The Minimum Income For School Attendance (MISA) Initiative

Achieving International Development Goals In African Least Developed Countries

ILO/UNCTAD Advisory Group

Geneva, May 2001

The Minimum Income For School Attendance (MISA) Initiative

Achieving International Development Goals in African Least Developed Countries

Report of the Advisory Group on the desirability and feasibility of extending minimum income schemes conditional on school attendance to African least developed countries

Members of the ILO/UNCTAD Advisory Group

Core Group

Lena Lavinas, Senior Economist at the InFocus Programme on Socio-Economic Security, ILO.

José Figueiredo, Senior Economist at the InFocus Programme on Socio-Economic Security, ILO.

Charles Gore, Senior Economic Affairs Officer, Office of the Special Coordinator for the Least Developed Countries, UNCTAD.

Members

Buckland P., Senior Education Advisor, UNICEF, New York, USA.

Colclough C., Professorial Fellow, Institute of Development Studies, University of Sussex, UK.

Diagne A., Director, Centre de Recherches Economiques Appliquées (CREA), Dakar, Senegal.

Guth S., Professor of Sociology, University Marc Bloch, Strasbourg, France.

Mannathoko C., Regional Education Advisor, UNICEF, Kenya.

Sedlaceck G., Senior HD Economist, World Bank, Washington, USA.

Semboja J., Executive Director, Research on Poverty Alleviation (REPOA), Tanzania.

Tourinho O., Deputy Director, Institute of Research in Applied Economics (IPEA), Rio de Janeiro, Brazil.

Juvane V., Planning Director, Ministry of Education, Maputo, Mozambique.

Wuyts M., Professor of Quantitative Economics, Institute of Social Studies, The Hague, The Netherlands.

Contents

List of Abbreviations vii

Foreword ix

Executive summary xi

Introduction 1

Chapter 1 Some Latin American antecedents 3

1.1 The Brazilian experiment: the *Bolsa-Escola* Programme 3
1.2 *Progresa*: the Mexican three dimensional programme 5

Chapter 2 Generic features of MISA programmes: a summary 8

Chapter 3 The justification for MISA in African LDCs 11

3.1 The challenge of Schooling for All (SFA) 12
3.2 Compensating schooling costs 15
3.3 Income supplements 17
3.4 Wider short-term poverty impacts of MISA transfers 18

Chapter 4 The education cash grant: value and targeting 22

4.1 Cash grant for education 22
4.2 Issues pertaining to the value of the education grant 23
4.3 Issues pertaining to targeting 24

Chapter 5 Cost simulations for alternative MISA programmes 27

5.1 MISA BB: a bare-bones programme 28
5.2 Impact of MISA BB on poverty reduction 31
5.3 MISA E: an economical programme 38
5.4 MISA F: a full programme 40
5.5 Summary of MISA simulations 42

Chapter 6 Financing MISA programmes 45

6.1 The potential for domestic financing of MISA programmes 45
6.2 Debt relief as a source of finance for MISA programmes 46
6.3 Foreign aid as a source of finance for MISA programmes 49

Chapter 7 Some implementation options 53

7.1 Some implementation principles 53
7.2 Levels of implementation 54
7.3 Implementation functions 55
7.4 Implementation options 57

References 60

Appendices 62

Appendix 1. Illustrative examples 62
Appendix 2. Pilot programme proposal 68

List of Tables

Table 1a Progress of African least developed countries in meeting selected international development targets in the education sector: Universal primary education by 2015 13

Table 1b Progress of African Least Developed Countries in meeting selected international development targets in the education sector: Gender equality by 2005 14

Table 2 Estimated private costs of primary schooling in anglophone African LDCs 23

Table 3 Estimates of the cost of MISA BB Programme for African LDCs 30

Table 4 Comparison of methodologies for the calculation of the poverty gap 32

Table 5 Estimates of the direct impact of MISA BB for African LDCs on poverty, using PPP US$ incomes 34

Table 7 Estimates of the direct impact of MISA E Programme for African LDCs on poverty 39

Table 8 Estimates of the direct impact of MISA F Programme for African LDCs on poverty 41

Table 9 Impact of MISA programmes for African LDCs on the number of poor 42

Table 10 Summary of MISA programme scenarios 43

Table 11 Debt and debt service payments in African LDCs, 1997 and 1998 47

Table 12 Debt repayments and spending on health and primary education (in US$ million) 49

Table 13 Net ODA and net ODA per capita in African LDCs, 1995 and 1999[1] 51

List of Graphs

Graph 1 Generic features of MISA programmes 10

Graph 2 Implementation matrix 55

List of Boxes

Box 1 Ability of a typical (poor) parent versus the cost of primary education in Tanzania 16

Box 2 Examples of vulnerable groups requiring targeting in Tanzania 26

List of Abbreviations

ADEA	Association for the Development of Education in Africa
ESAF	Extended Structural Adjustment Facility
FAWE	Forum of African Women Educationalists
GER	Gross Enrolment Ratio
HIPC	Highly Indebted Poor Countries
IDA	International Development Association
IDTs	International Development Targets
IFIs	International Financial Institutions
ILO	International Labour Office
IPEA	Institute of Research in Applied Economics
LDCs	Least Developed Countries
NER	Net Enrolment Ratio
ODA	Official Development Assistance
PPP	Purchasing Power Parity
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SFA	Schooling For All
SWAps	Sector-Wide Approaches
UNCTAD	United Nations Conference for Trade and Development

Foreword

In recent years, several Latin American countries have followed the pioneering example of Brazil's *Bolsa-Escola* programme and developed minimum income support schemes linked to school attendance by the children of recipient households. Although taking a variety of forms in the numerous cities where they have been introduced, these schemes have become increasingly popular, and have excited interest from various other parts of the world.

Detailed empirical evaluations, some carried out within the ILO, have shown they can have a series of positive results that make them into a real "win-win" type of policy. In addition to being an effective way of reducing poverty and enabling the children of poor and vulnerable households to attend school, they also assist poor families to develop a more effective work-oriented lifestyle. Most notably, they enable women, the primary recipients, to increase their labour force participation, while reducing the incidence of child labour. In short, these programmes offer an approach to promote the economic opportunity, to facilitate the empowerment, and to enhance the security and dignity of poor households at one and the same time.

Within the context of preparations for the Third United Nations Conference on the Least Developed Countries, the ILO and UNCTAD established an Advisory Group to examine the desirability and feasibility of introducing similar schemes within African least developed countries (LDCs). It is clear that there is a need for innovative policy ideas in this context and this approach could be a valuable part of the international community's response to African poverty and economic insecurity.

The Advisory Group brought together distinguished specialists from Africa, Latin America and elsewhere. It is fully recognized that there are economic, structural and social differences between African LDCs and Latin America. Perhaps the most notable differences of relevance are that the African LDCs are far more rural, and with very low income levels, domestic resource mobilization is, for the moment at least, tightly constrained. Many African LDCs are also blighted by the terrible tragedy of AIDS, which is having corrosive effects on household and family structures, as well as on the education system. Nevertheless, the ILO-UNCTAD Advisory Group believe that such schemes - which we are calling MISA (Minimum Income conditional on School Attendance) schemes - could have strong positive effects in these countries and are financially feasible.

It is important that the implementation of MISA programmes be carefully adapted to national circumstances and priorities. Accordingly, we would like to propose that a pilot test, or several pilots, should be launched, with the backing of a donor country or multi-donor fund, so that in one or more African least developed countries which express interest, the MISA approach could be introduced, monitored and evaluated during the next three years.

The sooner such an initiative can be launched, the better. It is something practical, feasible and desperately needed. It is an example of inter-agency cooperation and inter-regional exchange of experience oriented to the reduction of poverty, misery, economic insecurity, child labour and women's low economic status. It can be an integral element of poverty reduction strategies and part of a practical partnership to achieve international development goals. Let us do it!

Rubens Ricupero
Secretary-General
UNCTAD

Juan Somavia
Director-General
ILO

Executive summary

In some Latin American countries, an innovative approach has been introduced to reduce poverty, to enhance the human capital of the poor and to combat child labour. The approach involves providing a minimum income to the poorest and most vulnerable families, conditional on regular school attendance by all their children of school going-age. This Report is the product of an Advisory Group, brought together by ILO and UNCTAD, to discuss the desirability and feasibility of applying this approach in African least developed countries.

The Report argues that there is a strong justification for applying the MISA approach in African least developed countries in order to achieve both education and poverty reduction objectives.

Most African LDCs are currently off target in terms of the achievement of international development goals in the field of education. MISA is a necessary, though not sufficient, part of a strategy to achieve gender equality in education by 2005, and universal primary education by 2015 in African LDCs. Direct private costs of school attendance for a sample of African LDCs were, on average, slightly more than twice the level of public recurrent expenditures per pupil in the 1990s. Moreover, households sending their children to school have to bear significant opportunity costs, in terms of the income foregone arising from the reduced availability of child labour. These can be estimated as about 35 per cent of average rural incomes and are generally more than twice the level of public recurrent expenditure per pupil in African LDCs. Poor households are not sending their children to school as they cannot meet these costs. Measures are required to reduce the costs of educating children to poor households to ensure that the benefits of necessary supply-side policies to improve education reach the poor, and thus to achieve Schooling for All.

The cash grant compensates the family for the direct and opportunity cost to the family of sending the children to school, and thus increases school enrolment and attendance. The demand for education created by the cash grant can also generate an improvement of the quality of education and may lead to lower repetition rates. It is also an empowerment mechanism for the poor families to the extent that it improves their participation in the educational system.

