374 million in 2007 to US\$ 1713 million in 2008.

During the global crisis, the share price of mining companies collapsed dramatically and this mainly happened in the late 2008. Some companies such as Anvil Mining lost 91%; Boss Mining lost 93.9%; First Quantum lost 80%; Katanga Mining lost 93.3%; Meteorex lost 83.9%; and Teal Metal lost 95.8%.<sup>9</sup>

The collapse of share prices made it difficult for some mining companies to finance investment; at the same time, banking finance had all but dried up (SARW, 2009).

Only companies with their own cash reserves were in a position to move forward with their plans. Some international companies operating in the DRC suspended some of their operations' borrowing costs for a while.

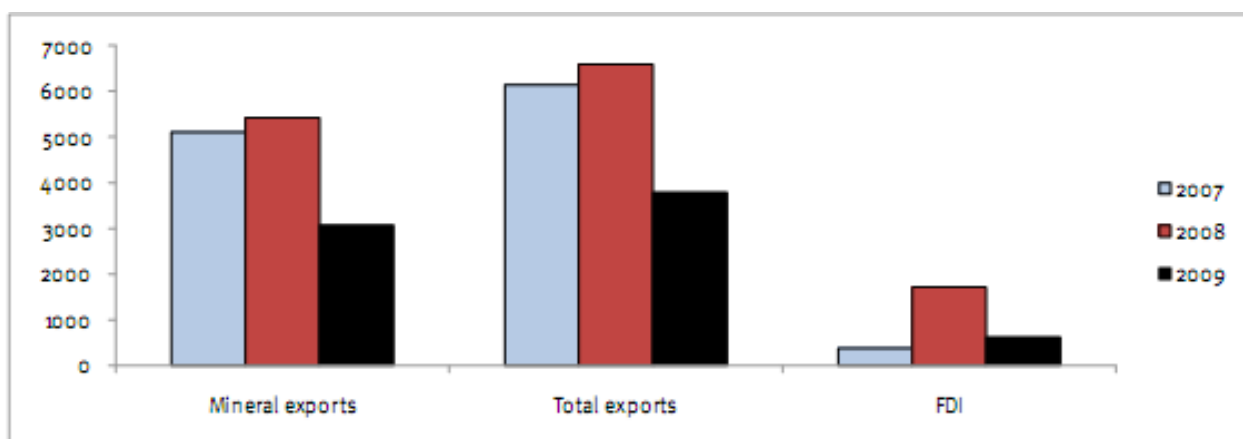
FDI amounted to US\$ 374 million in 2007, then went up to \$1713 in 2008 and dropped to US\$ 626 million in 2009. These figures are represented in figure 5. The sharp rise in 2008 explains the fact that many foreign investors invested their money in mining business before 2008 lured by very attractive commodity prices; however they were later served with a severe blow during the crisis which justifies the fall observed in 2009.

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<sup>9</sup> Information collected from the official site of the DRC ministry of mines: <http://mines-rdc.cd/fr/>



**Figure 5 Trends in mineral export and FDI in 2007 – 2009 (US\$ millions)**



Source: Kalala, 2010.

### **c. Remittances**

Remittances as understood in the context of DRC mainly mean money coming from those living outside the country which help beneficiaries satisfy their basic needs. This plays the same role as that of Cash Transfers even though they differ from the source, size and frequency. Remittances like CTs give beneficiaries the freedom to choose how to use the money. Some cases are nevertheless known where remittances have been sent for a specific need.

For most families in the DRC the only way to overcome the current poverty is by sending a trustworthy family member abroad and once he reaches there, his priority should be to look after those left behind. While this culture has positively impacted the lives of many families, it is also noted that it has led many to deep trouble and even death.

Some families who resorted to selling their belongings in order to gather enough money to send a family member abroad are today homeless and destitute for the only reason that either the member could not find a stable job abroad or he had just forgotten his family left home; and for many parents who could not stand such a shock and shameful situation, they just resort to committing suicide.

As for family members sent abroad bearing in mind that the first priority is to assist those left home, it becomes so demanding that when no secured job is quickly found many of them turn to engage into criminal activities in countries where they migrated, enduring all the consequences this might cause.

Currently many Congolese are found in Europe, United States of America (USA) and Canada where they are at a time compelled to do all sorts of job to assist their loved ones back home.

They are today so organised that they've built social Networks mainly to facilitate money transfers home, some of these activities are so cloudily operated that it is often very difficult to monitor these operations.

However some figures recorded in the balance of payments showed an increase from US\$ 81 million captured in 2007 to US\$ 212 million in 2008. Due to the global crisis these figures declined to US\$ 135 in 2009 (IMF and BCC, 2009).

#### **d. Labour Force**

##### **Employment:**

On the labour market, unemployment or precarious employment affect the vast majority of the workforce. The share of informal work is rising and wages remain ridiculous in both informal and formal sector.

During the negotiations of February 2004, a new pay scale was set at US\$ 208 monthly salary for the lowest government employee and that of 2,080 dollars for Secretary General. However, this grid is still not applied. The lowest employee receives 826 Congolese francs (about US\$ 1.7), plus a monthly transport allowance amounting to 9,202 Congolese francs (amount equivalent US\$ 20) (BAfD and OCDE, 2006).

Looking at table 4 (the overall age from 15 and above), the figures show male dominance in the labour force participation. But when you cut this group from 15 to 24, a period which is supposedly known as that of school age, it shows a female dominant pattern within the labour force; this might be explained by the fact that more males are found at school than females at this particular stage or in extremis may have joined fighting armed groups.

**Table 4 Labour force participation in the DRC, 2010**

Age group	Labour force ('000)			Population ('000)			Labour force participation rate (%)		
	sex		Total	Sex		Total	Sex		Total
	Male	Female		Male	Female		Male	Female	
15+	12,668	12,602	25,270	17,493	17,943	35,436	72.4	70.2	71.3
15-24	2,793	3,264	6,057	6,684	6,652	13,336	41.8	49.1	45.4
15-64	12,136	12,027	24,163	16,727	16,952	33,679	72.6	70.9	71.7
25-54	8,348	7,753	16,102	8,942	9,063	18,005	93.4	85.6	89.4
25-34	3,908	3,618	7,526	4,345	4,366	8,711	89.9	82.9	86.4
35-54	4,440	4,135	8,575	4,597	4,697	9,294	96.6	88	92.3
55-64	995	1,009	2,004	1,100	1,237	2,338	90.4	81.6	85.7
65+	533	575	1,107	766	991	1,757	69.5	58	63

Source: ILO-KILM, 2010.<sup>10</sup>

## 5. Social Security System

Social security is a universal need and is recognized as a basic human right, in both ILO Conventions (Convention 102) and United Nations charters such as the International Covenant on Economic, Social and Cultural Rights.

The 2001 International Labour Conference placed the extension of social security high on the ILO agenda and asked to launch the Global Campaign on Social Security and Coverage for All after reaching the consensus between governments, employers and workers (Ginneken, 2003).

The Conference realised that social security is now crucial with the phenomenon of globalisation and structural adjustment policies occurring. For that, it asked to prioritise policies and initiatives to extend social security protection to those who are unprotected.

<sup>10</sup> Downloaded from the ILO site: <http://kilm ilo.org/2011/Installation/Application/kilm7install.htm>

As stated above, there is currently no coherent social security in the DRC; however there is still in place a ghost social institution left by colonial authorities called the National Institute of Social Security (INSS).

The records kept at the institute show that the first social security law came into existence in the early 1956 and was reinforced in 1961 under a new social security law with the implementation of the first social insurance system. Since then this has been so far the only existing model in the country.

This social insurance covered three major areas:

- The old age pension
- The disability pension
- And the survivor pension

#### **a. Administrative and financial arrangements**

- In this system only employed persons are covered, the system also includes household and casual workers, and public-sector employees not covered by any social security program.

The system included a voluntary cover of unemployed persons as long as they were previously insured for at least 5 years. The unemployed would then benefit if they ask to be covered within the 6-month period following the end of their insured employment. In this system Self-employed persons are not applicable (Ndala, 2002).

- Depending on the status of the insured, money comes either from his sole contribution or is paired with his employer.

Insured person contribute 3.5% of their gross earnings and his employer contributes another 3.5% from the gross payroll.<sup>11</sup>

As for the voluntarily insured, they contribute 7% of the most recent 6 months of their covered earnings.

The Self-employed persons are not applicable.

An annual subsidy is paid by government and might go up to a maximum if possible in a case of civil servants.

#### **b. Modalities of payments for beneficiaries**

- ❖ Old-age pension: Do qualify all men aged 65 and all women aged 60, or at age 55 for both sex in a case of prematurely aged men and women, with at least 60 months of coverage in the last 10 years. In this case the retirement from paid employment is necessary (Ndala, 2002).

The annual benefit is equal to 1/60 of the insured's average monthly covered earnings in the 3 years before retirement multiplied by the number of months of contributions. The minimum pension is equal to 50% of the legal minimum wage. So in other words with the current minimum wage in the DRC equal to US\$ 3, half will be US\$ 1.5.

All benefits are paid monthly or quarterly and benefit adjustments are done by presidential decree.

- ❖ Disability pension: An assessment is done prior to the qualification proving that the insured is unable to work and has contributed for at least 36 months in the

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<sup>11</sup> Information supplied on the site of INSS-RDC:  
[http://www.inss.cd/index.php?option=com\\_content&view=article&id=13&Itemid=30](http://www.inss.cd/index.php?option=com_content&view=article&id=13&Itemid=30)

last 5 years. There is no minimum qualifying period in case of a non-occupational accident

The disability is assessed periodically by a doctor approved or appointed by the National Social Security Institute (INSS). Constant attendance allowance of 50% the disability pension is paid if the insured is assisted by others to perform daily functions. : The annual benefit is equal to 1/60 of the insured's average monthly covered earnings in the 3 years before the disability began multiplied by the number of months of contributions.

The beneficiary receives monthly allowance from the beginning of the disability until the normal retirement age and will be substituted by an old-age pension of the same amount.

The minimum pension is equal to 50% of the legal minimum wage.

Benefit adjustments are done by presidential decree

- ❖ Survivor pension: In this case, the deceased met the qualifying conditions for a pension or was a pensioner at the time of death.

This is paid to eligible survivors who might be a nonworking widow aged 50 or older (no age limit if disabled), a dependent widower with a disability, and orphans younger than age 18 (age 25 if a student, no limit if disabled) if the deceased did not meet the qualifying conditions for a pension.

The widow(er) must have been married to the deceased for more than 6 months; if the death was the result of an accident, the widow(er) must have been married to the deceased before the date of the accident. The benefit is cancelled if the beneficiary was a widow and resumes paid employment or gets remarried.

In such situation our concern might be" what happens to children the widow did have with the deceased?" If children are far younger how does the system secure that they benefit from this money?

## **6. Conclusion**

The DRC is today classified as one of the poorest countries in the World and the last in terms of HDI but it is also observed that the country has the potentiality to lift itself up if good governance and political willingness from its leadership could prevail. Redressing the socioeconomic lives of its population seems to be a key factor in solving the country's outstanding political instability that has so far accentuated the level of poverty and desperation. And this is where cash transfers programmes promise to play a crucial role in the DRC.



## **CHAPTER II. CONCEPTUAL THEORIES OF CASH TRANSFER PROGRAMMES (CTPs): LITERATURE REVIEW**

### **1. Introduction**

In this chapter our focus is on CTs as an instrument of social protection that have the capacity to equip the poor with financial power by directing to them an amount of money that helps improve their socioeconomic independency.

A CTP is a system based on individual trust and shows that individuals can be empowered by investing on direct cash availed to them which helps improve their living standards. The cash provided becomes an effective and sustainable source of income having for main objective to reduce poverty and vulnerability.

