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Money matters: cash transfers for adaptation

Developed countries have pledged billions of dollars a year to help poor nations adapt to climate change. But how should the money be spent? For the world's poor, who are both the most vulnerable to climate change and the most in need of social protection, the best answer may be cash transfer programmes. Giving money out in this way has a strong track record in reaching the poor and helping them improve their nutrition, education and incomes — all of which are vital for building their long-term capacity to adapt to climate change. Cash transfers are also well accepted at the local level and, given the right political backing, can be implemented on a broad scale.

Policy pointers

- **Cash transfers are proven** to help the poor meet basic needs, cope with shocks, innovate and experiment, and facilitate mobility, all of which build adaptive capacity.
- **Compared with other** adaptation policies, cash transfers are easier to implement, easier to scale up and more likely to be understood and accepted at the local level.
- **The adaptation community** must build links with civil society to push cash transfers up the political agenda.
- **More research is needed** on how cash transfers work in areas affected by climate change and how they interact with other adaptation policies.

The adaptation challenge

The international community is agreed on the need to support developing countries to adapt to climate change. Developed nations have promised US$100 billion every year for the task, some of which will be transferred through the recently established Green Climate Fund.

But ensuring that adaptation is effective, and that it helps the poorest, is a daunting challenge. The effects of climate change at the local level are both complex and highly uncertain.[1] For example, researchers know that Ethiopia is likely to be heavily affected by climate change, but they cannot accurately predict exactly how rainfall patterns will change or what the impacts on local crop yields will be.[2]

How climate change will impact individual households also depends on social and economic issues. For example, the effects of shocks such as droughts are far worse if people cannot afford to buy food at local markets.

And those people most vulnerable to climate change impacts are usually the poorest, who often face more immediate problems, such as insufficient incomes, poor nutrition and limited access to education. They may be reluctant to shift their focus away from these concerns to tackle what are often longer-term problems

Jargon buster

To adapt to climate change, people need a certain amount of assets and resources, which are known as adaptive capacity. This capacity is made up of:[4]

- the asset base, which includes human, social and financial capital;
- institutions and entitlements for accessing resources and decision-making;
- knowledge of, and information on, climate-related issues;
- innovation, for example new technologies to respond to climate change; and
- effective decision-making and governance, including coping with changing circumstances.

Social protection principally contributes to the asset base, especially financial and human capital, which are often prerequisites for meeting other indicators.

Cash transfers represent a win-win use of adaptation finance

associated with climate change. Many may not consider climate change to be their main threat.[3] The poor also often lack the combined assets and resources — adaptive capacity — needed to adapt to climate change (see Jargon buster).

If adaptation finance is to be effective and to benefit the poor, it must be able to guarantee a positive impact regardless of climate patterns, and it must tackle the many causes of vulnerability.

What cash transfers can do

Cash transfers (sometimes known as social transfers) have become increasingly accepted in the social protection field as one of the most efficient ways of helping the poor achieve better nutrition and education, and more secure incomes and livelihoods.[5]

They are implemented in different ways and while some are specifically targeted at the poorest members of society, others are made available to a much broader section of the population. Many programmes in Latin America distribute cash on the condition that children enrol in school or that people attend health clinics. But governments in Southern Africa give out child benefit grants and non-contributory pensions without any conditions (see Social protection in South Africa).

Although no fieldwork has been done to assess the impacts of cash transfers on adaptive capacity or adaptation, there is a lot of evidence about their contributions to social protection goals, many of which overlap with adaptive capacity (see Figure).

Social protection in South Africa

South Africa has developed an extensive system of social protection in its post-Apartheid era. Rather than being designed simply as a technocratic response to poverty alleviation, these grants have been driven largely by political concerns, and are guaranteed in the country's constitution. Key components include a child support grant, an older person's grant and a disability grant.

No studies have yet been done on the role of these cash transfers in adaptation. But there is substantial evidence that the grants significantly contribute to adaptive capacity by boosting nutrition, income, education and livelihood security.

Children who receive the child's income grant are less likely to go hungry[6] and are taller than non-recipients.[7] The height gains alone translate into higher lifetime earnings of 160–230 per cent.[7] The grants have also increased school enrolment, even though it is not a condition of receiving them.