MISA programmes not only support the achievement of educational objectives, but also can make a major contribution to poverty reduction. They contribute to poverty reduction through: (i) the immediate poverty-alleviating effect on the household budget; (ii) the long-term effect on building up the assets of poor households in terms of human capital, which is important for both poverty reduction and growth enhancement; and (iii) the wider short-term poverty reduction effects of the cash transfer which occur through the direct effects of the income and security provided by the cash transfer, the multiplier effects of the cash injection on the local community, changes in the sense of citizenship of poor and excluded groups, increased social policy coordination and enhanced gender balance. The last effect occurs when mothers are the recipients of the cash transfers.

MISA programmes give poor and vulnerable households more room for manoeuvre in their livelihood strategies. They help to prevent households and communities from becoming enmeshed in clientelistic and paternalistic practices, strengthening their autonomy. The poor are usually excluded from formal credit and insurance markets and informal safety nets are imperfect, particularly in the face of common risks. Moreover the poor can face labour market exclusion owing to malnutrition. In this situation, the MISA approach can enable household members to get out of counter-productive risk-management strategies which lock them into low-risk/low return activities, diminish specialization and lower the degree of marketization of the economy.

In short, MISA programmes offer an approach to promote the economic opportunity, to facilitate the empowerment, and to enhance the security and dignity of poor households at one and the same time. As such, they provide a powerful and innovative approach which can be integrated within poverty reduction strategies to help achieve their goals.

The cost of implementing a MISA programme in an African LDC will depend on the design chosen and scope. For a "bare-bones" programme, which merely seeks to close the gap between the gross enrolment rate and the net enrolment rate, the total costs per country are generally under US dollars 50 million per year, and for 14 out of a set of 22 LDCs the annual costs are under US dollars 30 million. For a larger programme which takes more explicitly into consideration the poverty reduction objective by targeting a substantial decrease in the percentage of the population living below the poverty line in the short run, the total costs per country are necessarily higher. For 7 out of the 22 LDCs, the annual costs are under US dollars 50 million per year, and for further 6, they range between US dollars 50-100 million per year. The improvement to household budgets which results from the cash transfer associated with this expenditure can be expected to reduce the average incidence of poverty in the set of 22 African LDCs significantly. Another potential benefit of the fuller programme would be to keep in primary school almost 10 million students who are currently dropping out.

Given present constraints on domestic financing, MISA programmes must largely be funded, at least in the initial stages, through international sources of finance. Debt relief offers one possible source, but the enhanced HIPC initiative opens up insufficient fiscal space to provide a viable source of finance. Thus MISA programmes must largely be funded by international aid, probably through a multi-donor funding process. International social funds to support Africa are currently being proposed and MISA programmes could fit logically within this framework.

The implementation of MISA programmes needs to be carefully tailored to local circumstances and to respect local priorities. MISA programmes can contribute to capacity-building and strengthen institutional frameworks in an innovative way in African LDCs. Attention to these potentials should be part of the programme design, including through learning and information-sharing between developing countries and regions. In order to be successful and effective, the MISA initiative requires policy coherence among sectors and joint efforts at the national and international levels.

MISA is not meant to be considered in isolation, or as a stand-alone solution to poverty and education problems, or to either of them. Rather, it should be seen in the context of the existing development and poverty eradication strategies of the country. In this sense, it should be integrated with the PRSPs and be seen as a complementary

strategy to the full achievement of the Schooling for All action plans, launched in 2000 for Africa. Other initiatives that cross cut the issues addressed by MISA on a wide basis would benefit from linking up with this proposal.

It would be worthwhile to initiate a pilot project in selected African LDCs to examine benefits, trade-offs, costs and implementation options in practice. A proposal for doing this in three African LDCs over the next three years would cost about US$3 million. This would be coordinated by the executive agencies - ILO and UNCTAD - with possible involvement of other specialized UN agencies.

Introduction

Economic growth in the least developed countries (LDCs) as a whole was faster in the 1990s than in the 1980s. But real GDP *per capita* in the LDCs grew at only 0.9 per cent during 1990-98, and excluding Bangladesh, at only 0.4 per cent. Thirty-two LDCs, including most of those in Africa, have either relatively fallen behind the other developing countries in terms of *per capita* income, or have experienced absolute deterioration in living standards, during 1990-98. Twenty-two LDCs have been stagnant or in economic regress during the same period, and in eleven of these, all of which have experienced serious armed conflicts and internal instability during the 1990s, real GDP *per capita* has been declining by over 3 per cent per annum over this period.

Data on poverty are patchy, but available statistics show that about 75 per cent of the population of the LDCs live on less than $2 per day. Economic growth over the 1990s has been too slow in most LDCs to make a significant dent in high rates of poverty.

The LDCs have undoubtedly made some progress in a number of social indicators during the past two decades. But on average the gap between the LDCs and other developing countries has grown apace. Primary school enrolment remains very low. The gender gap in education in LDCs is much greater than that in other developing country groups, and the difference seems to have widened substantially during the last two decades.

It is evident that national policies and international support for them will have to be much more effective over the next ten years. Most least developed countries are currently engaged in preparing Poverty Reduction Strategy Papers (PRSPs). These have a strategic framework of three years. The policies within them, and the international support which they receive, are vital to the achievement of international development goals.

This report is a contribution to international and national policy efforts to reduce poverty and to achieve other international development goals within the framework of PRSPs. It examines an approach which can simultaneously contribute to the following targets:

- Reducing the incidence of poverty by half by 2015
- Achieving universal primary education by 2015
- Eliminating the gender gap in education by 2005

The approach involves the application of a specific instrument - the provision of cash transfers (minimum income) to poor and vulnerable families, conditional on their children attending school - with a view to achieving both education and poverty reduction objectives. This approach has been successfully applied in a number of Latin American countries. The purpose of the present report is to address issues concerning the costs, benefits, trade-offs and institutional options in implementing the approach in poorer countries. Specifically, it assesses the desirability and feasibility of the approach in African LDCs.

Drawing in particular on the very successful experience of the *Bolsa-Escola* scheme in Brazil, the report seeks to extract the generic features of the MISA approach and to consider how these can be adapted to the realities, and fit into the priorities, of African LDCs. Topics addressed include: the lessons of the Latin American experience (chapter 1); generic features of the MISA approach (chapter 2); the justification for the approach within the context of African LDCs and in relation to poverty reduction strategy paper (PRSP) targets and the achievement of international development goals (chapter 3); issues related to the value of the education cash grant and the groups towards which it should be targeted (chapter 4); simulations of the total costs and benefits of implementing alternative MISA programmes in African LDCs (chapter 5); possible financing sources (chapter 6); and finally, various implementation principles and options (chapter 7). Appendix 1 presents illustrative examples of the MISA approach in three African LDCs: Mozambique, Senegal and Tanzania.

The report is intended as a resource for those who wish to consider the application in the LDCs of schemes which have been elaborated in more advanced developing countries. In short, it addresses the what, why, who, how, and how much of MISA programmes. It also provides a basis for elaborating a multi-country programme, which can test and refine the approach on a pilot basis in a number of African LDCs. Appendix 2 presents a programme proposal.

This programme proposal consists of a pilot scheme, to be implemented in at least three African LDCs over the next three years, to examine benefits, trade-offs, costs and implementation options in practice. The outcome of the project will be to provide information on how the MISA approach can contribute to poverty reduction and educational goals of the LDCs. The pilot programme can also demonstrate how the approach can be applied on a wider scale both within the countries concerned and in other LDCs, over the ten-year period of the Global Programme of Action for LDCs which will be finalized at the Third United Nations Conference on Least Developed Countries, in Bruxelles, to be held on May 14-20, 2001.

Chapter 1

Some Latin American antecedents

Poverty and social exclusion are a widespread and profound problem of global proportions (UNCTAD, 2000 and World Bank, 2000). To alleviate the plight of the immense contingent of poor, several initiatives to extend and improve social protection in these countries have surfaced, some of which are inspired by the concept of guaranteed income. Minimum income programmes which may be tied to school attendance by poor children of school age are particularly attractive because in addition to reducing poverty they increase educational attainment and contribute to the elimination of child labour.

Several Latin American countries, like Brazil and Mexico, have been pioneers in extending minimum income support schemes in a developing country context.

1.1 The Brazilian experiment: the *Bolsa-Escola* Programme

The format of a guaranteed minimum income tied to compulsory school attendance was initially implemented successfully in Brasilia, Brazil Federal District, in 1994. This programme covered 26,000 families, some 80 per cent[1] of the potential target public, calculated according to the poverty line of one half the minimum wage *per capita* (US$38). For the first time in Brazil, a social programme had reached the scale and coverage needed to generate a real impact on the poor population historically overlooked by public policies. The monthly allowance of one minimum wage (R$130 or US$76), a direct monetary income transfer and a high figure according to Brazil's social assistance policy standards (traditionally based on in-kind distribution of foodstuffs and patronizing "protection"), made it possible to retrieve ten thousand families from acute poverty, helped target social spending on measures to combat poverty (Lavinas, 1998), expanding their redistributive impact (between 1995 and 1997, the *per capita* amount increased from R$113 or US$78 to R$279 or US$168, whilst *per capita* social spending remained around R$450, or U$$ 281), reduced the school drop-out rate to zero among pupils receiving the school grant, and reduced their repetition rate to below the average for the national capital as a whole. All of this was achieved with less than 1 per cent of the Federal District's annual budget allocation (Lavinas, 2001).