While CTs are directed to the poor, the main focus is to make sure they first target classes of the society that are considered to be as the most vulnerable such as Children, the elderly, women (especially pregnant and breastfeeding) and people living with physical or mental disabilities or even those affected by incurable and long-lasting diseases such as HIV/AIDS and Tuberculosis.

CTs can be a life saver for poor families since they become their only source of income. Regardless of the size of the transfers, any amount of cash provided to the poorest equips the recipients with financial power to purchase basic food staples, healthcare, educational supplies, clothing and shelter.

UNICEF has already demonstrated that cash transfer programmes across Africa (Malawi, Zambia and South Africa, for example) produce lifelong development gains, especially when they reach young children in the poorest households (UNICEF, 2010).

Very recently, the heavy impact of the global financial crisis of 2008 on people's lives especially in developing World has given renewed emphasis to the importance of social safety nets programs. Good social security policies can be a smart investment in times of uncertainty.

**Definition:**

What are CTs?

CTs are defined as direct, regular and predictable non-contributory cash payments that help poor and vulnerable households to secure incomes and protect consumption.

CTs comprise an amalgam of instruments ranging from social pensions, child grants to public work programmes and a combination of elements such as design, implementation and financing options that have to be considered prior to being initiated.

Two main types of CTs are currently practiced; one is conditional and another unconditional. They are mostly designed according to development objectives, which also help determine the implementation choices and financing options. While the primary purpose of cash transfers is to reduce poverty and vulnerability, the evidence shows that they have proven potential to contribute directly or indirectly to a wider range of development outcomes.

**Aims and objectives**

- ❖ CTs are directly aimed at reducing poverty by mitigating its impacts, hence avoid and prevent any negative effects it might have in our society (e.g. socioeconomic and political instability, social inequality etc). Thus, CTs help increase economic growth rates by reducing levels of inequality.
- ❖ Reduce future poverty by encouraging long term investment on human capital (education, health, nutrition etc), which breaks intergenerational transmission of poverty.
- ❖ Help the beneficiaries to rebuild their self-esteem through positive actions such as community programs that enhance their budgeting skills and help poor people improve economic freedom. Hence, reducing risk and allowing households to use existing assets more efficiently.

- ❖ Improve the state – community relationship through government institutions and other non government organisations, for instance through individual or family registration agents, vaccination etc.
- ❖ Alleviate hardship among vulnerable groups and help households protect assets when shocks occur and not resort to selling their belongings.

### **Structure of analysis**

Our analysis is conducted in a way to shed light on the whole issue about cash transfers. In so doing we will:

- ❖ Define what CTs are and their aims
  - ❖ Give some detailed advantages embedded with empirical data so far obtained after the introduction of CTs; here the focus is on issues such poverty, human development, child labour, gender relation and inequality.
  - ❖ Debate about some pertinent facts that have however been raised on the effect of CTs in terms of food price and work discouragement, so some thoughtful critics engaged in this chapter are convincing enough to help us better evaluate its effects with statistical results.
  - ❖ Talk about CTs as a social protection system and therefore underline the need to have better socioeconomic structures and policies favouring and advocating the eradication of poverty and a sustainable economic growth and political stability.
2. Finally we shall close the chapter with some concluding remarks and guidelines on the feasibility and applicability of CTs that help embed its effectiveness.

## **2. Background history**

It is in Latin America where were first seen the first waves of these large scale programmes being introduced in the middle 1990s, precisely in Brazil with the first documented conditional cash transfer programme known as Bolsa Escola (ILO, 2009).

Starting in 1995, the programme was first implemented at a local level in the suburbs of Brasilia and in Campinas, and then later stretched out to other locations reaching hundreds of municipalities and states (ILO, 2009).

Later the Child Labour Eradication Programme [PETI] was created at a federal level in 1996 (UNDP, 2006).

In 1997 Mexico initiated a programme called Progresa and later renamed Oportunidade which is the first nationwide programme in the World (ILO, 2009).

Since then Cash Transfer Programmes have been adopted in many other countries worldwide and have particularly proven to be effective enough to link efforts to tackle current income poverty to efforts to tackle the underlying causes of future poverty (by improving human development objectives related to health, education and child labour).

Like in Latin America, CTPs in Sub-Saharan Africa have focussed more on addressing chronic poverty (intergenerational transmission of poverty), life-cycle risks (e.g. age related, orphan-hood, illness or disabilities), and food insecurity.

In South Africa, the provision of cash transfers has been adapted over time to address the changing nature of vulnerability, including the rise in the incidence of HIV/AIDS.

While CTs are aimed at tackling poverty, new dimensions have surfaced where they tend to bring social transformation. In South Asia for example the Benazir Income Support Programme initiated in Pakistan is aimed to support social transformation through women's empowerment. In this way it appears quite clear that Cash Transfers are becoming a social tool to tackle diverse kind of problems faced by our societies not only in terms of income but also related to social injustice and gender inequality.

Today in Africa the major social security strategies used to meet the social security needs are: social insurance, social assistance, social allowances, mandatory public savings (National Provident Funds) and employee liability. However extreme poverty and vulnerability have forced many African countries to shift their actions and initiate emergency relief programmes portrayed as cash transfers.

Currently in the developing world it is estimated that between 750 million and one billion people are now covered by cash transfer programmes (DFDI, 2011).

The table 5 as seen below is a conceptual framework which represents a synopsis of the role, objectives and key instruments to be considered when initiating cash transfers. It divides the role of CTs into 4 points: prevention, protection, promotion, and transformation. From each role the table describes how CTs function and what instruments are best to reap good results out of CTs.

**Table 5 Conceptual framework on the role of Cash transfers**

Role	Objective	Key concepts	Focus on	Instruments	
				Social Protection	Other
Prevention	To prevent shocks from causing irreversible damage to the productive capacities and human development of vulnerable households	Social risk management ; risk pooling (insurance); safety nets; mitigating and coping with shocks	The vulnerable (poor and near-poor); the transitory poor	Social Insurance (Unemployment, disability, contributory pensions); cash transfers; school feeding; short term public works	Insurance against productive risk (e.g. weather-based crop insurance); disaster risk reduction (e.g. irrigation; flood control); free health and education; economic diversification
Protection	To alleviate extreme poverty by raising living standards to a minimal acceptable standard	Social floor; poverty reduction (reducing poverty depth and headcount); social contract and social cohesion; equity; welfare	The chronic poor	cash transfers; in-kind transfers (e.g. food); vouchers; social services (e.g. child protection, orphanages); school feeding; public works	(Re)distribution of assets (land tools; livestock); microfinance; free or subsidised health and education
Promotion	To improve capabilities and opportunities for poor and vulnerable households; enable households to avoid low-risk, low productivity traps and so work their way out of poverty	Escaping poverty traps; productivity; sustaining and building human capital; breaking intergenerational transmission of poverty; graduating from poverty; equality of opportunity; pro-poor growth	The economically active poor and vulnerable near-poor	Cash transfers; Vouchers or subsidies for inputs; public works; school feeding	(Re)distribution of assets; microfinance; property rights; rural roads; investment climate reforms; skills development; active labour market policies
Transformation	To change power relations that exclude certain social groups (women, marginalised ethnic groups) from economic opportunities and access to public services	Empowerment; citizen voice; equity; non-discrimination; decent work; social and political construction of vulnerability	Socially marginal or excluded groups; women and children	Legislative and regulatory protection for workers (minimum wage, occupational health); women and children; and ethnic minorities; sensitisation campaigns (e.g. against discrimination for HIV+ individuals); cash transfers	Improvements to accountability of politicians and service providers; education; low cost and equitable legal systems; anti-corruption measures; assistance to community organisation and collective action.

Source: DFID, 2011.

Table 6 is a quantitative reflection of some large scale cash transfers being into existence mainly from Latin America, Asia and Africa. And our work will from time to time take its inspiration from some of these large scale cash transfers. In Brazil for instance we have the two major programmes Bolsa Familia and Old age pension accounting respectively for 12 million and 2.4 million households by 2008. On the other hand South Africa by the end of 2009 had 10 million children receiving Child Support Grant and 2.4 million households receiving Old age pension.

**Table 6 Example of large scale cash transfers in operation**

China	Minimum living standards scheme	22 million (2006)
Mexico	Oportunidades (began in 1997)	5 million households
Brazil	Bolsa familia Old age pension	12 million households 2.4 million households (2008)
South Africa	Child support Grant Old age pension	10 million children (by end 2009) 2.4 million households (2009)
Indonesia	Safety Net Scheme	Expected to reach 15 million households
India	National Rural Employment Guarantee Scheme	48million households (2008)
Ethiopia	Productive Safety Nets Programme (PSNP)	1.5 million households (est. 8 million people)

Source: DFID, 2011.

### **3. Conditionality paradox of Cash Transfers**

We can never talk about Cash Transfers without mentioning the different types or nature of CTs in existence nowadays. So to better assimilate this paragraph let's first describe or elaborate the difference between these two current models of Cash Transfers.

- We have Conditional cash transfers (CCTs) which are cash transfers providing directly money to the poor via a social contract with the beneficiary. This contract might be such as sending children to school or taking them to regular medical check-ups, vaccination and other forms of medical visits

- While the cash provide quick money to the beneficiaries for social emergencies, the conditionality on the other hand is a long term investment on human capital. Non abiding poor families are simply threatened of services interruption by the cash transfers agency providers. This model is applied throughout Latin America where they've proven to be very effective.
- Unconditional cash transfers (UCTs) on the other hand are unconditionally given to poor and vulnerable people, meaning there is no restrictions on how the cash should be utilised, and beneficiaries are not bound to any sort of social contract or extra-requirements apart from meeting the eligibility criteria set by the programmes (for example, being poor, an orphan, or over 60 years of age). The primary objective here is to protect the current consumption and assure food security. This model is found throughout African countries.

#### **4. Organisational structure of Cash Transfer Programmes**

One of the key global problems facing social security today is the fact that more than half of the world's population is excluded from any type of statutory social security protection (ILO, 2005).

Employment scarcity has plunged a large portion of populations in the informal economy especially in the developing world, exacerbating the shock of poverty; most of them are outside the scope of contribution-based social insurance schemes or tax-financed social benefits.

In low-income countries, for example in sub-Saharan Africa and south Asia, generally more than 90 per cent of the population is not covered, while in middle-income developing countries this percentage ranges between 20 and 60 per cent (Ginneken, 2003).



It is estimated that only 20 per cent of populations enjoy adequate social security protection worldwide (Ginneken, 2003).

Considering such huge numbers, means there is currently an absolute need to reform social security systems in order to curve extreme poverty and that should be done fast and efficiently in accordance to the millennium development goals (MDGs). Cash Transfers are a strong tool to be implemented during this moment if we are serious to fight poverty. But to maximise its effectiveness these programmes need to be well structured.

#### **4.1. Programme design and Implementation**

CTPs are quite complex programmes, given that they seek to affect poverty both in the short run (by redistributing income to poor households) and in the long run (by building the human capital mainly of poor children). Their multidimensionality actually may be a key reason why they have become so popular.

But at the same time, using one instrument to address more than one policy goal implies that decisions on when or how to use it also will be complex and will need to consider a combination of factors (World Bank, 2009).

The complexity of CTPs might be the reason why we have divided opinions as to the feasibility and sustainability of these programmes mainly in poor countries where governments face scarce incomes. The question one might ask when considering whether initiating CTP justifies the case is that: are cash transfers in general a good instrument in a particular country?

So far no country has yet proven to be incompatible with CTPs but the greatest challenge in most developing countries lies in the government's belief that even if poverty reduction is set as a central policy objective, it does not definitely mean that the government should spend its scarce resources by transferring cash directly to poor

people. This is where comes handy the strong task of CTP authorities to convince government authorities on the positive effects of CTs.