A significant portion of the grants is invested in productive activities or house improvements, used to subsidise the costs of jobseeking, or put into savings accounts. Even though there are frequent accusations that the grants encourage a 'culture of dependency', higher teenage fertility rates or 'inappropriate' expenditure, evidence suggests that these effects are trivial at the aggregate level.[8]

Meeting existing needs. The poor must be able to meet their basic needs before they will even begin to think about adapting to climate change. We know that cash transfers can help at the household level. In Mexico, children who benefit from cash transfers have been shown to eat better than non-recipients.[9] Eating better as a child leads to greater cognitive development, often resulting in higher long-term labour productivity and earnings.[10]

Coping with shocks. When climate-related shocks such as floods or droughts happen, having a steady income can reduce the impact on livelihoods. In East Africa, families that can draw on money from remittances or wage labour tend to fare better and recover more effectively from droughts.[11] But there are gross inequalities in access to such income. Redistributing national and global wealth in the form of cash transfers may be an effective tool for redressing the balance and helping the poor to respond to climate-related shocks.

The international relief community has already recognised the value of cash transfers in this context, in particular after natural disasters such as earthquakes or hurricanes. But limiting their use to the aftermath of extreme events is insufficient. Climate change will bring many slow-onset impacts — from spreading deserts to rising sea levels — that are neither immediate enough nor extreme enough to catch the attention of international aid organisations. Social policy measures must be in place long before climate-related events become 'disastrous'.

Reducing pressure to engage in damaging coping strategies. Not only is climate change likely to affect the poor directly, it could also force them into survival strategies that reduce their long-term wellbeing and ability to adapt to climate change.[12] Such strategies include making children work, getting into debt or eating less. Cash transfers can alleviate the pressure to engage in such strategies during times of stress — in a project in Malawi, for example, recipients of food and cash transfers were far less likely to sell productive assets or take out loans during the 2006 'hungry season'.[13]

Facilitating innovation. For people to improve their lives and adapt to changes in the climate, they must be able to innovate, for example by experimenting with new crops or searching for a new job. But the poor's ability to innovate is often limited by their vulnerability — an innovation that doesn't work can carry high risks that a poor household can ill-afford. For this reason, poor people often adopt risk-averse livelihood strategies, such as planting a wide range of crops instead of focusing on the most profitable. Such strategies may be less risky, but they can also hinder adaptive capacity development if they come at the expense of building up assets in the long term. Cash transfers provide a safety net that gives poor people more space to innovate and experiment, contributing to new investments and economic migration and improving the capacity to adapt to changes in the climate.

Supporting productive investment. Beyond meeting basic needs, there is evidence that some of the money provided by cash transfers is often used for productive investment. For example, in Paraguay, recipients in rural areas spent 45–50 per cent more on production than non-beneficiaries.[14] And such investments have been shown to create long-term wealth in Mexico.[15]

The most common investment is human capital, via education. This is perhaps not surprising for the many Latin American schemes that impose school attendance as a condition for receiving money. But there is also evidence that cash transfers increase school enrolment in the absence of such conditions.[16] Better education increases the resources and options with which the poor can cope with climate change.

Facilitating mobility and livelihood transitions. By subsidising the costs and providing a safety net in case the migrant is unsuccessful, cash transfers have been shown to facilitate migration in Mexico and South Africa.[17,18] This is important because migrating can be a very effective way of reducing a poor household's exposure to climate change impacts while at the same time increasing incomes and access to more resources to adapt. Indeed, for some people whose livelihoods are made unviable by climate change, there may be little choice but to migrate.[19]

What they can't do

Despite their benefits, cash transfers alone cannot guarantee effective and equitable adaptation. While they may increase the options available to the poor within a particular context, they do not change that context. Neither do they contribute to many of the public goods that underpin successful adaptation, such as strong governance, infrastructure development or ecosystem protection. Policymakers will still need to create the broader environment within which the poor can actively improve their livelihoods and adaptive capacity.

At the same time, although cash transfers do not directly contribute to many adaptation needs, they may contribute to them indirectly. Although speculative, it is possible that better fed, educated people with a degree of livelihood security will be more able and willing to participate effectively in local decisions or use climate-related information.