In view of the highly satisfactory results and low operational cost, and in the absence of negative trade-offs that often have an adverse effect on the efficiency of social programme, the Federal District's *Bolsa-Escola* or School Grant Programme has become something of a model in Brazil.

[1] This high degree of coverage is due to the fact that eligibility criteria for the Programme excluded families who had lived in Brasília for less than five years, as a way of avoiding "importing poverty" from neighbouring municipalities.

Currently, one hundred municipalities have replicated this decentralized approach.[2] One of them is Recife, capital of the state of Pernambuco, in Northeast Brazil, where poverty indexes are among the highest in the country. The Programme, designed similarly to the one applied in Brasilia, was launched in 1997 and served up to 2000 some 1,600 poor families. Its target group was defined as families with a monthly *per capita* income less than one-third the minimum wage (R$40 or US$24 at the time the Programme was established) and with children of primary school age (7-14 years). The family also had to have resided in Recife for at least five years. In addition to the above criteria, priority was given to families with children not enrolled in school because they had to work, with malnourished children monitored by the public health system, with children under so-called social protection measures (Article 101 of the Statute for Children and Adolescents), or with adolescents subject to socio-educational measures (Article 124 of the Statute). Likewise, preference was given to families with more dependants, elderly members, or disabled members who were incapable of providing for themselves, and where the head of the household was a woman or one of the grandparents.

The monthly stipend amount was calculated on the basis of the number of children. One-half the minimum wage was provided to families with only one school-age child, and one minimum wage[3] to families with two or more children enrolled in and attending school. Payment of the school grant was suspended when attendance dropped below 90 per cent by one or more of the children. If attendance returned to normal, payment of the stipend was resumed.[4] Payment was always made in the mother's name, in both female single-parent and nuclear families, as a way of ensuring a more efficient allocation of this resource.

Funds allocated to the Programme came from the municipal budget. Annual spending on the school grant was estimated at some R$1.7 millions, or US$933,000 in 1999. This represented only 0.3 per cent of total budget spending.

An in-depth evaluation jointly carried out by ILO,[5] Institute of Research in Applied Economics (IPEA) and the World Bank, showed that the *Bolsa-Escola* Programme has contributed to the breakdown of mechanisms which exclude the poorer students.[6] *Bolsa-Escola* commited families to ensuring that their children attend school and, at the same time, obliged the schools to keep on students who would otherwise have been at a high risk of dropping out. Without the Programme, these children would probably have turned to other ways of "getting by in life". Through the Programme, the State guaranteed *de facto* universalization of primary education by deactivating traditional mechanisms of expulsion.

[2] Brazil has some 5,600 municipalities, or counties.

[3] The minimum wage in 1997 (R$120) was the equivalent of approximately US$73 in December 1999.

[4] However, retroactive payments were not made to cover the period during which the child's school attendance was below the required minimum.

[5] Brazil Regional Office and the InFocus Programme on Socio-Economic Security, in Geneva.

[6] Lavinas, L., Barbosa, M.L., Tourinho, O. et al., 2001.

The *Bolsa-Escola* Programme was well received by both teachers and school principals, who considered that the Programme reinforced their work as educators. One major conclusion was that the school institution played a central role in implementing an income transfer policy by making school attendance mandatory. Some schools succeeded in bringing the performance of their poorer students up to that of their classmates who were slightly better off socio-economically. They got also better results from the pupils with school grants than these same pupils would have produced in other schools or with other teachers.

It was also observed that the Programme did not discourage parents from working. On the contrary, non-stipend family income increased significantly during the first year the families were in the Programme, despite the fact that these families were dealing with extremely adverse conditions in accessing the labour market. Over 50 per cent of the adults applying for the stipend and their spouses were illiterate or barely literate, which restricted their chances of competing for work. Despite such disadvantages, the occupation rate increased and the minimum economic security threshold of the beneficiary families improved, within a context of economic recession. Thanks to the monthly stipend, more than two-thirds of the families in the Programme were able to rise above the poverty line and to reduce their degree of vulnerability. Extreme poverty decreased, although it was not totally eliminated.

Finally, the *Bolsa-Escola* Programme also had positive effects on the incidence of child labour, in that *Bolsa-Escola* students tended not to be engaged in paid work.

1.2 *Progresa*: the Mexican three dimensional programme

Mexico has also adopted measures to combat extreme poverty that are similar to a minimum income programme. The benefits paid to families are of two types: educational stipends and food supplement support, and both require that the beneficiaries fulfil several conditions to participate in the programme.

The most important programme is *Progresa*, the national programme of education, health and food, that aims to improve the living standards of 4.7 million poor, predominantly rural families (28 per cent of the population). *Progresa* aims to formulate "an integral response to reverse the privations of the population living in a situation of abject poverty" (ibid, p. 40). The condition required for the grant to be maintained is that children attend at least 85 per cent of the classes given during the school year. It started in 1998, and, to date, has reached 2.6 million families in 2,100 municipalities in the Mexican states (Secretaria del Desarrolo Social, 1999, p. 397). The support is in the form of monthly payments to each child attending the third elementary year to the third secondary school year. This monetary aid for each child is supplemented by a set of actions to support the family in the health and food area.

One of the interesting features of this programme is that the value of the scholarship is raised as the student advances gradually rising from a monthly value of

$8.5 in the first year of elementary school to $32.8 in the last year of secondary school.[7] The purpose of this is to reduce the risk of students dropping out of school as they progress through the grades and as other activities compete with education for their time. The value is also increased by 20-25 per cent for girls enrolled in secondary school to compensate for their higher dropout rate due to the pressure arising from the gender division of work. In Mexico, unlike Brazil, the school performance of girls is lower than that of boys, as a result of sexist discrimination in the family.

The Mexican government estimates that this scholarship raises the household income to more than 15 per cent above the income level that would be reached with child labour.

In addition to this monetary benefit, grantees also receive school material and/or resources to acquire them. A health plan is also part of the programme, aimed at avoiding child malnutrition and promoting preventive health care for children of school age through scheduled health clinic visits for each family. Families with undernourished children from four months to two years of age have preferential treatment in receiving food supplements, as do women with difficult pregnancies. To fight nutrition and encourage a more diversified diet, all poor families in the *Progresa* programme are also provided with a monthly food grant of US$13.14.

The total monthly benefit awarded to each family is however limited to a maximum value of US$80 dollars. Poor families without children or with children outside the selected age group only receive the monthly food grant. The overall average value of the monthly stipend for each family is US$27 dollars. In families that have children of school age, the average grant is US$40 dollars, which corresponds to about 41 per cent of the current minimum wage in Mexico.[8]

Initially, the length of time during which families may remain in *Progresa* is three years, but they may be extended for an additional three years, conditional on a thorough socio-economic assessment.

The federal government, in implementing and financing this programme, depends on the close cooperation of state and municipal governments to develop other programmes that help alleviate poverty and improve the social protection network, such as community kitchens, school lunches, family planning, etc. States and municipalities are responsible for consolidating the basic social infrastructure of their regions. The public services they offer increase as families meet the conditions necessary to remain in the programme. Therefore, the decentralized local expenditure in poverty reduction programme also increases with *Progresa.*

The total cost of *Progresa* in 1999 was US$827 million, of which 38 per cent was spent in payment of scholarships, 53 per cent on food grants, and 8 per cent on health-

[7] Exchange of the average Mexican peso in January 2000 was 9.30 pesos/dollar. Actually this value was lower in the first six months of 1998, respectively 65 pesos (US$7.6) and 225 pesos (US$26.3). The amount mentioned above was the current one for the second half of 1999.

[8] In order to make a comparison, it is worth stressing that the minimum wage in Mexico in December 2000 was 900 pesos or US$ 96.7.

related activities.[9] Its operational cost was estimated at about 4.3 per cent of its budget, which is commendably low, given its broad scope: it reaches three out of four poor families in the rural areas.

The evaluation of the first phase of the programme 1998-1999 indicated that it has attained satisfactory results:

- in health: the yearly number of medical examinations per family increased from 5 to 8.6, the actions in favour of undernourished children increased 30 per cent, and neonatal care increased 16 per cent. Coverage of health services also increased in areas of extreme poverty.

- in education: school enrolment increased, especially in secondary education, by 24 per cent, there was a reduction in child labour, especially in the age group of 12-13 years, and a reduction in school truancy.[10]

- in nutrition: the expenditure on food in the assisted families was 7 per cent higher than in other non-assisted poor families, which indicated an increase in food security, and expenditure on non-food items increased by 5 per cent (on clothing for children, mainly) (Hoddinott and Skoufias, 2000).

- last, but not least, its implementation did not reduce the activity level of adults, showing that the programme does not imply a disincentive to work, an effect which some theoretical analysts suggest could happen.

[9] According to official sources, 80 per cent of all resources allocated in the programme are cash transfers to families and the remaining 20 per cent are in-kind transfers.

[10] One-quarter of all children who used to work and attend school simultaneously left the labour market.