To be able to do that is partly realistic when the CTP is well-designed for the fact that a well-designed cash transfer programme can significantly alleviate poverty, while a badly designed programme can do more harm than good (World Bank, 2003).

Having said so, we also need to emphasise that practically there is no particular set of cash transfer programmes that is suitable for all poor households in all countries. Programmes should be carefully designed to meet the priority needs of different categories of poor households.

Programmes that are simple in design are often the easiest to establish and implement (World Bank, 2003).

#### **4.1.1. Technical and administrative matters**

Although it can be supported through capacity-building initiatives, the process of scaling-up should be careful not to exceed the resource constraints and administrative capacity of the government. Administrative and logistic procedures should be properly measured. The administrative system must have effective administrative controls in place.

##### **❖ Target groups and Eligibility criteria**

Selecting eligible beneficiaries is a crucial stage for the success of CTs. This implies defining the criteria of eligibility based on poverty.

Difficulties faced when selecting the right targeting methods and means-tests in terms of setting cut-off points as to who qualifies as a poor are practically identical to all social protection programmes (World Bank, 2009).

Again the levels of poverty here are practically defined not only in terms of general context even-though it helps set the benchmark, but based on the country's economic realities. A poor in Brazil or even South Africa might not necessarily qualify as a poor in the DRC.

Eligibility criteria should be based on measurable and palpable indicators correlated with income, instead of relying on conventional measurement of income.

Factors such as child Malnutrition, children not attending school or health centres are all linked to poverty but should not always be pre-determinant in terms of eligibility for a poor country like the DRC.

For example we might have in rural areas children looking apparently healthy but this does not insinuate that the family does not qualify for CT; the only reason behind their appearances might be the fact that they eat fresh food from their auto-survival family gardens which are not lucrative activities.

The fact that programmes perfectly target the non or less productive population helps limit the cost of transfers and maximize the impacts (IFPRI, 1999).

Selecting beneficiaries is a very difficult process and can slow down the progress of CTPs especially in situations where means tests are almost impractical. In some instance low information approaches can be effective alternatives, such as categorical, geographic, and community-based screening.

Precise measurement of the impact of specific programmes on poverty is hard to reach due to the difficulties involved in establishing a legitimate counterfactual as a benchmark.

As a result, studies tend to focus on determining whether cash transfer programmes target the poor, and on comparing the adequacy of household income with and without the CTs income component (Barrientos and Sherlock, 2002).

Eligibility for CT programmes is determined by a wide range of assessments of poverty. The most demanding and difficult is the verification of household income; this method seems to be quite costly as well. The amount of the transfer itself is based on some criterion connected with the programme purpose.

It can be set according to an assessment of a poverty level; sometimes by determining direct costs of services such as transport to get to health services or schools and other factors determining the conditions for receiving the transfer (Lund et al., 2008).

An innovative aspect of many of these programmes is that, while they target children and families, the money is paid to the mother rather than to the father or the household head. Some programmes insist that this should lead to “women empowerment”.

Directing payments to mothers is based on a general assumption which proves that money is efficiently spent when it goes to women (Lund et al., 2008).

### ❖ Coverage

For People to be able to contribute to society and to their own well-being, they need to have the capacity to do so while they also satisfy their basic needs. This fact justifies governments’ intervention and financing in what is today identified as Cash transfers.

It is crucial to first determine some of the most vulnerable areas to be targeted when elaborating social protection schemes in order to insure its effectiveness in terms of coverage.

Coverage in a sense doesn’t only refer to the number of persons affected, but also of its scope (contingencies and basic needs) and benefit levels.

As shown in table 7, how successfully a Social Protection Scheme can be is largely determined by the design; taking into account the coverage, choice of benefits, financing structure and the quality of administration.

**Table 7 The 4 constituents parts of Social Protection Schemes**

Constituent parts	Principal aspects for which indicators can be established
Coverage	Personal (legal) coverage: contributing and insured persons, beneficiaries Traditional contingencies: old-age, maternity, disability, health costs, survivors, employment injury, family, unemployment and subsistence
Benefits	Conditions of entitlement: personal coverage, contribution history, income and assets and definition of contingency Level of benefits: flat-rate, earnings-related (subject to ceiling)
Financing	Sources of financing: state subsidies, employers' and workers' contributions, contributions by beneficiaries Level of contribution: flat-rate or earnings-related (subject to ceiling)
Administration	Delivery of benefits: prompt and accurate payment, awareness of entitlement conditions Contribution collection: compliance Organization and management: public-private mix; efficiency and administrative costs

Source: Ginneken, 2003.

### ❖ Graduation from the programme

Selecting criteria to enter CTPs means there have to be criteria to exit or graduate to another programme depending on the model of CTs. This notion embeds the idea that CTPs should not be stand-alone and eternal programmes.

CTPs should be limited in time and space, meaning designers or policy makers should in advance find answers on questions such as: once enrolled in a programme, for how long should participants receive benefits or stay in the programme? How do they graduate from programme?

All these should be defined according to goals set while the programmes are conceived and designed.

- For example in the case of Child grant from South Africa, the simplest approach is households' age limitation. However this could also mean that they remain in the programme for a long time, so to avoid unnecessary pressure, the programme needs to define why and when some recipients should remain longer (e.g. students, sick people and the elderly etc.) or simply move them to a more structured social protection scheme (e.g. old age pension, survival benefit, education support fund etc).
- Another method might be to assess households for eligibility after certain period of participation, but how frequently should that happen? Practically it shows that when assessments are done more frequently, it tends to reduce errors of inclusion but this might also bring uncertainty for households in terms of benefits and may create perverse incentives.

For any beneficiary the fact to know that he is about to exit the program and lose all benefits might create a feeling of desperation or hopelessness which in return can ignite negative incentives as a strategy for survival and make sure he stays as long as he could in the programme.

And on the other hand when these assessments are done less frequently, it tends to increase errors of inclusion and this may increase programmes cost and possibly lead to exclusion of deserving households (Adato and Hoddinott, 2008).

- What is good and what is bad practice in terms of assessment frequency can be determined within the process and in a course of time, since CTPs are a continuous learning process where we learn from mistakes to improve the quality of services in the future.
- And finally whether based on age, education attained and other achievements, households can graduate and access other programmes defined and set by CTs authorities (for example credits, saving programmes or medical aids etc.).

- It is strongly recommended that other programmes cover the exiting recipients so that they don't fall back into poverty and desperation. These programmes serve to break down the vicious circle and make sure those who exit don't come back again as qualified CTs beneficiaries.
- Such programmes can be related to financial schemes such as loans for education, microfinance access for small business etc. or can be a formal cover within the country's Social Security and Social Protection System such as Old age pension, Survival benefit and so on.

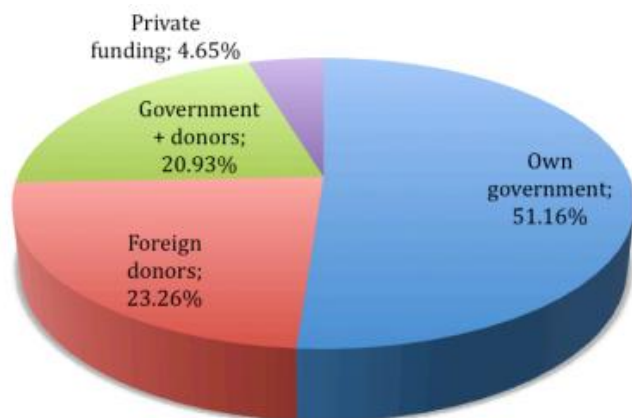
#### **4.1.2. Financial and administrative matters**

Nowadays in many developing countries subsidies on goods or services frequently form important parts of a government's overall anti-poverty strategy. Yet economists argue that providing such subsidies sounds the same as providing such cash to beneficiary households. So directing cash transfers to the households might even be more cost-effective (IFPRI, 1999).

There are currently 43 CTPs spread across 40 countries (Morais, 2010).

These programmes however seem not to be similar in terms of funding, and the variation as shown on figure 6 is much concentrated around four categories: 22 programmes (51.16%) are exclusively funded by the government which shows the high responsibility assumed by local authorities when initiating CTPs, 10 programmes (23.26%) are exclusively funded by multilateral organizations or bilateral agencies, 9 (20.93%) have a mix of government funds and foreign loans, and 2 (4.65%) are based on private funds.

**Figure 6 Cash transfers funding by source**



Source: Morais, 2010.

In order to deliver good services:

- Authorities should recognize that they must support and pay for good administration services, a point which is often neglected.
- Regulations and lines of authority need to be clear, simple, and relatively stable and the programme must dispose reasonable financial capacities in place.
- To ensure sustainability, funding should be linked to a fairly stable source of funds (for example, luxury or valued-added taxes).
- Monitoring and evaluation procedures should pay attention to the operation and the impact of the programme on desired social objectives, not only on numerical counts of beneficiaries.
- Benefit amounts should be adjusted automatically to keep pace with inflation and depreciation.

Programme authorities must also think strategically about how to manage internal and external political pressures. They must convince political authorities to view the transfer



as an important component of the safety net strategy for the poor and to be committed to serious investment in safety nets.

Empowering the poor and linking them with sympathetic individuals in the government can create a significant source of political support for the programme (IFPRI, 1999).

Also many political leaders have used the plight of social safety nets as a political weapon to win trust from the population; Brazil is one of those with Lula's party winning past elections based mainly on its social security agenda.

## **5. CTs achievements**

Considering the outcomes of two major CTs from two countries which are the Bolsa Familia in Brazil and the Social Child Grant in South Africa, it is noted that:

### **1. In Brazil:**

Since the Bolsa Familia was introduced during the Lula government in the early 2000s precisely in 2003, a fast growth in scaling up the programme was noticed. By January 2005 the programme had already covered 26.4 million people, with such pace the programme was expected to cover 44 million people by the end of 2006 (Lindert, 2005).

By then having reached such astonishing results for the Bolsa Familia meant that:

- ❖ Amongst extremely poor people so far recorded in Brazil, two-third started receiving Bolsa Familia income transfers which are more than half of the extremely poor people.
- ❖ In regards to income distribution, the results project 40% of the total transfers being directed to the poorest of the poor (UNDP, 2006).

- ❖ These striking positive outcomes also brought estimates to about 80% of primary-school age children from extremely poor beneficiaries who will be capable to attend school and 95% children from extremely poor beneficiaries will then be using health cards (UNDP, 2006).
- ❖ By 2008 the programme had reached 11.3 million families, 46 million people; a number by then corresponding to approximately a quarter of the Brazilian population (ILO, 2009).

With such results after initiating Bolsa Familia, the impact of the programme was quickly noticed; Brazil which was classified among the 5 countries in the World with the highest unequal income distribution showing at a time the Gini coefficient close to 0.6. This number drastically declined with the 2007 figure showing 0.55 which is the Country's best ever in recent years (ILO, 2009).

For this reason Brazil was able to reach the MDGs on poverty reduction 10 years earlier according to the deadline as set by the United Nations (UN) for 2015 (ILO, 2009).

In terms of gender, the programme is also said to have largely contributed to mainstream gender with payment benefits being preferably directed to mothers or pregnant women.

This has not only helped empower women and raise their self-esteem but is also said to have contributed in reducing domestic violence, however we still need to relate it to CTs to prove the outcome. By 2005, 93% of the beneficiaries were females of which 27% were single mothers (ILO, 2009).

Alongside Bolsa Familia the Brazilian government have also been implementing innovative skills trainings to improve the citizen's skills and knowledge which shall facilitate social inclusion within the Labour Market. These programmes are either adult

literacy or environmental and ecological studies for young, adults and the elderly (ILO, 2009).

In so doing, Bolsa Familia contribute in curving poverty using job insertion to consistently and sustainably speed-up the process of human development.