Why cash transfers will work

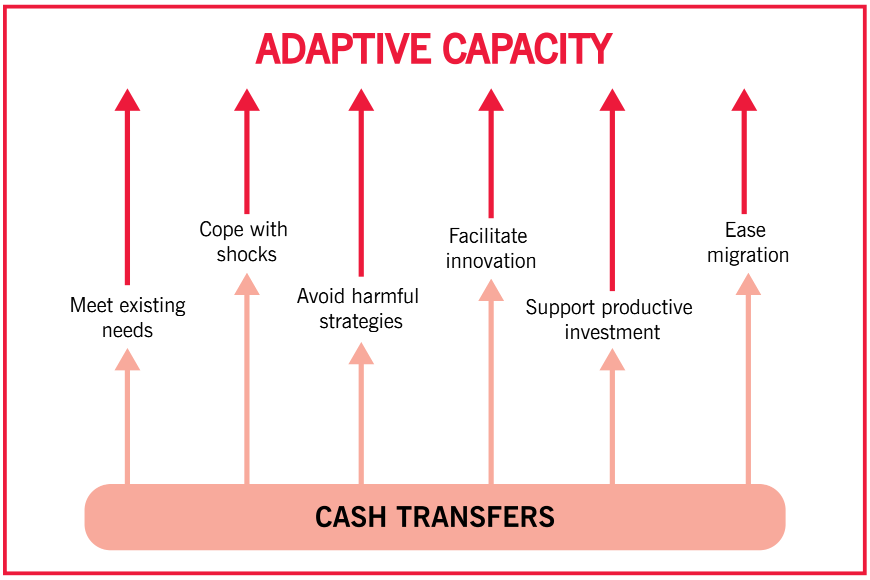
It is not only because cash transfers can lay the ground for improved adaptive capacity that they should be incorporated into the adaptation policy toolkit. They also have a proven track record, are generally well received, can be implemented at large scales and give decision-making power to those people that can make the most difference on the ground.

Evidence-based. Unlike many other adaptation policies — such as dams or irrigation projects — cash transfers do not need accurate climate data to be effective. And they are already proven to deliver the pre-requisites for effective adaptation, namely helping the poor meet basic needs and increasing their wellbeing.

Local acceptance. Cash transfers respond to many causes of vulnerability. In particular, they do not require poor people to overlook immediate priorities for the sake of adapting to long-term changes. As such, they are likely to face few problems in being understood and accepted at the local level.

Implementation and scalability. Implementing and scaling up cash transfers in some of the world's least

Figure. How cash transfers can build adaptive capacity



Civil society and cash transfers

Implementing cash transfers is an inherently political process, and programmes have been most successful where they have also been politically attractive — many have been designed to address political concerns, rather than to reduce poverty.[8]

Civil society is a key actor in shaping political context and, by mobilising, can push cash transfers up the political agenda. This was crucial in South Africa, where a broad coalition of civil society movements successfully pressurised the government into making good on its promises of social justice. Although many of the post-Apartheid entitlements were guaranteed in the country's constitution, it was the actions of trade unions, rights-based nongovernmental organisations and community and religious organisations that actually convinced the government to expand and effectively implement them.

These actions included advocacy and media campaigns, street protests, strikes and even court cases.[19]

If the adaptation community is serious about building long-term adaptive capacity, it must build links with those civil society organisations that support cash transfer programmes and other forms of social protection.

developed countries faces huge challenges — not least the political one of convincing often reluctant governments that such programmes are valuable. Civil society organisations can help (see Civil society and cash transfers). Where political will does exist, cash transfers have reached large sections of the population, most notably in Southern Africa. By contrast, project based approaches, which have often been the focus of the adaptation community, can struggle to ensure that benefits reach the wider population.

Ownership of adaptation. Perhaps the strongest case to be made for cash transfers is an ethical one. Although it is still young, the adaptation field has already become heavily influenced by pre-existing agendas and subjectivities, such as advocating large-scale dams, which can end up increasing the vulnerability of the poor. Poor people in developing countries have contributed the least to climate change and yet will suffer the most. They are also the people that will be responsible for making adaptation work on the ground. There is a strong case for giving these local people control over how the money available is spent. Even if these people have never heard of climate change, they are still likely to have far greater knowledge than 'experts' when it comes to making decisions about their own lives, problems and aspirations.

The way forward

Cash transfers should be considered as a viable adaptation policy and, when appropriate, should benefit from adaptation finance. For many of the least-developed countries — which are not only the most vulnerable to climate change impacts but also stand in greatest need of social protection programmes — cash transfers represent a win-win use of adaptation finance.

But unless programmes are fully supported by national governments, they are unlikely to have lasting benefits.[20] The adaptation community needs to broaden its methods of engagement. More specifically, this should include linking to civil society organisations involved in social protection.

Finally, while there is strong evidence that cash transfers contribute to generic indicators of adaptive capacity, we still need a better understanding of their use and impact in areas under climate-related stress, and of their interactions with other development and adaptation policies. Understanding these links should be a key goal of the research community.