Chapter 2

Generic features of MISA programmes: a summary

Drawing on the Latin American experience, it is possible to identify certain generic features of the MISA programmes.

a) MISA is a cash transfer (minimum income) programme conditional on school attendance, targeted to the poorest and most vulnerable families. The grant is conditional on their school-age children attending school a specified number of days per month. This requirement is important to create the conditions for the broader objective of the programme to be achieved, and to help ration scarce resources.

b) The distinguishing feature of MISA is using the cash transfer instrument to achieve the simultaneous objectives of reducing poverty and improving the educational attainment of children in poor families. There is a strong synergy between them:

- Current poverty affects educational attainment through low enrolment and low performance in school (dropouts and repetition), so poverty alleviation should reduce some of these effects. Both child labour and education are intimately associated with poverty. For many poor families, the only way to achieve a minimum standard of living is to keep their children out of school.

- Education builds up the human capital necessary for growth and poverty reduction in the long term. The focus of MISA is on primary education (compulsory schooling), as it is the first step in this process, and nevertheless universal primary education is still broadly lacking in the countries to which it is directed.

c) The cash grant compensates the family for the direct and opportunity cost of sending their children to school, and can increase school enrolment and attendance. It can also be in excess of this cost, to attain the poverty reduction objective *per se*. Given the fact that these programme have multiple objectives, and the priority ascribed to each is not defined *ex-ante*, the level at which the grant is set indicates the weight attached to each objective by the designers of the scheme.

d) When poverty reduction is assigned a high priority in a MISA programme, one has to be especially careful in establishing the value of the grant. The income distribution of the target population should be taken into consideration. The aim should be to increase *per capita* income to reach the local poverty line, rather than the national or a global one. In this sense then, poverty should be seen in relative terms. Targeting the most vulnerable is therefore necessary.

e) The cash grant will increase the demand for educational services, mainly because school attendance is a condition for receiving it. This implies that the constraints associated with the supply of educational infrastructure must be addressed. Additional improvements to the access and quality of education should be part of the scheme if the system is not adequate to handle either the current demand or the increased demand generated by the conditional cash grant. This supply-side intervention may be crucial to the success of the scheme in many countries.

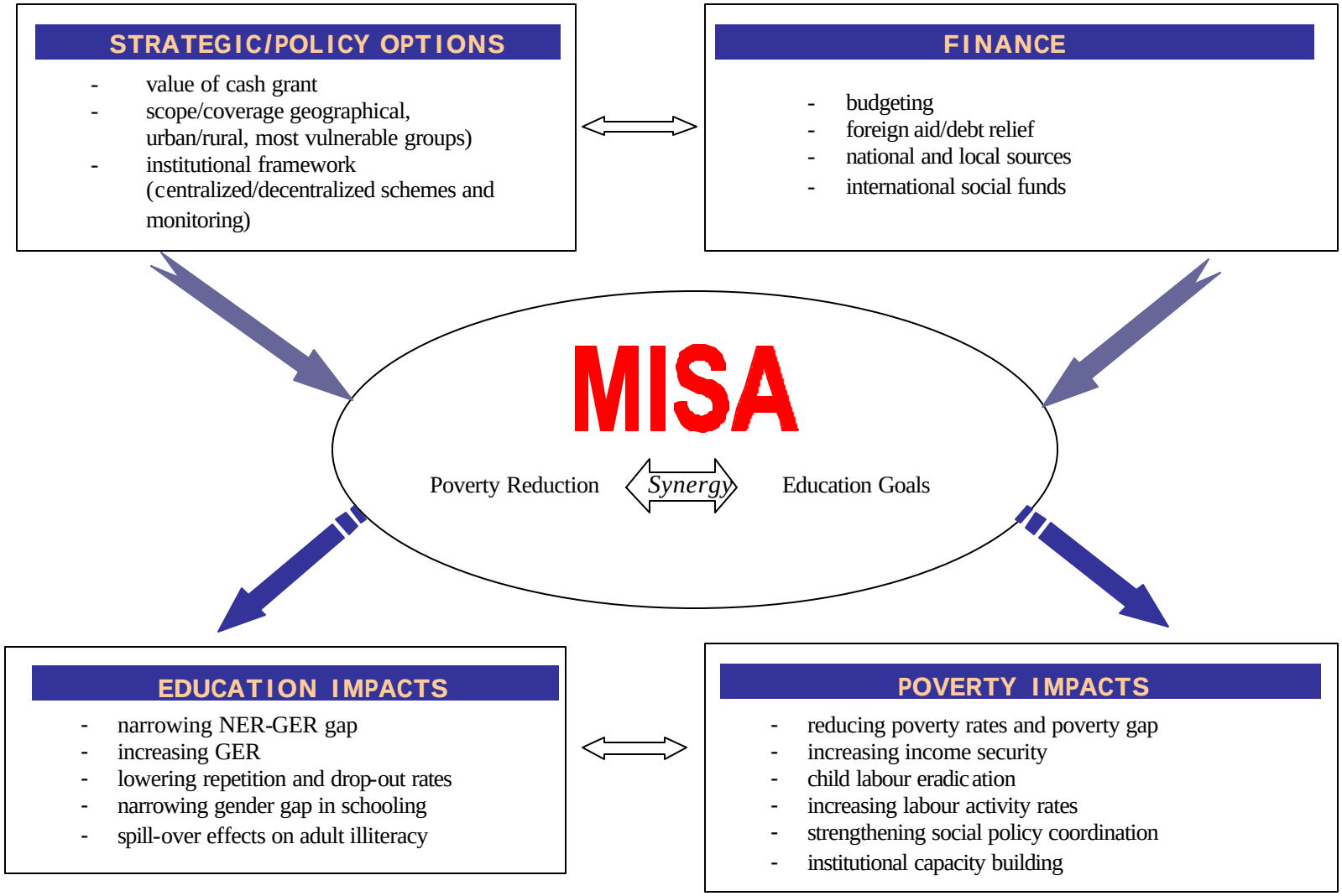
f) An important feature of MISA programmes, which can be derived from the Latin American experience, is that they can have various important multiplier effects. Demand for education created by the cash grant generates an incentive for the improvement of the quality of education. It is also an empowerment mechanism for the beneficiary families to the extent that it improves their participation in the educational system, requesting more slots, and a more useful education. Loosening the income constraint of poor families also provide some flexibility (however small) to the allocation of time by the adults of the family that increases their income earning potential.

g) MISA programmes can also be designed in such a way that some of the cash transfer may be made to institutions in the community, in addition to households. This is meant as a complementary instrument in empowering the community to make the school system more responsive to local needs, and increase efficiency in the allocation of resources to that sector.

h) MISA is not meant to be considered in isolation, or as a stand-alone solution to the poverty and education problems. Rather, it should be seen in the context of the existing development and poverty eradication strategies of the country. In this sense then it should be integrated with the PRSPs and be seen as a complementary strategy. Incomes policies have been neglected up to now as a poverty reduction tool mainly because of the fear that they may become self-perpetuating and not provide a long term answer to the development issue. Here, however, the existence of the education condition is intended to ensure that this is not simply a welfare scheme but a social investment. MISA is a benefit which mitigates current welfare shortfalls whilst expanding future capabilites.

Graph 1 illustrates some of the foregoing features.

Graph 1 Generic features of MISA programmes



Notes: NER – Net enrolment ratio GER – Gross enrolment ratio

Chapter 3

The justification for MISA in African LDCs

According to World Bank estimates, the number of people living on less than $1 a day in Sub-Saharan Africa increased from 217 million to 291 million between 1987 and 1998. At the latter date, almost half those living in Sub-Saharan Africa were living below the $1 a day poverty line (World Bank, 2000a). Economic growth rates of 6-8 per cent, generally far above those achieved in the 1990s, will be required to reduce the incidence of poverty by half by 2015. Moreover, given the high population growth rates on the continent, even if that objective can be attained, the numbers of people with less than $1 per day will only cease to rise. Even higher rates of poverty reduction will be required to reduce the numbers, rather than the ratio, of people living in absolute poverty.

The poverty problem is particularly acute in the least developed countries of Africa. Growth rates will have to accelerate in order to achieve significant long-term reductions in poverty. However, poverty reduction strategies cannot simply rely on economy-wide growth of gross domestic product. Policies must seek to integrate growth-oriented macro-economic policies with, firstly, structural reforms which seek to improve productive capacities, to increase savings, investment and exports and to promote the dynamic efficiency of resource allocation. Secondly, social policies must ensure that economic growth translates into broad-based improvements in well-being at the community, household and individual level.

MISA programmes can fit well into such policies. They can contribute to reducing poverty by building up the assets of the poor households through their investment in human capital, which is important for both poverty reduction and accelerated growth in the long run. But they also have a short-run effect on poverty, both through the immediate impact of cash transfers on household budgets and also through a number of positive secondary effects which can contribute to breaking the vicious circles of impoverishment within which many poor households find themselves entrapped.

This chapter first sets out the reasons why MISA programmes are important for achieving educational goals, then considers some of the potential wider short-term effects of the programme on poverty.

The main message of the chapter is that the MISA programmes offer an approach to promote the economic opportunity, to facilitate the empowerment, and to enhance the security and dignity of poor households at one and the same time. As such, they provide a powerful, innovative instrument, which can be integrated within poverty reduction strategies to help achieve their goals.

3.1 The challenge of Schooling for All (SFA)

The MISA approach is a necessary, though not sufficient, part of a successful strategy rapidly to achieve gender equality, and enrol all children in schools of acceptable quality in African LDCs.

At present, gross enrolment ratios (GERs) at primary level in Sub-Saharan Africa are, on average, around 75 per cent. However, since many of the enrolled children are actually older than the official school age, the number of eligible children who are in school (given by the net enrolment ratio - NER) is much smaller than these figures suggest.[11]

The African LDCs are still more disadvantaged: for the 29 countries for which data exist, average GERs in 1997 were about 66 per cent.[12] After allowing for over-age enrolment, probably no more than half of the eligible children in these countries were actually attending school.