Since transactions of payments are done through the banking system, this has also given beneficiaries access to get bank accounts and enjoy other financial advantages such as credits, loans etc.

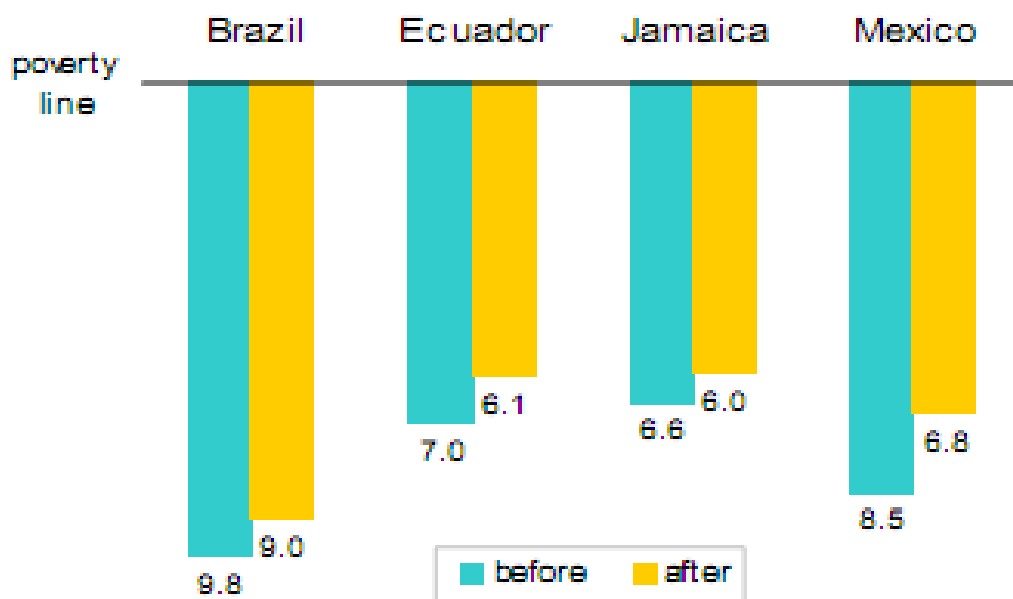
In relation to the Labour Market in Brazil, adults in beneficiary households in the Bolsa Família programme had a labour market participation rate of 2.6% higher than adults in households not in the programme. This effect differed by gender; women in benefiting households had participation rates of 4.3% higher than women in non-participating households (Oliveira et al., 2007).

Bolsa Familia to an extent has contributed in reducing the incidences of forced labour and child labour; however the government is doubling its efforts in strengthening policies to combat child labour since it still remains among the challenges.

A programme called Programme for the eradication of child labour (PETI) was created by the government to pursue this mission. So far it has contributed to 26 percent reduction of child labour in Bahia where incidences of child labour are prevalent (ILO, 2009).

Figure 7 shows how Cash transfers have helped reduce the depth of poverty at the national level in various years. The poverty gap observed in Figure 7 is the average distance by which living standards fall below the poverty line (counting the non-poor as having zero shortfall), expressed as a percentage of the poverty line, looking at Brazil alone the gap has fallen from 9.8 to 9.0.

**Figure 7 Impact of Cash Transfers in poverty reduction at a national level (various years)**



Source: World Bank, 2008

## 2. In South Africa:

Considering the Child Social Grant (CSG) in South Africa even though with less data compare to Brazil; there is however a remarkable improvement found in terms of Poverty alleviation and Human development. There is still inconsistency though between urban and rural areas. Also the fact that the thresholds for mean test have remained the same since the inception of Child Social Grant in South Africa means that only the extremely poor are found to be eligible at this moment (Aguero, J.M. et al., 2007).

The explanation is simple for such controversy since the cost of life changes in terms of per capita income, this means those who were considered to be poor in the old days might not necessary qualify today as their per capita incomes have increased even though according to today's poverty indicators they still remain classified among poor people.

Reflecting on education, school attendance has gone high regardless of racial groups. Figures show that school attendance for children aged 6 years old is at 83%, the 7 years old children are rated at 97% and those of 8 years old at 98%. A study also shows that amongst the family receiving Child Social Grant (CSG), school enrolment increased for children aged 6 years old (Lund, F. et al., 2008).

In South Africa, households receiving the Old Age Pension have labour force participation rates 11–12 percent higher than households that do not receive the grant, and employment rates 8–15 percent higher (Posel et al., 2006).

Receipt of the pension was also found to have a significant positive impact on job search among unemployed household members (Posel et al., 2006).

In terms of child labour there is no much evidence since South Africa does not have serious incidences of Child labour.

## **6. Critics**

Success does not come alone but also carries a package of challenges to measure its capacities to survive. Some CTs studies still insist that these programmes ignite food price increase, discourage work or might not be financially sustainable in poor countries.

### **a. Food price versus CTs:**

Due to the global food crisis, there are now on-going concerns that CTs' purchasing power will be undermined by inflation. This might pose serious problems for a country like the DRC where financial institutions are said to be very weak in terms of monitoring market cycle. But a well-designed CTP can still undermine this by setting periodical adjustment of the transfers' amount in relation to the country's inflation rate.

This behaviour alone has minimised the impact and popularity of CTs and has in some cases shifted the beneficiaries' choice towards direct food Aids instead of money provided by CTs.

- In terms of food price, let's consider some facts: now we all know from experience that food price may vary seasonally for the only reason that during some period of the year some agricultural products tend to diminish or even vanish from market leading to the product scarcity. This phenomenon alone is a well-known factor to be causing food price hike.
- Amongst some other known factors susceptible of igniting food price is the petrol price linked to the increase of transportation costs. When transport increases it takes on the ride every aspect of the consequences related to transportation, such situation clearly does not favour food prices.
- Another cause of the food price increase might also be attributed to bad infrastructures mainly in developing countries where at a time the conditions of roads for example become almost impracticable leading to food delivery curse.
- Climate change and other natural calamities faced by our World have also been singled out as causes of food price increase. When there is drought or flood, food supply is reduced propelling food price at the market.
- And finally prices in a global market are mostly linked to competition that has nothing to do with CTs but simply reflects the battle for survival that portrays the capitalist system.

Comparing both food and cash transfers as shown on table 8 we are tempted to assume that depending on the prime objective of the programme, cash still sounds more effective. However the use of in-kind transfers such as food should not be an alternative to substitute cash instead, it should be used to support cash in order to enforce CTs outcomes such as in times of drought or other factors leading to food crisis.

**Table 8: Cash versus food transfers: advantages and disadvantages**

Food	Cash
<b>Advantages</b>	
Donor food surpluses are available	More cost-efficient than food
Immediately increases food availability	Beneficiaries choose what to spend on
Directly addresses nutritional deficits	Encourages production
Can be self-targeting	Stimulates the market
Usage favours women, children, old persons	
Lower security risk	
<b>Disadvantages</b>	
High transport and storage costs	Limited donor resources are available
Losses from spoilage and theft	Losses from inflation
Less easily exchanged than cash	Can be used for non-food consumption
Might discourage local production	More difficult to target
Competes with local markets and trade	Usage favours men
	Heightened security risk

Source: Insights, 2009

#### **b. Conditional or unconditional:**

Practically the issue of conditionality has been so far at the centre of many discussions being undertaken by cash transfer developers. Some have fiercely maintained that while these cash transfers are proving beyond doubts to be the quickest measure for poverty relief, its conditionality is singled out as the motivation key to the neediest for fear of losing its services.

And some believe that this theory has led to most Latin American governments applying conditionality as a key factor to the programme. However in this work we tend to

attribute this move to mainly political reasons since funder agencies always impose conditions before pairing with governments in the programmes.

This is typical of capitalism, you get nothing for free. If conditionality was the reason behind its positive impact, why then people who formally or informally work and receive salaries send their children to school? Are they conditioned to do so? Definitely not but it's a normal reflex of humankind which we call the sense of responsibility.

Every human is equipped with intelligence and this is enough to tell what's good and what's bad. Every parent in a sense knows his obligations and will never hesitate to send his children to school as soon as he has the means to do so.

Poor people are victims of social injustice and never chose to be destitute, so why compile them to conditionality to deprive them from their right to social and economic freedom?

On the contrary, in Africa many of the small scale pilot projects and some national CTPs taking place have mainly adopted the unconditional model. Nevertheless, striking improvement has been noticed in this direction even-though being unconditional.

As said, the drastic positive outcomes that have surfaced from UCTs are living the system developers with divided opinions in terms of conditionality effectiveness. It is then observed that each variation of cash transfer model is curiously geographically concentrated. In Latin America CTs are conditional and in Africa they remain unconditional.

In Latin America where CCTs have proven to produce positive results in terms of children Education and health, this can simply be justified by political constraint.

Most domestic and local funders in MICs (mainly from taxpayers) prefer to support programmes that ensure poor children are educated and receive adequate health care.

By imposing conditionality, CCTs tend to become paternalistic interfering with the people's right to choose how they allocate their resources.



Another reason is that they have better infrastructures than Africa has, schools and health centres are also much closer than in Africa where some have to walk up to 100kms or more to access a health care centre. And even if they manage to reach those centres, they are more likely to be very poorly equipped with limited qualified personnel. So beneficiaries of CCTs with better infrastructures found in the country have no excuses but to abide to the conditionality imposed since they have easier access to better facilities.

In Africa it still sounds awkward to bring conditionality burden but at the same time CTPs authorities have to think about putting pressure to local governments to improve infrastructures and quality services especially for schools and health centres mainly in rural areas in order to speed-up the delivery process and improve the outcomes.

It has however been observed that even with no conditions in Africa we still have proofs that UCTs have impacted positively the lives of poor recipients. Such results can also be attributed to cultural behaviour or customs inherited from the colonial regime that regardless of their oppressive rule insisted on the benefits of education.

So most families are aware of the benefits of education of their children but are handicapped to fulfil such responsibility due to financial restriction, reason why once given UCTs the results that follow are amazingly positive.

By applying UCTs the notion of economic and social freedom is also respected and this helps built self-confidence to the beneficiaries. CTPs are built on individual trust, why then should conditionality be imposed if there is trust? These are some of the notions that CTPs authorities in Africa have highly taken into consideration.

There are also concerns that the burden of adhering to conditionalities falls disproportionately on women, since it is mainly mothers and other female carers who take children to clinics and ensure they go to school.

Unconditional cash transfers do not add pressures on women, but they still can contribute to intra-household tensions in some sense since it is mostly women who

assume the responsibility of managing the CTs; but this can still be avoided if the programme is carefully designed.

The issue of conditionality is one of those that stand up to date at the centre of unfinished debates regarding CTs. To be short on this issue let's consider the current empirical data confirming on one side the successful results of CCTs from Latin America and on the other side the successful results of UCTs from Africa.

Our argument on this issue is that without good infrastructure conditionality will never work and right now countries such as in Africa are not favourable for CCTs. Let's keep things were they are at the moment and if change is needed time will tell.

### **c. CTPs sustainability in developing countries**

While some researchers still argue on the fact that CTPs are simply not practicable, thinking about its feasibility in developing countries sounds out of the ordinary. This is a very wrong impression though since the case of Namibia a developing country from Africa has just broken the silence. Namibia Basic Income Grant (BIG) is the first of its kind in the World and has proven so effective and financially sustainable in a developing country with very limited resources.

BIG was set for a period of two years starting from 2007 when unemployment, poverty and hunger were very high especially in the region of Otjivero – Omitara located at about 100Kms East of Windhoek the capital city.<sup>12</sup>

This programme was so effective that it attracted other residents from different areas to come and live in Otjivero jurisdiction where qualified recipients received BIG; even though this move never qualified the new comers to receive the grant (BIG Coalition, 2009).