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Notes

■ [1] For a discussion of uncertainty see Ensor, J., Berger, R. 2009. *Understanding Climate Change Adaptation: Lessons from community-based approaches*, Practical Action Publishing, Warwickshire. ■ [2] Conway, D., Schipper, E.L. 2011. Adaptation to climate change in Africa: challenges and opportunities identified from Ethiopia. *Global Environmental Change* 21(1) 227–237. ■ [3] For an example of a vulnerable community that has not considered climate-related phenomena to be a main priority, see Warrick, O. 2009. Ethics and methods in research for community-based adaptation: reflections from rural Vanuatu. In: Reid, H. *et al.* (eds). *PLA 60: Community-based adaptation to climate change.* IIED, London. ■ [4] Africa Climate Change Resilience Alliance (ACCRA). 2010. *Consultation Document: the ACCRA Adaptive Capacity Framework*. ACCRA. ■ [5] Hanlon, J., Barrientos, A., Hulme, D. 2010. *Just Give Money to the Poor: The development revolution from the Global South.* Kumarian Press, Virginia. ■ [6] Samson, M. *et al.* In press. Impacts of South Africa's Child Support Grant. In: Handa, S., Devereux, S., Webb, D. (eds) *Social Protection for Africa's Children.* Routledge, London. ■ [7] Agüero, J., Carter, M., Woolard, I. 2006. *The Impact of Unconditional Cash Transfers on Nutrition: The South African Child Support Grant.* International Poverty Centre, Brazil. ■ [8] Devereux, S. 2010. *Building Social Protection Systems in Southern Africa. European report on development.* Institute of Development Studies, Brighton. ■ [9] Gertler, P., Fernald, L. C. 2005. Impacto de mediano plazo del Programa Oportunidades sobre el desarrollo infantil en áreas rurales. In: Hernandez Prado, B., Hernández Avila, M. (eds) *Evaluación Externa de Impacto del Programa Oportunidades 2004: Alimentación.* Vol. 3. Instituto Nacional de Salud Pública, Cuernavaca. ■ [10] Parker, S., Behrman, J.R. 2008. Seguimiento de adultos jóvenes en hogares incorporados desde 1998 a Oportunidades: impactos en educación y pruebas de desempeño. In: Secretaria de Desarrollo Social (ed.) *Evaluación externa del Programa Oportunidades 2008. A diez años de intervención en zonas rurales (1997-2007).* Coordinación Nacional del Programa de Desarrollo Humano Oportunidades, Mexico City. ■ [11] Eriksen, S.H., Brown, K., Kelly, P.M. 2005. The dynamics of vulnerability: locating coping strategies in Kenya and Tanzania. *The Geographical Journal* 171(4) 287–305. ■ [12] Heltberg, R., Jørgensen, S.L., Siegel, P.B. 2008. *Climate Change Challenges for Social Protection in Africa.* World Bank, Washington DC. ■ [13] Devereux, S., Mvula, P., Solomon, C. 2006. *After the FACT: An evaluation of Concern Worldwide's food and cash transfers project in three districts in Malawi.* Institute of Development Studies, Brighton. ■ [14] Soares, F.V., Ribas, R.P., Hirata, G.I. 2008. *Achievements and Shortfalls of Conditional Cash Transfers: Impact evaluation of Paraguay's Tekoporã programme.* International Poverty Centre, Brazil. ■ [15] Gertler, P., Martinez, S., Rubio-Codina, M. 2005. *Investing Cash Transfers to Raise Long Term Living Standards.* World Bank, Washington DC ■ [16] Neves, D. *et al.* 2009. *The Use and Effectiveness of Social Grants in South Africa, PLAAS and EPRI.* Finmark Trust, South Africa. ■ [17] See Ardlington, C., Case, A., Hosegood, V. 2007. *Labour Supply Responses to Large Social Transfers: Longitudinal evidence from South Africa*. National Bureau of Economic Research, Cambridge, Massachusetts; ■ [18] See Azuara, O. 2009. *Does Poverty Alleviation Increase Migration? Evidence from Mexico.* University of Chicago. ■ [19] Tacoli, C. 2009. Crisis or adaptation? Migration and climate change in a context of high mobility. *Environment and Urbanization* 21(2) 513–525 ■ [20] Devereux, S., White, P., 2010. Social Protection in Africa: Evidence, politics and rights. *Poverty and Public Policy* 2(3) 5.

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