As Table 1a and b shows, only 5 out of the 23 African LDCs for which data are available, are on target to achieve universal primary education by 2015, and only 3 are on target to eliminate the gender gap in primary school enrolment by 2005.

Population growth continues at around 2.5 per cent per year across the region. Accordingly, if all children were to be enrolled by 2015, as is intended by the International Development Targets (IDTs), the primary school system in African LDCs would need to accommodate more than twice as many children as are currently enrolled, and to do so in a much more internally efficient school system than that which presently exists.

If, however, repetition rates were not to fall substantially, school capacity would need to expand almost three-fold over the period. This would represent a compound growth of enrolments of 7.4 per cent per year at current levels of internal efficiency, and of 5.4 per cent per year if repetition were entirely eliminated over the intervening years. These rates of enrolment expansion are extremely high by the standards of recent years in Africa, where, taking the region as a whole, primary enrolments barely kept up with population growth over the years 1980-1997.

These circumstances imply that strong expansionary policies to support increased enrolment will be needed over the coming decade. Measures to improve and increase the number of schools, classes, teachers, and materials will remain fundamental. Equally critical will be measures to improve the quality of schooling, since low quality undermines both the value of schooling and the willingness of parents to enrol their children. It has become clear, however, in recent years, that supply-side policies - though critically important - will be insufficient to achieve Schooling for All.

[11] Gross enrolment ration (GER) is the ratio of total enrolment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. Net enrolment ratio (NER) is the ratio of the number of children of official school age enrolled in school to the number of official school age in the population.

[12] These regional average data are not population-weighted estimates, and thus the implications drawn later in the paragraph for required rates of expansion are approximate.

Table 1a Progress of African least developed countries in meeting selected international development targets in the education sector: Universal primary education by 2015

	Net primary school enrolment (%)						
	Actual trajectory		Required trajectory [1]				
	1990	1997	1990	1997	2015	On target	Off target
Angola	45	35	45	61	100		x
Benin	46	68	46	61	100	x	
Burkina Faso	27	32	27	47	100		x
Burundi	54	36	54	67	100		x
Cape Verde	99	100	99	99	100	x	
Central African Republic	53	46	53	66	100		x
Chad	41	48	41	57	100		x
Comoros	53	50	53	66	100		x
Democratic Republic of Congo	54	58	54	67	100		x
Djibouti	32	32	32	51	100		x
Equatorial Guinea	91	79	91	93	100		x
Ethiopia	25	35	25	46	100		x
Gambia	53	66	53	66	100	x	
Guinea	29	46	29	49	100		x
Guinea-Bissau	42	52	42	59	100		x
Lesotho	73	69	73	81	100		x
Malawi	50	99	50	64	100	x	
Mali	21	38	21	43	100		x
Mozambique	47	40	47	62	100		x
Niger	25	24	25	46	100		x
Tanzania	51	48	51	65	100		x
Togo	75	82	75	82	100	x	
Zambia	84	72	84	88	100		x

Source: Estimates based on World Bank, *World Development Indicators 2000*, CD-ROM.

[1]The trajectory is the trajectory required to achieve universal primary education by 2015

Table 1b Progress of African Least Developed Countries in meeting selected international development targets in the education sector: Gender equality by 2005

	Female / male net primary school enrolment ratios						
	Actual trajectory		Required trajectory [1]				
	1990	1997	1990	1997	2005	On target	Off target
Angola	96	97	96	98	100		x
Benin	50	59	50	73	100		x
Burkina Faso	64	64	64	81	100		x
Burundi	89	86	89	94	100		x
Cape Verde	99	100	99	99	100	x	
Central African Republic	66	69	66	82	100		x
Chad	50	58	50	73	100		x
Comoros	73	83	73	86	100		x
Democratic Republic of Congo	78	70	78	88	100		x
Djibouti	73	75	73	86	100		x
Equatorial Guinea	97	102	97	98	100	x	
Ethiopia	76	62	76	87	100		x
Gambia	68	79	68	83	100		x
Guinea	51	58	51	74	100		x
Guinea-Bissau	56	59	56	76	100		x
Lesotho	126	118	126	114	100		x
Malawi	93	102	93	96	100	x	
Mali	57	69	57	77	100		x
Mozambique	80	76	80	89	100		x
Niger	56	61	56	77	100		x
Senegal	75	82	75	87	100		x
Togo	71	74	71	85	100		x
Zambia	98	98	98	99	100		x

Source: Estimates based on World Bank, *World Development Indicators 2000*, CD-ROM.

[1] The trajectory is the trajectory required to achieve the gender equality by 2005. This goal is reached when the percentage of female pupils enrolled in primary and secondary school and the percentage of literate females between 15 and 24 years of age equal those of males. The present table only considers the gender disparity in primary school enrolment.

3.2 Compensating schooling costs

Research has shown that a central explanation for the continued under-enrolment of African children lies in the direct and indirect costs incurred by households in sending their children to school. Such costs include, but are by no means limited to, the fees charged by some schools and countries as a condition for school attendance. Although cost-recovery policies proliferated during the 1980s and early 1990s - often encouraged by the international financing institutions (IFIs) - governments in LDCs increasingly find that fees are not helpful to enrolment growth at primary level, and that they directly undermine the goal of achieving SFA. Even in 'fee-free' systems, however, there are many other direct costs of school attendance. These include the costs of buying uniforms (or better clothes for children than would otherwise be needed), books, sports fees, 'voluntary' school contributions, transport costs, and other items.

These costs are often high, both absolutely, and relative to public expenditures on schooling. For example, in six African LDCs having the data (Ethiopia, Guinea, Malawi, Tanzania, Uganda and Zambia) plus Ghana (which broadly meets the criteria for qualification as a least developed country), private household expenditures per pupil during the 1990s were, on average, slightly more than twice the level of public recurrent expenditures per pupil. (A more detailed example of direct costs for Tanzania is shown in Box 1).

In addition - and often of even greater significance for poor households - are the indirect costs of income foregone arising from the reduced availability of child labour. These opportunity costs are strongly felt even if the children themselves do not directly generate cash income, because they can often substitute for adult household labour, thereby releasing older household members for remunerative work.

The distribution of these direct and opportunity costs is unequal by gender and by household poverty. The loss of girls' labour is, in many African non-pastoral households, more keenly felt than that of boys. Equally, the direct costs of school attendance are often greater for girls - owing to their needs for more costly clothing and for greater security whilst travelling to school. Expected future benefits to households also differ by gender. Many parents rationally expect greater benefits eventually returning to themselves from the schooling of sons than of daughters.

All of these cost and income differences are perceived more acutely, the lower the income of the households concerned. For these reasons measures are required to reduce the costs of educating children if schooling for all is to be achieved. Such cost-reduction measures are most strongly required in the case of children - and particularly girls - from the poorest households.

Box 1 Ability of a typical (poor) parent versus the cost of primary education in Tanzania

It is difficult to estimate accurately income for a typical (poor) household in rural Tanzania. There are significant variations between rural and urban areas, as well as from one rural area to another. In addition, accurate information on rural household incomes is very limited. Nevertheless, rough indications can be made.

In 1998 the average national income *per capita* was Tanzania Shillings 180,000/=. Household size in Tanzania is around 4 people, suggesting that the average income per household was Tshs 720,000/=. However, a typical rural poor household has much lower income. For example, it has been estimated that Kisarawe and Bagamoyo, 2 of the poor rural districts in the country, had an average *per capita* income of less than Tshs 30,000/= or an average of Tshs 120,000 per household. Over 60 per cent of the rural households fall below the poverty line. With a national average household *per capita* of Tshs 720,000/= most of the households in Kisarawe and Bagamoyo districts can be considered to fall below the poverty line.

Cost of primary education

Accurate cost estimates are difficult to make due to lack of data. However, ongoing school mapping exercise will make a significant contribution towards data availability. Results from school mapping in five rural districts and one municipality suggest the following average cost structure (Galabawa, 2000).

	Tshs
▪ **Direct costs**	
School fees	2,000
Exercise and text books	4,000
Sports contributions	300
	6,300
▪ **Intermittent charges**	
Buildings and construction	3,000
Freedom torch	200
Examinations	2,000
Desks	1,000
	6,200
▪ **Pupil related costs**	
Uniform, shoes, bag	12,500
Transport	2,000
Food	36,000
	50,500
Grand total	**63,000**

Some types of cost-reduction can best be achieved by "macro" changes in policy. School fees can be abolished. Charges for books, sports and other items can also be removed. It can be argued that these types of cost-reduction are more efficient than compensation schemes, provided that differential cost-incidence for rich and poor households is not an explicit aim of policy. In any case, achieving such progressivity, by charging differential fees to rich and poor households, is not usually possible, owing to the practical difficulties of means-testing at the school level (although South Africa provides an exception to this).

The magnitude of other elements of direct costs, however - such as the costs of clothing and transport - cannot be easily affected by governments or other service providers. Furthermore, the indirect costs are even more difficult to compensate by such means. Thus, for the very poorest households, with large numbers of children, school enrolment in LDCs looks likely to remain patchy

As countries develop, and become richer, provided that distributional policy facilitates income growth for the poor, both direct and indirect schooling costs will become smaller relative to household incomes, and enrolment amongst the poor will, accordingly, rise. But these enrolment benefits of income growth, delivered by the development process, will take a good many years to materialize.