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<sup>12</sup> Basic Income Grant Coalition founding document, 2005. Website: <http://bignam.org/>

The funding of the programme was done through voluntary contributions and beneficiaries started to receive N\$ 100 equivalent to US\$ 13.5 (BIG Coalition, 2009).

By mid-2008 the results were already noticeable:

- ❖ Within a year household poverty dropped from 76 to 37 percent and for those not having in-migrants food poverty dropped by 16 percent (Insights, 2009).
- ❖ Small owned business activities increased from 44 to 55 percent rising productive income by 14 percent resulting in the creation of a local market due to increase in aggregate demand (Insights, 2009).
- ❖ Child malnutrition fell, health, school attendance and performance improved.
- ❖ The level of crime in the region also dropped (Claudia and Haarmann, 2012).

There might be a lot of social improvement in areas affected by BIG but there is another aspect that should be considered as well. The fact that the programme is attracting more people from outside the region should be worrying the authorities instead of just praising BIG. In many cases this might lead to massive desertion of other regions towards Odjivero.

Now in so doing we need to highlight that these new comers moving into the area don't qualify to become beneficiaries even though being very poor and treasure hunters. What will happen at the end?

The region will definitely become overcrowded leading to promiscuity with all the negative impacts such as spread of sexually transmitted diseases since the poor young girls especially are likely to be prone to prostitution. The level of crime instead will increase with criminals targeting BIG household beneficiaries.

Housing is also likely to be negatively affected since the area becomes overcrowded. So prices of houses will increase; some recipients will be forced to accommodate relatives into their houses, this shift of living conditions definitely minimises the impact of BIG since the money is used to assist more people than required.

What started to become a paradise could quickly turn to hell and all efforts produced and money spent might be wasted. These are some of the issues programme authorities should be bearing in mind before pointing out the fragile success of BIG in particular and of CTs in general.

The good news is that a well-designed CTP can still prevent these issues from occurring.

#### **d. CTs and social inequality**

Looking at the factors that contribute to the country's economic growth it sounds very ambitious to single out CTs as the magic tool that help growth and reduces social inequality. Yet its impacts on tackling poverty have been recognised worldwide but there are still chains of cloud as to how could CTs alone reach such goals. We still argue in this work that this could only be achieved when combined with a number of facts such as:

- A stable financial market as a result of well structured and effective financial institutions.
- Good governance of the local government
- Stable political environment and business friendly apparatus susceptible to attract local or foreign investment etc.

So we need to be very reserved when pointing out CTs as a tool to reduce poverty, thus help economic growth.

When you look at table 9, Bolsa Familia which is the Brazilian biggest CTs only cost the GDP 0.4% in 2007; with such small effect on GDP it is very difficult to prove their impact in terms of reducing social inequality for example. So this makes us think that CTs alone cannot be behind all the achievements they're praised for. We need to be very careful

whenever mentioning CTs achievements because we also need to recognise other key elements that contribute to such success.

**Table 9 Cost of social security and social protection in Brazil in percentage (2007)**

	Beneficiaries (millions)	% of federal government expenditure	% of GDP
Social security pension scheme for private sector workers	22.1	33.0	7.4
Urban social insurance scheme	14.6	26.5	5.9
Rural non contributory scheme	7.5	6.5	1.5
Social assistance scheme	3.1	2.7	0.6
<i>Bolsa Família</i>	11.3	1.8	0.4
Total	36.5	37.5	8.4

Source: ILO, 2009.

## 7. Discussion

### a. CTs as a component of social protection system:

CTs should never be treated out of the social security system sphere in order to avoid any discrepancy. Now let's see first what a social protection encompasses so we can better relate it to CTPs:

- Social Protection encompasses programmes and actions that protect and promote the livelihoods and welfare of the poorest and most vulnerable people.
- Social protection is a range of protective social actions carried out by the state and other institutions or organisations in response to unacceptable levels of vulnerability and poverty, and which seek to guarantee relief from destitution for

those sections of the population who for reasons beyond their control are not able to provide for themselves.

Referring to these defining roles of Social Protection, it is then undisputable that cash transfers should be understood as a component of a country's Social Protection (SP) system. SP also include:

- ❖ Social insurance to protect against livelihood shocks (e.g. survivor benefits, health insurance).
- ❖ Social assistance for the poor:
  - In-kind transfers (food, nutritional supplements)
  - Subsidies (e.g. food, energy)
  - And other forms of intervention (e.g. social grants)

For this reason, there is then the need for the implementation of effective Social and economic policies aiming at reducing absolute poverty. Appropriate design of CTPs will depend critically on context, including political economy constraints. These programmes worldwide have different objectives, designs, targeting criteria and level of institutionalization and their outcomes will largely depend on these elements.

#### **b. CTs as a tool for poverty reduction:**

With robust assessments from developing countries and empirical data supporting the positive results of the impact of Cash Transfers, it is incontestable that cash transfers are a formidable tool in the fight against poverty, be it in short term by directly improving beneficiaries' economic dependency or in a long term by investing in Human capital development through education or health.

While the impact shows strong evidence about positive outcomes of CTs, there are still a number of questions or concerns raised by policy makers. Amongst these issues we have:

- ❖ Financial sustainability mostly in developing countries, and the questions often asked are “for how long could the programme stand and who is going to finance the project?”

This doubt to our knowledge has been lifted since the case of Namibia has shown that indeed these issues can be overcome by a good design of the program.

So Instead of entertaining a stagnant and sterile debate on financial issues our concerns in regards to mostly African countries should be about political accountability. Are African leaders responsible enough to recognise the importance of CTs in the fight against poverty?

Many will agree with us if at this particular moment we seem to be tempted to say “No they are not ready” to recognise this valuable element.

Again let’s have a look at the case of Namibia, even though BIG has proven beyond any reasonable doubt that it works and can be sustainable, the government is still reluctant to introduce the programme to the rest of the country.

This is not about lack of funds but purely bad governance characterised by leadership selfishness. Having said so, it is about time that people should realise that they have the power and all it takes to decide on their fate.

Mass actions should start taking place in countries where irresponsible governments are still roaring loose on streets.

From the year 2010, we’ve seen waves of mass protests taking place around the World mostly from developing countries; and Social Security has been so far the strong motive behind this revolution.

As a result, many governments have been thrown into disarray and their leaders either killed for trying to resist the power of the people or in custody giving account for their committed crimes. Without true social justice peace will never prevail.

- ❖ Conditionality is another issue still raising ink from CTPs designers; here again as stated above, let us continue to be guided by the results. If conditionality works for some countries then let them continue in such direction. For countries where UCTs have been successful, let them as well continue in that direction. CTPs are a learning process and when things go wrong time will tell and that alone will serve as an indicator to press for changes.
- ❖ The choice of design is also a sophisticated stage when initiating CTPs since there are an amalgam of elements to be considered; starting by administrative and financial issues up to political elements related to the government and other social partners involved in the process. We've been able to see how much crucial is the relationship between governments and the governed and how CTs can smoothen the path towards such relationship.

### **c. CTs in the fight against HIV/AIDS**

Now that HIV/AIDS epidemic has dramatically spread its side-effects in almost every level of our society, it is about time we start treating the disease as an isolated and delicate issue needing particular attention. Talking about CTs means a level of policies should also be included to mitigate the devastating effects of HIV/AIDS within our communities. And this is what South Africa has been doing since the beginning of new political era after the end of apartheid. AIDS can destroy lives just as it can do to a country's economy.

On table 10 we see how cash transfers can positively impact on households with HIV/AIDS, be it on the patients or those taking care of them, and can help improve the preventive actions or measures.



**Table 10: Linking social assistance with HIV policy, by population categories**

	<b>HIV Prevention</b> those most vulnerable to HIV infection	<b>Treatment</b> for people living with HIV	<b>Care and support</b> for people living with and affected by HIV
Financial protection/ cash transfers	Transfer payment for the very poor to support HIV prevention	Transfers to poor people living with HIV- AIDS for better treatment access and adherence	Transfers to mitigate the impact of AIDS on individuals and households

Source: DFDI, 2011.

**Key findings:**

- Cash transfers empower the poor by promoting their socioeconomic freedom. Once money is in their hands they can decide on how to wisely manage their resources.
- CTs promote human capital development, through education, health and nutrition.
- CTPs can help break labour market barriers when combined with labour skill trainings susceptible to facilitate social inclusion of the most destitute into the labour market, and also by encouraging job seeking activities.
- CTs promote economic growth by reducing poverty which is the consequence of unjust National income distribution.
- CTs help rebuild self-esteem since some beneficiaries use them to support their self-owned business which helps increase incomes.
- CTs enable the beneficiaries to protect themselves against shock resulting from natural calamities such as drought, famine etc. and help protect household assets.
- CTs promote gender balance or gender equality and reduce domestic violence at some stage.

- CTs promote community based peace since they have proven to be crime inhibitors and help build a safe environment through social cohesion. This evolves into the building of a safe and secure state susceptible to attract local and foreign investments.
- CTs promote local market by improving the recipient's per capita purchase power.
- CTs promote HIV/AIDS awareness by tackling poverty and desperation especially for young girls from poor families since they are often targeted by sex predators.
- A flawed design of CTPs brings more damage than goods, hence the need to carefully design CTPs prior to be implemented.

#### **d. What happens after graduation?**

This is a very important issue that CTPs designers should always bear in mind in order to avoid recidivism. When a person exits from the programme there should be a continuous system allowing graduates to immediately get access to other programmes previously organised.

For example if ageing out is the criterion, beneficiaries should be associated to labour skills programmes so that when they exit, they'll be already involved in labour productive activities.

Graduating from CTP should be considered as an entry to a new system or scheme which can be either financial or social security or protection.

This will help avoid a fall back meaning after graduating they have the capacity to continue improving their socioeconomic lives and avoid dependency and poverty vicious circle.

Since the systems encourages beneficiaries to invest on human capital, there is a need that governments in developing countries, where many households have no education

or their grown up children have no education, should introduce and encourage skills training that will enable those most destitute to access labour Market or start small owned business.

There is a range of profitable trainings that a government might prioritise depending on what opportunities the country have or can create.

## **8. Conclusion**

Cash transfers solve a considerable number of problems faced by the beneficiary households and improve their access to a number of services. Cash does not only provide access to food and other basic necessities but most importantly it enables beneficiaries to afford the cost of those services. This effect alone allows recipients to rebuild their self-esteem. As we've seen this cash can be used for:

- Transport to health centres and hospitals which is of special importance for persons on ARV therapy, pregnant women, the elderly and physically disable people.
- School requirements thus providing access to education; food supply and other household necessities.
- Economic activities such as for seeds, fertilizer and for paying labour related activities.

However, many beneficiary households face problems which cannot be solved by cash alone or which would be solved more effectively, if the households would receive guidance on how to make best use of the cash. Cash transfer recipients should therefore be linked to other services depending on their specific needs.

Some require HIV/AIDS testing and counselling, some need home-based care or psycho-social support. Others have to be made aware of how and when to enrol their children in school, how to improve nutrition or how to acquire skills needed to improve their chances to enter into labour market.

Moderately poor households need to improve their economic situation (sustainable increase of their income and accumulation of assets) by gainful employment and /or self-employment in order to achieve consumption levels above the poverty line.

At the same time moderately poor households need protection from risks and shocks that predispose them to fall into extreme poverty. They require interventions that reduce their vulnerability to life-cycle risks, illness and unemployment and to economic and natural disasters.

The need of moderately poor households to graduate out of poverty is addressed by a number of programmes in the area of social and economic development. These interventions if successful will reduce the vulnerability to shocks that could push moderately poor households into extreme poverty.

These positive effects of Cash transfers should clearly be recognised as the outcomes of a well-designed programme. Any flawed policy in the design of the programme could lamentably bring more damage than goods to the stranded destitute in particular and to the economy of the country in general.

## **CHAPTER III PROPOSAL OF CASH TRANSFER PROGRAMMES IN THE DRC**

### **1. Introduction**

One of the major roles of any government is to assure the wellbeing of its people, this justify the fact that every responsible government needs to provide social security and social protection to its citizens and this is not only a protection against sickness and any type of violence or human abuse but most importantly against uncertainties related to lack of income.

Such a protection guarantees a minimum regular income in case of unemployment, sickness, accident or illness, old age etc. but unfortunately in the DRC social security is luxury, which explains the main cause of socioeconomic and political instability faced by the country since its independence 5 decades ago.

It is about time for the government to apply drastic changes and assume full responsibility of caring about people first.

By proposing cash transfers in the DRC our main idea is to first protect consumption power of the people which in return shall financially empower the beneficiaries and enable them to improve their living standards.

There have been growing concerns about the effect of CTs in post-conflict countries such as the DRC for the fact that institutions have been left impotent and in a deteriorated state due to war and other conflict-related events. Even though there are still no convincing or empirical data that have so far proven these effects. It is all about speculation and imagination.

However we do agree that these countries are more vulnerable mainly in terms of security when it comes to transporting huge amount of money and even at pay points since banking systems are ineffective or nonexistent in most cases.

So initiating CTPs in the DRC is not an easy task since most institutions of the country are still badly damaged and disorganised.

But the misery faced by the majority of its population serves as a motivation to try and find ways to mitigate the impact of severe poverty in which almost 80% of Congolese have been victimised and help them pave a way out of this entangled and vicious situation by providing them with sustainable and dignified incomes.

Only then we can think of building a sustainable economic growth characterised by a fair distribution of income aimed at improving the social welfare of the population.

Choosing CTs for the DRC is mainly due to the worldwide reputation that the programmes have built in terms of tackling the multidimensional aspect of poverty from short term to long term through investment in human capital.

### **Main aim and objective:**

The main aim and objective of this chapter is to suggest a draft proposal of a CTP model reflecting the organisational structure in terms of administrative, financial and institutional arrangements compatible in the context of the DRC. In so doing we tend to take into consideration the current socioeconomic and political situation prevailing in the country.

### **Structure of analysis:**

To better reflect the reason of our choice of CTP in the DRC for the fight against poverty, we decided to talk about:

- ❖ The positive impact of CTPs in post-conflict countries in general
- ❖ The technical practicability of CTPs in the DRC by considering all factors involved in the elaboration of a CTP, bearing in mind the existing fragile socioeconomic and political environment portraying the DRC.

- ❖ Draft proposal of CTPs that we think might be ideal to tackle the issue of poverty and its ramified effects in the DRC.
- ❖ Concluding remarks in terms of the feasibility of CTPs in DRC and suggestive ideas for a possible sustainable socioeconomic and political stability of the DRC.

## **2. Impact of CTs in a conflict-affected country**

To justify our choice on the implementation of CTs in DRC let's first have a close look at Somalia a conflict-affected country with similar conditions than the DRC where CTs are already proving to be very effective and life changing.

So far in Somalia CTs' positive outcomes have been noticed as they empower families to access food and afford other essential services.<sup>13</sup>

- To better illustrate the Somali situation on CTs impact we decide to use this recital from a Somali woman:

[A Somali woman called Jawahir Hassan Ali, a mother of seven, reported that before entering CTPs she used to receive food aid which could not help overcome her needs since it was not even enough to feed her family. Even after selling a portion of her food it was still impossible to afford other basic needs like school for her children or health care.

In February 2011 her family was registered in CTPs and that was the turning point of her life as she was quoted saying: << I had no choice; I could not even afford a piece of meat or one tomato. Now with the cash I feel like a free woman. Sometimes I even buy shoes for my children, when I have saved enough. >>

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<sup>13</sup> [http://www.unicef.org/media/media\\_59784.html](http://www.unicef.org/media/media_59784.html)

The cash transfer had made decision-making easier, she said, adding: "I can now decide what is important for my family."]<sup>14</sup>

This recital about the case of a Somali woman shows that Cash transfer programming is a very simple and feasible concept which can be applied in any country and its only core principle is: "give people money so they can choose to do what they need".

With such encouraging stories we are even proud to state that initiating CTs in the DRC seems to be the right path towards socioeconomic and political stability. However, some pessimistic economists believe that large, permanent social assistance programmes, targeting a wide range of needy individuals, frequently do not seem fiscally or politically sustainable in resource-poor countries because of the limited resources available to the government and the vast array of competing priorities (Low, J.W. et al., 1999).

Yet the BIG programme from Namibia has proven beyond any reasonable doubts that indeed these universal grants are feasible, sustainable and can considerably help reduce poverty in resource-poor countries.

And various internal reviews such as of Mozambique a country emerging from decades of war and political instability suggest that CTs can serve as an important part of the government's overall strategy of social assistance. When CTs are more and better targeted they can play a significant role in alleviating poverty among selected groups.

Cash transfer Programmes seem to be an appropriate tool to appease people's pains from past hardship for those countries coming out of conflict that has destroyed means of living that the population used to rely on (Low, J.W. et al., 1999).

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<sup>14</sup> This story was taken from Iren news on <http://www.irinnews.org/Report/93106/SOMALIA-Cash-transfers-a-better-aid-option>



Coming back to the case of the DRC, since there is the existing INSS created during the colonial epoch with a pre-existent social security model, things even sound easier to impart such institution the task to pioneer the program.

The first step to be taken is to set the programme's goals. Now we are talking about a country long ravaged by civil war following decades of dictatorship depicted by social injustice and high inequality.

So the main goal should be not to directly reduce poverty but to ease the cost of living for the shattered families, the programme should then have as original objective to "minimize difficulties" faced by the poor population.

Now looking at Somalia a country used for its similarities to the DRC in terms of political turmoil, its population that is mainly dependent on pastoral activities is at a time overwhelmed by large debt burden. Aid agencies can not only limit their actions in providing vulnerable Somalis with food aid alone, because clearly in so doing they tend to ignore how these poor people are going to afford the repayment of their huge debts and also satisfy their water needs since clean water is at the moment nonexistent within local water systems and the country is also facing several episodes of drought; this has a negative impact not only on humans but also on their cattle.

As a result, they may end up selling their food aid in the market to meet their obligations as was the case with Ali's family.

There needs to be a careful assessment of the whole situation before initiating successful CTPs. So in the case of DRC we have to first identify their needs in order to better target the most vulnerable population and also study the whole surrounding environment and try to minimise those obstacles to make sure our cash reaches the beneficiaries in a satisfactory way.

## **What are the needs and imminent difficulties to be faced?**

We have a list dressed up to give us an idea on those challenges faced by the poor population, which we think need to be tackled.

- Scarcity or absence of income sources due to deteriorated economy; people have no source of income at all and have lost the consumption power. So to meet their needs they need regular cash to restore and protect consumption.
- Food crisis (high prices) defined by lack of sufficient food supply as a consequence of dwindling agricultural activities, so here money alone will not solve the problem, the programme also needs to plan labour skills training related to agricultural activities in order to revive and promote the agriculture sector. And also this can be associated with other schemes like crop support programmes where people are supplied with crops and fertilisers to improve agriculture.
- Unaffordable basic services such as education, health, water sanitation, adequate housing etc.; this is the government's responsibility to secure priority services for his people and CTPs have the task to sensitise local official in taking drastic moves to satisfy the people's basic and fundamental needs.
- Absence of opportunities (unemployment). Again the government should create a labour friendly environment where everyone has the opportunity to enter the labour market.
- Collapsed infrastructures (bad health services, bad education tools, bad transport system etc.). We have always maintained that governments need to improve their

countries' infrastructure to embed the recovery process and assure a sustainable economic growth. This will as well help strengthen the impact of CTs and lead to positive and durable outcomes.

- High HIV/AIDS prevalence and other infectious diseases linked to promiscuity and insanity. CTPs should use their popularity to address the issue of HIV/AIDS through campaigns and mobilisation.
  
- Pursue peace in order to build a strong Nation. CTPs can positively contribute in the process by engaging into community social dialogue to appease tribal tensions and hostilities which are mainly linked to poverty.

Based on this amalgam of problems we have at least an idea on how to target our CTPs in terms of areas of great concern. And these elements shall be used at a later stage when time to design the CTPs for the DRC is ready. As for now they only permit us to better define responsibilities and attributions imparted to concerned players.

### **3. Technical practicability of CTPs in the DRC**

To mitigate the effect caused by above-cited problems, there is a need to build a joint CTP in the likes of the Brazilian Bolsa familia; selecting priorities in terms of needs: Food, health, education and housing as basic and fundamental needs; all in one merged programme

**Technical and administrative matters:**

Due to lack of infrastructure the best method to be used for data collection is the low information approach with effective alternatives, such as categorical, geographic, and community-based screening.

Looking at chapter one on poverty and inequality we notice that the most affected province is the East with a population living on an average \$ 32 per capita per year. So, geographically speaking the first target should be the Eastern region and progressively the programme shall expand to other areas but always taking into consideration the level of vulnerability in the process. With estimated poverty at 80% from a population of 71 million, we look at covering approximately 56.8 million people which is about 11.36 million families (average family of 5 members).

In recent years particular approaches have been adopted to improve the administration of CTPs; which include automation, the use of modern cash dispenser technology, better record keeping, consolidating programme management responsibilities, and contracting out functions that can be done better by the private sector.

Governments have to build their institutional capacity to implement CTPs by separating policymaking from programme administration, introducing programme performance charters, improving programme monitoring, consulting with stakeholders, taking active measures to combat programme fraud, and using research to guide the reform of the program (World Bank, 2003).

These approaches however have proven to be very effective but still need a lot of modern technology mainly inexistent in poor countries such as the DRC. This leads us to think that by implementing CTPs there is a great necessity of improving technology in the course of time for the betterment of service delivery.

## **Social partners:**

The government's institutions should pilot the programme, assisted by other social partners such as various reliable NGOs operating in the country, trade unions and private partners. We also have to associate religious group or organisations in the process due to their role played in the community as explained in chapter one.

So far these religious organisations have been strongly involved in rendering social services such as education, health and financial activities which justify the need to hire their services for administrative tasks since they've been playing a crucial role in the country and are directly connected to the community. Among reliable organizations we can cite: the United Nations agencies (UN), Red Cross, Caritas etc.

### **❖ Financial and political issues:**

There is first the need for programmes authorities to convince the government about the socioeconomic and political importance of CTPs where lives have been shattered by ongoing political instability and civil war.

Basically in the DRC with an amount of US \$ 50 a family of 5 can manage its monthly basic needs to survive. We need to know that in 2008 for example the president of the DRC signed a presidential decree on the minimum wage and the amount approved was 1,680 Congo Francs sadly equivalent to US\$ 3 even though its application still seems to be stagnant.<sup>15</sup>

So by providing US\$ 50 we're looking at almost 17 times the minimum wage fixed by its own government.

So with 11.36 million poor families, the CTS monthly expenses amount to US\$ 568 million per month. For a developing country the amount sounds big but can easily be sustainable in the case of DRC when looking at the country's potentialities. Considering

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<sup>15</sup> This information was found on this site: <http://direct.cd/2011/08/05/rdc-trois-ans-apres-son-institution-l%E2%80%99application-du-smig-pose-probleme/>

the current situation in the DRC, we can loudly say that the benefits of CTs surpass the costs.

Instead of investing in military equipments for war, the money could be used to finance cash transfers which in return have a direct impact on the country's peace process jeopardised so far by poverty and desperation.