Furthermore, and more worrying for the achievement of IDTs, income growth which is dependent upon market processes alone risks excluding those in extreme poverty, because of the inability of poor people to participate in them. These groups, having neither significant incomes nor assets, find themselves ineligible for credit. For them, all available household labour may thus need to be utilized in order merely to subsist.

Thus, even where schooling is fee-free, the costs to such households of sending children to school are relatively greater than the costs for richer households. Furthermore, such costs may be absolutely greater for the poorest households because they have to rely on child labour to a greater extent than those who are somewhat better-off.

For the average household in Kisarawe and Bagamoyo, sending one child to school takes over 50 per cent of the household income. And families with two school-going children are not unusual.

3.3 Income supplements

Under these circumstances, the only instrument available to reduce the potency of remaining direct and indirect costs (once fees and other charges are removed) is some form of targeted income-supplementation scheme (ideally progressive, and related to the poverty of the household) conditional upon school attendance.

This could be designed either in the form of scholarships, or of income transfers linked to attendance of designated children in school. Such schemes are needed in order to provide a 'short-cut' to achieving SFA by accelerating the enrolment changes which may - in the longer run - come about through economic growth. There are, however, two additional reasons for their use.

First, they provide not only the means of directly securing enrolment growth amongst the poorest families, but also an additional means of achieving the poverty-alleviation targets required by IDTs. By facilitating a change in household time-allocation, away from child labour towards schooling, they reallocate the incomes of the poor towards investment in human capital. This change is crucial to securing not only short-run school attendance targets, but also longer-run income growth for poor households.

Second, by facilitating less interrupted school-attendance amongst poorer children, the use of income transfers can be instrumental in reducing rates of repetition at primary level. Evidence from schemes in Latin America suggests that the impact on school efficiency can be substantial. Where this is so, savings in the average number of years needed to complete primary school can substantially reduce the net public costs of an income transfer scheme.

Thus, provided they are designed carefully, such schemes could be partly self-financing via their impacts upon economic growth, on the incomes of the poorest households and on reducing repetition and dropout rates. They should, therefore, be seen as a necessary - although by no means sufficient - instrument to support a rapid transition to Schooling for All. In their absence, large numbers of children from the poorest households will remain unenrolled.

3.4 Wider short-term poverty impacts of MISA transfers

MISA programmes positively contribute to poverty reduction by building up the assets of poor households through their investment in human capital. But the cash transfers provided through MISA programmes can also have wider impacts on poverty in the short-run, as well as through the effects of increased school attendance on the longer-run income growth of poor households.

The most direct and immediate impact of cash transfers conditional on school attendance is on the living conditions and level of vulnerability and dignity of the most deprived families. In most cases, the level of the transfer is not sufficient in itself to allow families to escape poverty. However, the benefit of the cash transfer immediately alleviates current hardship and misery. Moreover, it means that poor families do not have to keep their children out of school in order to achieve even a minimum standard of living.

Beyond this, however, it is worth underlining five wider impacts which cash transfers conditional on school attendance can have on poverty dynamics. These act to reinforce and multiply the direct effects which the transfer itself has on the household budget, and can help in the short-term to break down the vicious circles of poverty within which poor households are trapped.

The first concerns the impact of the cash transfer on household risk-management and coping strategies. Empirical work in a number of African LDCs shows that rural and urban households face substantial risks, which result in high income variability and fluctuations in consumption (Dercon, 1996 and 2000). Households in these risky environments have developed sophisticated *ex-ante* risk management and *ex-post* risk-

coping strategies. But they generally involve costs to the household and they also remain imperfect.

A common risk-management strategy is the diversification of sources of income, with household members combining a range of activities. But it has been observed that the poor have to enter low return activities because of lack of capital. As a result income diversification to mitigate risk *ex ante* often comes at the cost of lower incomes. Indeed, the trade-off between income security and higher (though riskier) returns can be seen as a key feature of the poverty trap within which many poor households in African LDCs find themselves. Many rural households seek to ensure that at least some of their food subsistence needs are met through self-provisioning rather than specialization in a cash crop.

The poor are usually excluded from formal credit and insurance markets and these thus contribute little to reducing income risk and its consequences. Informal credit and insurance has thus served in the past as a major mechanism to cope with income risks. Unfortunately, however, this informal safety-net is imperfect. Firstly, it is usually community-based and thus ineffective in situations where all members of the community face a common risk. Secondly, there is widespread evidence that traditional safety-nets of mutual assistance and social support are coming under strain. In situations of protracted crisis, growing pressure on kinship and neighbourhood ties is leading to the erosion and exhaustion of relationships of mutual help, solidarity and social exchange (UNDP, 2000). In this situation, the most vulnerable households can get caught in a vicious circle. As malnutrition worsens, the income-earning capacity of the basic resource of poor households, labour power, is itself reduced, and the poorly nourished can effectively be excluded from labour market opportunities (Dasgupta, 1993).

Against this background the cash transfer conditional on school attendance can have a wider impact on poverty through potentially enhancing remunerative employment of the poor. It would give households more room for manoeuvre in their livelihood strategies. It would prevent households and communities from becoming enmeshed in clientelistic and paternalistic practices, thus strengthening their autonomy. It would provide a cushion which would attenuate the low-risk/low return trade-off and provide the resources through which poor households could enter higher return activities.

A striking outcome of Latin American MISA programmes is that an increase in the labour force participation rate of the poor, in particular females, is apparent in the households receiving the cash transfers. One may expect that in African LDCs, through the mechanisms elaborated above, there could similarly be positive employment effects, which would reinforce the immediate effect of the cash transfer on the household budget.

Secondly, it is likely that if the grants are given to women, they should serve to improve gender equality. With such grants, women are likely to have greater access to more remunerative sections of the labour market. This will improve the situation of female-headed households and also help to achieve a more even gender balance of power within households.

A third mechanism through which wider impacts on poverty will occur is through the multiplier effects of the increased income and employment of the households receiving the cash transfer on other households in the community. There are no estimates of this in the Latin America context, but the cash injection will inevitably have multiplier effects on the local economy. Where social accounting matrices are available, it is possible to estimate the size of these effects. In Mozambique, for example, it can be shown transfers to rural households generate the highest multipliers as "people in rural areas demand more agricultural products, and there are fewer leakages in the expenditure - income feedback mechanism owing to the lower rural savings rates and the more limited imports of agricultural goods" (Arndt et al., 2000, p.302).

A fourth important mechanism through which MISA programmes can have wider poverty impacts is through the development of a sense of citizenship amongst the poorest and excluded. Global surveys show that there is a widespread tendency for State institutions not to be trusted by the poor and for these institutions to be neither responsive nor accountable to the poor (Narayan et al., 2000). In African LDCs, after the collapse of post-colonial projects to promote an inclusive form of national development, there has been an erosion of a sense of citizenship which is intertwined with problems of governance. From the effects of MISA programmes in Latin America, it is apparent that these programmes could act as a concrete mechanism to reconstruct this. They provide a way in which poor and vulnerable groups are integrated into the wider polity. Moreover, the Latin America experience indicates that these schemes enhance active participation at the community, municipal and national level, widening social dialogue with regard to universal issues. This enhancement of participation, and the ability to identify rights and make claims, is a particularly important outcome because cash transfers are not in themselves sufficient to address vulnerability and poverty.

A fifth mechanism is through the improved coordination of social policy. In Latin America, families which were participating in the cash transfer programme also became candidates for other social programmes which were originally inadequately targeted and therefore inefficient. There is evidence that such families benefited from a wider range of basic social service provisions to which, before the cash transfer, they did not have access. In many communities the MISA initiative induced the adoption of social programmes such as combating AIDS or family violence prevention schemes.

Thus, the MISA programmes have provided a general framework for the more effective and coherent implementation of a range of social policies. It is likely that similar synergies and interactions among different social programmes will occur in African LDCs. Very positive effects can also be expected with regard to enhancing institutional capacities, which is a crucial concern for least developed countries.

To summarize, therefore, there is a strong case for applying MISA programmes with the same generic features as those adopted in Latin American countries within African LDCs. MISA programmes can, indeed, serve as a paradigm for South-South cooperation and mutual learning.

MISA programmes can contribute to both educational and poverty reduction objectives. They contribute to the former by tackling demand-side constraints on school attendance which are particularly binding for poor families and girls. They contribute to

the goal of poverty reduction through: (i) the immediate poverty-alleviating effect on household budgets; (ii) the long-term effect on building up the assets of poor households in terms of human capital, which is important for both poverty reduction and growth enhancement; and (iii) the wider short-term poverty reduction effects of the cash transfer which occur through the direct employment effects of the income transfer, the multiplier effects of the cash injection on the local community, as well as changes in the sense of citizenship of poor and excluded groups, increased social policy coordination and enhanced gender balance.

As with any cash transfer programme, it is important to consider the net effects, taking account of the possibility that public transfers could crowd out informal risk management and coping mechanisms. But it is clear that in African LDCs where pressure on households has put systems of mutual aid and social support under severe stress, it is not possible to rely simply on the supposed resilience of the poor.

In short, given its wider poverty-reducing effects, a MISA programme offers an important new element within poverty reduction strategies. MISA programmes expand economic opportunities, facilitate empowerment and enhance the security and dignity of poor households.