#### **Sources of funds:**

- ❖ The government as the programme pilot is the prime source of funds, mainly through taxes and other financial readjustment structures.
- ❖ International organisations such as IMF, World Bank and the United Nations are always potential funders due to their role as financial institutions and humanitarian organisation.
- ❖ Private funders and to a certain extent from foreign donors mainly through loans and other forms of agreements with government

#### **4. Draft Proposal of CTPs in the DRC**

This is not about designing CTPs for the DRC but is rather a proposal on what we think could form a descriptive structure of CTPs in the country. It gives an idea on who should pilot the programmes, where will funds come from and how is it going to be run. So it intends to highlight the whole managerial approach that we believe might be appropriate in the case of DRC.

#### **4.1. Target groups and eligibility criteria**

##### **❖ Methodology:**

We are going to set three different methods to target the most vulnerable groups of the population. Programmes Officials will be trained members from government institutions and private organisations, members of religious organisation, members from international organisations like World Bank, International Monetary Fund (IMF), Red Cross, Caritas, UN agencies, traditional and community leaders since they are highly respected and are very influential in terms of community mobilisation and have a deep knowledge of local communities.

- The first method is based on geographic evaluation of poverty level which means we first have to consider the region with the highest incidence of poverty. Looking at the regional distribution, the population of the East seems to be the poorest since they have the lowest average per year per capita evaluated at US\$ 32. The process will then start from the East expanding progressively to the rest of the country.
- The second method is based on community screening where members of church social organisations, traditional and community leaders will help assist the team of trained officials to undertake this crucial task.
- The third method is based on categorical classification where trained members and programme specialists will define different categories of poor in terms of income, household assets and household health conditions or age etc.

### ❖ **Eligibility criteria of beneficiaries:**

In the dramatic situation of the DRC it is quite amazing to observe that almost everyone qualifies to be selected as beneficiary. However to minimise errors this is what we thought should guide the programme officials in their means-tests:

- Every household with a monthly income less than US\$ 30
- The elderly people from 60 years old with a family where a care-taker, if there is, earns less than US\$ 50 a month for a family of 5 people or more. If there is no care-taker the family qualifies unconditionally.
- Lonely elderly people (widows or widowers) or elderly couple with no income or living on less than US\$50 a month.
- Every family of 5 people or plus living on less than US\$ 50 per month, families with children, pregnant women or sick people should be given first priority.

## **4.2. Financial sources:**

How to secure stable, sustainable and durable sources of funds?

First we need to state that in every programme the government assumes full responsibility to smoothly run the programme meaning the government should be the first reliable financial source. But how can the DRC government assume such responsibility?

### **a. Internal sources:**

- The government needs to sustain the programme through Tax collection from the mining sector which is a very productive and source of FDI in the country.
- Secondly tax from the huge Energy sector. You need to know that DRC possesses one of the biggest hydroelectric power plants in Africa called Inga which services most of Southern African Development Countries (SADC) and



other parts of Africa. In fact according to the World Bank, this plant if fully operating could supply electricity to 500 million of 900 million Africans plus the African industrial sector.<sup>16</sup>

- Thirdly we have Tax that emanates from Oil and Gas industry which is a very lucrative but less spoken about in the DRC.

These are the major sectors which alone can smoothly keep the programmes running for a long time if the government is serious in tackling poverty and its consequences.

#### **b. External sources:**

- These are mainly private investors that the government can contract agreements with in order to partner the programmes. They can also be foreign investors interested in engaging into business in the DRC.

In the mining sector alone, we have diverse private companies already operating in the DRC who can become potential funders if agreements can be signed with the government.

- We have international organisations such as the Bretton Wood Institutions (World Bank and IMF) who are in many cases partially or totally funding a number of CTPs around the world.

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<sup>16</sup> World Bank from the site: <http://web.worldbank.org/>

### **4.3. Institutional organisation of CTPs in DRC**

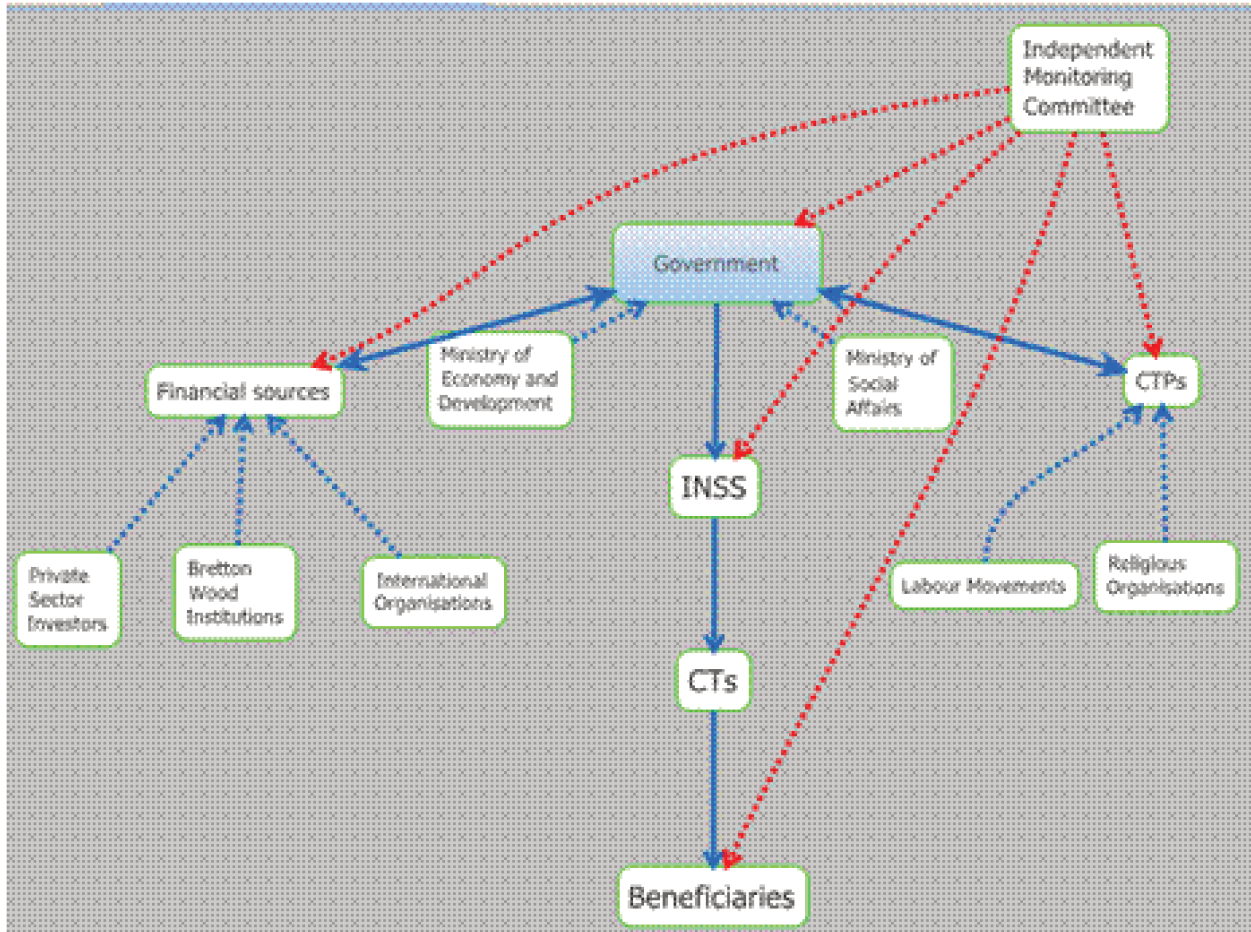
Since there is an existing old government institution called INSS left by the colonial regime in charge of Social Security and Social Protection affairs, all the government needs to do is to invest the authority to such institution to supervise the programmes. Nevertheless its personnel need to be adequately trained in order to build human capacities capable to fulfil different tasks to be entrusted to the institution.

Since the institution falls under the umbrella of the Ministry of Social Affairs, it only makes sense that this Ministry with the Ministry of Economy and Development be in charge of running the CTPs.

It is prerequisite that the INSS be given political immunity to run the CTPS without political interference of the country's elite. The INSS and all partners involved in the administrative activities of CTPs should then be neutral and operate out of any kind of political pressure from local government.

Figure 8 shows the Structure of CTPs and describes the type of relationship intended to prevail between different institutions and state departments involved in the programme. The relationship between all financial sources, the government and CTPs is of crucial importance, it is then both in terms of administrative and financial matters. While the private sector investors, Bretton Wood institutions, International and Religious organisations all have a strong administrative role and financial responsibility for some to play. The Independent monitoring committee formed by all parties involved serves as a watchdog and research organ to assure the smooth functioning of the programmes. To ensure the smooth and coherent interactions between these institutions, the government should enforce the neutrality and freedom of the whole system in order to reach better results as planned by the CTPs.

**Figure 8 Proposed Institutional structure of CTPs in the DRC**



Source: Author's concept

#### **4.4. Project's main goal**

Looking at the severity of poverty in the DRC, this project has to set its main goals in terms of financial capacities that the beneficiaries will be equipped with and for how long the first phase should be operating for.

Taking into account different aspects and realities in the DRC, the fair amount to be adopted by the programme is US\$ 50 per month per beneficiary. This amount will be

extended within a period of 5 years and shall be subjected to readjustments whenever necessary.

#### **4.5. Monitoring system**

The programme shall form a team of specialists from all the parties involved that will be in charge of monitoring CTPs progress. This is the same team that will from time to time give a feedback to the CTPs authorities about the impacts of CTs to the recipients. Every systematic change to be adopted should emanate from this team's reports.

This team should operate independently and out of any political interference from any origin. Their focus should be:

- To make sure that the basic rules for selecting beneficiaries are being strictly followed and applied.
- Assure that the coverage is extended to the neediest and most vulnerable people.
- Assure that service delivery is efficient and effective enough to allow CTPs reach its goals at due time.
- To identify areas of concerns and suggest solutions.
- Initiate adequate community work programmes or training whenever necessary.
- To conduct continuous and regular researches in order to better monitor the progress of the programmes.

#### **5. Recommendations**

There are couple of changes that we believe should take place in the DRC in order to enforce the programmes and allow quick positive outcomes to occur. These elements have been grouped in the list of our recommendations:

- The government of DRC should show its commitment to restoring peace in the entire national territory.

- The government should commit itself into restructuring and reinforcing the financial system in order to avoid the negative impact that CTs might generate in a weak market, such as speculative inflation.
- There should be administrative and political reforms in the country. For example Democracy has to be fully respected, allowing the people to express their will in terms of freely and democratically choosing for instance their Political leaders at all levels.
- The country should start showing its commitments in regards to International labour conventions as recommended by the International labour organisation (ILO) and honestly put into practice the Universal Human Rights.
- The government should invest its efforts to combat corruption in all its forms at all levels and that all culprits should be brought into books and be dealt with accordingly.
- The government should develop human capacity in order to improve its services to the people.
- For CTs to have a strong and quick impact on the community, the government needs to improve the country's infrastructure such as roads, education, health, financial institutions etc.  
Banks for example need to be operational to assure cash is delivered to the recipients. This will not only allow the majority of the DRC population to access bank accounts but will also permit to monitor the impact of CTs in the country's economy.
- Encourage every effort and actions initiated to speed up the process of decentralisation.
- Reinforce the country's judiciary system.

## 6. Discussion

### ❖ Can CTPs work in the DRC?

We've always maintained that for any CTPs to be operationally effective there is a need for the government of the concerned country to positively respond in meeting the requirements made by CTPs authorities.

The problem in the DRC is that such responsible government is still very far from the people's imagination. The level of corruption is very high and committed officials from government institutions are numbered if not inexistent.

Asked a question whether CTPs could work or not is so hard to answer but we also cannot build our base on speculation. Let's try it and see how it works. If Countries such as Somalia, Sierra Leone, Nepal, Mozambique and other post-conflict states have tried and it is working, so why not try the DRC?

There are however a list of precautions to be taken by CTPs designers in order to avoid any negative effects that could result from CTs:

- CTPs should strongly discourage dependency behaviour from beneficiaries by encouraging and promoting labour skills trainings.
- CTPs should conduct regular campaigns or programmes about family planning especially for single young mothers in order to avoid unplanned children which can only deepen the level of poverty since many might be tempted to bear children in order to qualify for grants

In the DRC in particular and Africa in general, most poor people believe that having many children is synonym of Social Security because when they grow up they'll work in a family farm in order to double the harvest and help their parents.

Another alibi to having many children is that when parents grow older it is easier to be assisted when they have a lot of children since each of them will be given a particular responsibility to care about their old parents. This stereotype behaviour should strongly be discouraged by CTPs.

- The CTPs authorities need to be very cautious and make sure that domestic violence is avoided since money goes mostly to women. They should be a serious involvement of local authorities in order to tighten the law and assure that women are protected.
- The Programmes can also create some incentives to encourage good performers amongst the beneficiaries. It can be special microfinance loans to specific households who have excelled since the inception of CTPs; or other forms of encouragements depending on the country's opportunities available. While it motivates recipients it could also be a strong tool to create trust between beneficiaries and local authorities.

#### ❖ **How can CTs help rebuild peace in the DRC?**

Rebuilding peace in the DRC is today a sine-qua-non condition for a sustainable economic growth and poverty reduction. After decades of war and political instability the country is today an easy prey to all sorts of wealth predators due to extreme poverty the population is trapped in.

Just as we all know poverty as a factor that ignites criminal activities, so it does in maintaining war which is another form of crime. Political opportunists are using this weak-point to deceive people into supporting their own selfish cause by convincing them

to use guns in order to combat poverty and earn social justice long stolen from them. This alone has been at the centre of DRC continuous turmoil and human atrocities.

Introducing cash transfer schemes in the aftermath of conflict and state collapse is particularly challenging, but can be an important tool for peace building strategies. Since the DRC has very damaged institutions at the aftermath of war, it is the responsibility of CTPs authorities to carefully design the programmes in order to avoid any harm CTs can cause in a weak market.

Although it is still hard to anticipate speculations in the case of DRC since no similar programmes have ever taken place before, all we could do at this time is rely on other countries' experience.

There are several cases proving that in fragile environment, cash transfer programmes have played an important role in serving as a tool to prevent conflict by building a peaceful environment through social and community cohesion.

Since Cash transfers can address the immediate needs of poor households. This means CTs can help thwart actions of political demagogues who use poverty as a weapon to win support.

### **❖ CTs versus domestic violence and price hike in the DRC?**

- Domestic violence is a very complicated issue if we look at the causes behind it mainly in Africa.

In Africa in general and the DRC in particular, one will be surprised to see that poor families are instead the most peaceful families in terms of violence. It is generally families with good incomes that are victims of most domestic violence since men tend to become overnight riders running behind girls and other selfish activities using their financial status to win dominance over women. At home they are the boss, on the street they are the Don Juan.



As for poor families they mainly stick together and mostly commit themselves to religious activities to seek for Divine intervention. However the other way around is that, these CTPs might ignite domestic pressure on women since they are the trustworthy recipients of CTs.

What might happen is that at the end men will feel diminished since they are not trusted and this can jeopardise their leadership in a family as a result they could easily abandon their families and go hunt for their own treasure elsewhere.

Or simply, a man being the head of the family can engage into domestic fighting to recover the CTs handed over to females from his family in order to protect his patriarchal pride which in many African cultures is also called man's pride.

To avoid such confusing situations CTPs need to be well designed and should always take into consideration the social or community behaviour of households involved in the programmes; this is where the role of traditional and community leaders comes handy.

- As for the price issue, to avoid any unnecessary speculation CTs should just be treated like any other payments received by workers and does not in most cases weight on the daily cost of living at the local or international market. Instead it only improves the socioeconomic situations of people.

Due to the complexity of price issue, let's consider the possibility of using community programmes as one motive of payments to the families involved in the programme. They do the community services and in return they get paid which looks more of a normal payment after doing some sort of work.

In so doing people are also being motivated to go look for better jobs with better payments, while governments on the other hand should double efforts and create a labour friendly environment, ready to welcoming new players in the market.

## **7. Conclusion**

We should at this primary stage be honest to recognise that initiating CTPs is no easy task in the DRC; however there is a great need to start taking drastic measures in

tackling poverty in the country. Innovative actions are needed in places like the DRC and CTPs are one of them.

No such move has ever been taken in this direction in the country, so it is about time we start implementing better programmes with worldwide reputation meant to effectively reduce poverty and help invest in human capital in order to curve intergenerational transmission of poverty in the DRC.

“Either we start it now or never”.

## CONCLUSION

This study is a short and clear analytic document using empirical data and other countries' own experience to confirm that CTPs can be an effective part of an overall social assistance strategy.

In an impoverished country like the DRC struggling simply to get policies and priorities right, with a myriad of demands but limited governmental resources, the role of social assistance programmes can produce multidimensional positive results and do so regardless of the government financial state.

It is instead in very poor countries that results have been strikingly noticed in a short period of time. It is also noted that the political willingness of government authorities in a case of DR Congo is highly determinant for the success of CTPs.

Although cash transfers require significant administrative capacity and a relatively advanced information base to identify and reach the target population, a cash transfer programme is an appropriate way to provide additional income to those who cannot work when they have no other support and so cannot benefit from economic growth.

Still, limitations to the effectiveness of cash transfers must be recognized. For example, it may not be the most effective way to reduce malnutrition of the household most vulnerable members.

Due to an amalgam of problems faced by poor families only a smaller proportion of the transfer than desired may be spent on food or health care for the child or the pregnant or lactating mother, mitigating the transfer's effect on malnutrition. For this reason, we have maintained throughout this research that cash transfers should always be accompanied by other programmes in order to maximise its effects to the beneficiaries.

For example to effectively combat children malnutrition CTPs will need to pair with school feeding schemes. And governments on the other hand should come on board and partner with CTPs to smoothen the transitional process.

A cash transfer programme must also be seen in terms of how it fits into the larger scheme of economic growth and poverty alleviation measures.

This means, over time, it must come to form part of a complete array of programmes of social assistance; this could involve programmes specifically designed and targeted to vulnerable groups such as pregnant women, malnourished children, juveniles, and the unemployed.

Special programmes and policies directed towards the disabled that are still physically capable of working could also permit them to earn incomes from their own projects or to be fully integrated into the labour force. These programmes must integrate and coordinate with other programmes of the government and of communities, religious organizations, and NGOs.

It is crucial that social assistance programmes must pay close attention to technical, administrative, financial, and political needs if they are to be successful.

While poverty has been described as multi-dimensional, low and variable income is central to the problem. So modest but regular income from cash transfers has proven throughout our work that indeed it helps households to smooth consumption and sustain spending on basic needs eliminating desperation that mainly leads to heavy debt burden.

Over time, transfer income as demonstrated can help households to build human capital (by investing in their children's nutrition, health and education) and help break the intergenerational transmission of poverty. The theoretical case for transfers is then straightforward: "Give the poor money and they shall freely and fairly decide on what they need to use it for".

This assumption brings to light the notion of development freedom as argued by Amartya Sen, which has to be expanded to social and economic freedom and requires the removal of major sources of unfreedom such as poverty, poor economic opportunities, social deprivation, neglect of public facilities etc. (Salas, 2010).

In so doing Cash transfers have proven to both protect living standards (alleviating destitution) and promote wealth creation (supporting transition to more sustainable livelihoods). Depending on context, they may also help prevent households from suffering shocks and transform relationships within society, and between citizens and the state. This may justify why a 'quiet revolution' has seen many governments in the developing world invest increasingly in large-scale cash transfer programmes.

Through this piece of work we have seen how well-designed and implemented CTPs can help strengthen household productivity and capacity for income generation regardless of their size.

CTs being reliable flows of transfer income have helped poor households to accumulate productive assets and avoid distress sales.

These intermediate outcomes help draw poor people into the market economy on terms that allow them to benefit from and contribute to growth even though this effect seem to be very little.

We've seen how the introduction of cash transfers into poor remote areas can stimulate demand and local market development.

Finally we also recognize in our work that CTPs are not a stand-alone programme and should not be considered as a magic potion for poverty eradication; instead we should see CTPs as a palliative treatment and that the country's sustainable economic growth should prevail putting job creation as the priority agenda in order to curve poverty through labour market inclusion and speedup the process towards reaching the MDGs.

**Opportunities:**

- Certainly the DRC is one of the greatest countries in Africa offering a large ground of opportunities looking at its natural resources in terms of employment.
- As if this was not enough its forests and savannas contain various species of animals with some of them only found in this paradise like the Okapi. This site alone is a great tourist attraction capable of generating thousands of jobs.
- The lakes and rivers of the DRC are also very rich in fish and offer a great opportunity for the fishing industry.
- Finally its rich soil almost unexploited is an agrarian dream for farmers and can turn the country to one of the greatest agricultural powers of the World.

**Challenges:**

There can never be such a magnitude of work without experimenting difficulties especially in a poor and instable country like the DR Congo. So here we've come up with what we believe as the major challenges facing such task in the DRC:

- Widespread damage and destruction of economic and social infrastructures, posing a formidable obstacle to growth and development of the private sector.
- Lack of Democracy and Political freedom
- Resumption of hostilities in the eastern part of the country, bringing grave humanitarian consequences that have ramified nationwide.
- Persistent political uncertainty jeopardizing foreign direct investment (FDI) and the anaemic local industry.

- Weak human and institutional capacities, particularly in the areas of statistics management, policy formulation, and the monitoring and evaluation of policy implementation.
- Weak financial institutions and lack of modern technology in terms of banking system.
- Collapsed state of public infrastructures nationwide such as roads, health care centres, schools, communication, electricity, sanitation etc.
- Bad governance and incompetent political leadership that have socked the country in an unprecedented state of corruption and chaotic administration.

Having diagnosed some of the potential difficulties capable to hinder the process, we have also come up with what we believe are the early steps in order to prepare the ground for the implementation of large scale social cash transfer programmes.

### **Recommendations:**

- The DRC needs to consolidate peace and security, through innovative continued social actions in order to achieve the pacification of its national territory and end the humanitarian crisis by accelerating reforms of the social security and social protection sector.
- Expand the government's capacity to deliver quality social services by creating consensus as to the government's role and the need to better focus that role on its sovereign mission of improving the social welfare of the population.
- Promote Democracy and Political Freedom in a transparent and fair manner, allowing the population to fulfil their rights of citizen in the most free and fair atmosphere.

- Promote administrative, economic and political good governance through democratic process; through a relationship of accountability between government and the governed; through continued financial reforms and reforms of public enterprises; through a genuine commitment to transparent mechanisms in managing the country's wealth and promoting equal income distribution.
- Strengthen the conditions for sustainable economic growth, through an improved business climate leading to job creation.
- Promote the development of the country's infrastructure such as roads, health and schools that help speed up the delivery process.
- Mobilize the private sector (including through public-private partnerships) to address the problems of financing development programmes.
- Trade Unions, labour activists and NGO counterparts should join hands and use their militancy to exercise more pressure on the government for the implementation of innovative and sustainable socioeconomic policies and should operate as watch dogs to monitor the transitory process.
- Trade Unions should also make sure that they apply all sorts of tools in their hands to be part of this socioeconomic policy making process and multiply their visibility and actions in the political arena.

Without claiming to have cleared the entire topic, we still think of having done something useful capable of serving as a pathway to more work in this direction. And in the near future, if asked to push further our research in the context of this topic, we would more than be happy to resume our journey from where we left.



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