Chapter 4

The education cash grant: value and targeting

4.1 Cash grant for education

The dual nature of MISA, a minimum income programme for school attendance, suggests that the poverty reduction and educational objectives have to be considered simultaneously when calculating the value of the cash grant. Its value will span a relatively broad range, depending on how ambitiously its goals are set and the available resources.

If funds to finance the programme are very restricted, one can only expect to compensate the direct costs to families of sending their children to school. If there are further resources, opportunity costs can also be compensated. This total grant may be sufficient to bring a significant number of families above the poverty line, or not. In case it is not, the poverty reduction objective may be considered explicitly, setting the value of the grant above the sum of direct and opportunity costs of schooling.

In principle, we know that direct and opportunity costs are two of the most important factors keeping children out of school, particularly in the poorest households. The magnitude of income transfers, thus, needs to be related to these items. What can we say about their relative values?

Direct household costs per primary pupil in African LDCs appear to have been about twice the level of public expenditures per pupil (Weir and Knight, 1996; Penrose, 1998; Rose, 2001; Mason and Khandker, 1996; Opolot, 1994; World Bank, 1996; Tembon et al., 1994). On average in Anglophone Sub-Saharan Africa, public expenditures per primary pupil in the mid-1990s were equivalent to around 11 per cent of *per capita* income (Colclough and Al-Samarrai, 2000). Thus, direct household costs would, on average, have been equivalent to around 22 per cent of *per capita* income.

One might hypothesize that, because children who attend school often continue to work for the household, opportunity costs may start at a level equal to about a quarter of the average rural wage, rising to half, over the ages 8-14. Teachers' salaries in anglophone Africa have, on average, been at a level equivalent to around 160 per cent of *per capita* GNP. The average rural wage would be less than this, perhaps around half to two-thirds of primary teachers' earnings. If, then, we assume that the average rural wage is approximately equal to *per capita* income the opportunity costs of school attendance would vary in a range from 25 to 50 per cent of *per capita* income, depending upon the age of the child.

Table 2 summarizes the costs of primary schooling per child in a sample of anglophone African LDCs plus Ghana. The costs amount to between 47 per cent and 72 per cent of *per capita* income. This compares with publicly financed costs amounting to some 11 per cent of *per capita* income. Private costs per pupil, therefore, lie in a range from 400 per cent to 600 per cent of publicly financed costs.

Table 2 Estimated private costs of primary schooling in anglophone African LDCs *

Nature of cost	Value (% *per capita* income)
Total private costs	47 to 72
Private opportunity costs	25 to 50
Direct private costs	22
Publicly-financed costs	11

*The direct costs are based on a sample of 7 countries and the publicly-financed costs on a larger sample of countries

4.2 Issues pertaining to the value of the education grant

As the programme is detailed for a particular country, it is likely that the value of income transfers will vary according to a number of criteria.

First, as indicated above, the absolute level of opportunity costs of schooling will probably be related to the age of the children concerned. The labour tasks conducted by children under 10 years old are likely to be lower in quantity and quality than for older children. Income transfers thus may need to be larger for households with older children of school age than for those with younger children.

Second, the absolute value of income transfers will differ between countries according both to differences in *per capita* income, and to national differences in poverty levels, however defined. Thresholds for urban and rural poverty also differ within countries. The extent of poverty, relative to the relevant local poverty line could, therefore, influence the absolute level of income transfer required.

Third, one of the main reasons why income transfers are needed is given by the fact that the poorest tend to be missed out of market processes. Under these circumstances there is a clear case for a scheme of progressive income transfers.

Fourth, the relationship between the size of income transfer required and the number of school-going children in the household also needs to be determined. Presumably there would need to be a direct relationship between these two variables, though not necessarily one which resulted in equal per-child transfers across households.

Fifth, a further question concerns the extent to which the size of income transfers would be influenced by whether or not children in the household are currently attending school. The maximum enrolment effect would be gained by targeting households with out-of-school children. But there may be other reasons for including all poor households with children, whether presently attending school, or not.

Finally, a significant difference between Latin America and African LDCs lies in the high *per capita* incomes, and the much higher per-pupil expenditures on schooling by governments in the former case. Typical per pupil expenditures in Sub-Saharan Africa by government are only $40-$75 per pupil per year. Yet the incomes of the

poorest households in the two continents may not differ greatly. This may imply that the absolute value of necessary income transfers is lower in African LDCs than in Latin America. This is not to argue, however, that *per capita* public expenditures place some kind of ceiling upon the value of income transfers. As we have seen, the total of opportunity and direct costs incurred by the poorest households may be substantially greater, per child, than the value of the public subsidy per pupil.

4.3 Issues pertaining to targeting

Poverty in Africa, as measured by income levels, is deeper in the rural areas. However, income is just one, and probably not the most relevant element to be considered in the targeting processing, since the vast majority of the population is extremely poor not only in relative but also in absolute terms. Moreover, poverty is not only a widespread phenomenon but also a heterogeneous and multidimensional one. This implies that to identify those groups that require special attention and incentives for improving schooling attainment, other dimensions, beyond means tests should be prioritized. Extreme vulnerability can, therefore, be a very useful concept.

Lessons drawn from the Latin American experiments suggest that geographical focalization can be very effective. Poor communities share a common background and face the same obstacles in order to satisfy their basic needs. Imbalances among regions with regard to the provision of social services are huge and tend not to narrow. Since a major goal is to reduce repetition and drop-out rates, the school grant should be given in priority to areas that fall below a certain level of schooling and where children are deeply behind in their schooling. These areas are often badly served by roads, far away from large cities, and deeply isolated. But they can also be located in totally marginalized urban areas lacking basic infrastructure.

If social provision indicators disaggregated by region or district are available, they can indicate potential targeting areas. For example, whilst the average national male enrolment ratio in Benin is reported to be 65 per cent, compared with 38 per cent for females, in Borgou female enrolments comprise 22 per cent of the age-group compared with 58 per cent for females in Atlantique. Accordingly, an income transfer scheme in Borgou would be likely to have fewer errors of targeting than one that was not regionally differentiated.

If not, the best approach consists in defining the most relevant components of vulnerability. These vary from country to country, but are likely to include families with persons with AIDS, internally displaced persons, and groups facing income collapse.

Despite the fact that focalization should be country specific, with different requirements and designs in each case, some common features of African families and communities must be taken into account when targeting. Household patterns are complex and diverse. But an important aspect of African families is that they often have either temporary or permanent responsibility for children who have been entrusted to them by other members of a broadly defined extended family. Solidarity has enabled the poor to overcome, at least partially, their deprivation by accommodating young people in full-time education, hosting orphans and widows, welcoming family members from the home village, taking in people coming for health care. Nevertheless, these families

have limited means and it is impossible for them to compensate for all social inequalities and needs.

Regular financial assistance would enable families with school-age children to have a more equitable strategy with regard to their own children and children in their care. In turn, it would allow each child, boys and girls alike, to benefit from regular schooling. They would also have access to the materials (uniform, books and other supplies) necessary to attend school without the feeling of shame, which many children of school-age experience in view of their parents' shortcomings.

The family schooling allowance should, in principle, be attributed to all children of school-age in the household, whether or not they are natural children of the parents. The burden on boys and girls is often quite significant obliging them to carry out a large number of domestic tasks which compete with school. Male and female schooling are linked even though gender gaps in schooling remain wide in African LDCs. In areas where few boys attend school, the same holds true for girls. In some cases, the male enrolment rates have declined due to war or economic recession, but in general, female enrolment rates are even lower. Girls suffer from a huge gender gap in education that needs to be addressed. In brief, any action should be aimed at both sexes, though stressing their distinct impacts with regard to gender parity.

The MISA initiative should focus on the most vulnerable families with children of school going age and those who have the least resources. But one should not forget that targeting is just one way of strengthening the most needy and reducing extreme poverty. For an initiative like MISA to achieve social and economic impact, the national scope should be preserved.

Box 2 Examples of vulnerable groups requiring targeting in Tanzania

In the absence of accurate information targeting can easily be abused. Information on the poor, their location and extent has to be available. This poses a serious problem for many poor countries. Tanzania is a good example. Over 60 per cent of the rural population falls below the poverty line. Where the poor have tended to be concentrated in particular areas, their identification is limited by lack of information. Therefore, targeting in a country that has widespread poverty with limited information has to be less ambitious. It must be more focused.

Groups that qualify to be classified as extremely vulnerable are:

- Orphans: It is estimated that this group includes around 100,000 children. The majority result from the HIV/AIDS problem, although other sources such as child abuse have also increased the phenomenon. Many of these children have turned into street children due to failure of the traditional social security system to handle the growing problem.

- Children dependent on the very old (e.g. over 65 years): In principle, these people do not have children of their own. Occasionally however children that have lost their parents tend to live with grandparents.

- Victims of temporary shocks disasters (e.g. drought and flood): These may be rare but serious events that lead to an immediate collapse of income, affecting the capacity of victims to meet educational and basic family essentials.

Chapter 5

Cost simulations for alternative MISA programmes

This chapter outlines cost estimates for simulated MISA programmes, distinguished by their reach and objectives. Borrowing the nomenclature of airplane fares, three alternatives are described:

- The bare-bones programme (MISA BB) which only defrays costs of sending children to school, and is targeted at families which have had children dropping out of school. It addresses only the gap between gross and net enrolment rates (GER and NER).

- The economical programme (MISA E), which goes a step further and offers cash grants also to encourage an increase in the NER to 90 per cent of GER, if it is higher. This programme is specially relevant in countries where the GER is low. This is valid even in cases where other schooling supply programmes are being put in place because they help create demand for this added capacity.

- The full programme (MISA F), that takes more explicitly into consideration the poverty reduction objective by targeting a substantial decrease in the percentage of the population below the poverty line.

It should be noted that these alternatives do not exhaust possible MISA options. One could, for example, seek to increase NER in a manner consistent with the achievement of international development targets. This might be more feasible in terms of supply constraints. However, the three alternatives which will be discussed in this chapter illustrate how a different weighting of the education and poverty targets of MISA programmes affect the trade-off between costs and benefits.

Below we perform some very rough calculations to assess the total cost of these programmes for a subset of LDCs for which the required basic data was available. These estimates will have to be taken only as approximations since a more detailed evaluation will depend on several country-specific factors and policy choices.

The first is the trade-off between the number of families to be reached and the value of the benefit, given a budget for the programme. This choice has to be made on a case-by-case basis, as it will depend on the characteristics of particular countries and on making some difficult policy choices regarding equity and selectivity. We have learned however that for the MISA programme to be effective the value of the cash grant has to be such that it will have a significant impact on family welfare. Past experience seems to suggest that when resources are insufficient to finance a broader programme with a significant grant, selectivity of candidates should be intensified.

Second, the additional cost of aiming part of the value of the grant to poverty reduction will depend on the demographic overlap between the broader universe of poor families, and those with school age children.

It must be stressed at the outset that all the calculations depend on estimates of the direct and opportunity costs to households of sending their children to school. The simulations are based on the assumptions that direct costs are equivalent to 22 per cent of *per capita* income and that opportunity costs are equivalent to 35 per cent of the adult "rural wage". In the simulations, the adult "rural wage" is calculated as just below the average product of labour employed in agriculture.[13]

5. 1 MISA BB: a bare-bones programme

Here we calculate the short-run yearly cost of a MISA programme to be implemented with the prime objective of eliminating the gap between gross and net enrolment rates. This means that from the educational point of view it would have a short run objective of eliminating dropouts and reducing repetition. We assume it can be designed to reach with reasonable precision those students who had enrolled and later dropped out, although in practice it may be hard to implement effective targeting in least developed countries.

This target is not in itself a long term objective, but if this gap can be eliminated, more of the children of school age would benefit from improvements in the supply of school places and facilities, which are already being implemented as part of the PRSPs. The cost of the MISA BB programme would therefore in the following years grow proportionately to the increase in the supply of schooling, but not forever, as it is expected that the benefits of schooling will start helping defray those costs in the medium term.

An important design parameter for a MISA programme is the limit to be established for the total number of grants per family. On one hand the philosophy of defraying direct and opportunity costs to families of sending their children to school suggests that one grant should be given for each child, irrespective of how many other grants the family is receiving. However, this could lead to serious distortions, raising the income of families with many children of school age much above comparable families with a smaller number of children, and increasing the cost of the programme. Experience and prudence suggest that the maximum number of grants per household be set at two.[14] The calculations below (Tables 3 to 8) were performed on the assumption that the average number of primary school age children in each family is two, and that accumulation of grants is permitted up to that limit. Therefore, the maximum income from MISA grants to the family is equal to twice the value of the individual child grant.

However, a strategy for increasing the scope of the programme at the expense of its depth, in situations of insufficiency of resources to finance it, could be to limit the maximum number of grants per family to one. Section 5.4 shows the summary data for

[13] In precise terms the adult "rural wage" is calculated as agricultural value added per person employed in agriculture times 0.8. This is lower than the assumption that the adult "rural wage" is equivalent to *per capita* income made in section 4.1, but it is considered closer to production conditions in rural Africa.

[14] This was the limit set in the *Bolsa-Escola* programme in Brasilia and Recife, Brazil.

the bare-bones, economical and full programmes implemented according to this alternative assumption.

The result of the calculation for the BB programme in a case where up to two grants per family is permitted is summarized in Table 3. The last three columns show that MISA BB could be implemented in all countries listed in that table with a total yearly expenditure of about US$ 722 million.[15] About 45 per cent of this budget is to defray direct costs to households of sending and keeping their children in school, while 55 per cent is to cover the opportunity cost of the income earning capacity of these children. The potential benefit of the programme for schooling is to keep in primary school almost 6.4 million students who are currently dropping out. There is also some poverty reduction as well, induced by the cash transfers.

The distribution of the total expenditure among the countries is in favour of those countries that have a large gap of GER to NER, and therefore the bare-bones programme does not offer sufficient relief for those countries where both the GER and NER are low, which are precisely those that have a worse situation, and should receive more assistance, not less. This problem is addressed in MISA E.

Table 4 shows that the yearly cash transfer varies from more than US$200 in Benin and Lesotho to less than US$70 in Burundi, Democratic Republic of Congo, Ethiopia and Mali. It averages US$113 when all countries are considered,[16] a value that corresponds to an average grant per child of about 38 per cent of GNP *per capita*. The difference in the value of the grant between countries raises several equity considerations since with this design families in the less poor countries receive larger transfers because direct costs are higher (since they have been estimated as a fraction of *per capita* income), as are also opportunity costs related to adult "rural wages", which are also higher. This is an unwelcome feature of the BB programme, which only compensates the costs to families of keeping their children in school.

On the other hand, it is interesting to note that the cost/benefit (in terms of schooling) of the cash grant varies from country to country. In general, in the poorer countries a given amount will induce the participation of a larger number of pupils than in the less poor countries. This would suggest that in distributing a pool of resources the poorer countries should be favoured, because this allows a more efficient use of them, if results are measured in terms of potential increased enrolment. It is fortunate that in this case efficiency and equity are not at odds in their policy recommendations. We will use this fact below, in proposing improvements to the scheme by setting the value of the cash grant above costs in the poorer countries. This is the case because it turns out that a cash transfer which is set at a level to compensate the direct and opportunity cost of schooling is not sufficient, given the assumption made within this simulation, to produce a significant direct effect in poverty reduction.

[15] To the extent that total enrolments rise as a result of MISA, additional costs will also be incurred by the public sector. The additional costs will be equivalent to the average public expenditure per pupil in the primary system multiplied by the increase in enrolments.

[16] These are simple arithmetic averages, non-weighted.

Table 3 Estimates of the cost of MISA BB Programme for African LDCs

	Primary School				MISA BB Programme			
	Gross (a) Enrolment (number of pupils)	Enrolment ratio 1997 (% of relevant age group) GER (b)	NER (c)	Gap	Increased Enrolment (number) (1)	School Cost (2) Direct (million US$)	Opportunity (million US$)	TOTAL (million US$)
Angola	990 155	91	35	56	609 326	24.4	38.0	62.5
Benin	722 161	76	68	8	76 017	6.5	10.4	16.9
Burkina Faso	700 995	40	32	8	140 199	7.9	6.6	14.5
Burundi	518 144	51	36	15	152 395	4.9	5.6	10.5
Central African Republic	277 961	58	46	12	57,509	4.2	6.7	11.0
Chad	680 909	65	48	17	178 084	8.9	11.2	20.1
Congo, Dem. Rep.	5 417 506	72	58	14	1 053404	26.6	42.3	68.9
Eritrea	240 737	54	29	25	111 452	5.1	8.1	13.2
Ethiopia	4 007 694	37	35	2	216 632	5.2	8.2	13.3
Guinea	674 732	48	46	2	28 114	3.5	2.1	5.6
Lesotho	374 628	97	69	28	108 140	17.5	7.0	24.5
Madagascar	1 638 187	73	61	12	269 291	13.5	14.8	28.3
Malawi	2 887 107	135	99	1	21 386	0.8	0.8	1.6
Mali	778 450	49	38	11	173 520	9.9	11.8	21.7
Mauritania	312 671	83	57	26	97 945	9.8	9.4	19.1
Mozambique	1 415 428	60	40	20	471 809	16.9	22.2	39.0
Niger	464 267	29	24	5	80 046	3.6	4.4	8.0
Senegal	1 026 570	71	60	12	169 895	20.7	12.4	33.1
Tanzania	4 051 713	66	48	18	1 105 013	42.1	66.9	109.0
Togo	824 626	119	82	18	124 733	9.3	14.8	24.1
Uganda	2 912 473	73	52	21	855 883	61.0	76.3	137.3
Zambia	1 506 349	89	72	17	287 730	24.2	15.4	39.6
Average or Total	32 423 463	70	52	16	6 388 524	326.4	395.4	**721.9**

Sources:
(a) World Bank, World Development Indicators 2000 - CD ROM - World Bank
(b) UNCTAD (2000), Table 11. Except Mali
(c) World Bank (2000) - Table 6
(d) World Bank, World Development Indicators 2000 - CD-Rom
(e) For Uganda the gap was taken to be equal do the average gap

Notes: 1. Gross enrolment number \GER * gap
2. For assumptions used in calculating the direct and opportunity costs, see chapters 4 and 5.

5.2 Impact of MISA BB on poverty reduction

To calculate the potential impact of MISA BB on the poverty indicators it is necessary to use data which is very difficult to collect in a consistent manner across countries and which is also prone to controversies regarding the precise definition of the poverty condition. In addition, it is necessary to make several heroic assumptions to deal with missing data. For countries with no estimates of the proportion of the population living below the $1 per day international poverty line, either figures based on the national poverty line (where it was available) or the average for the set of countries with data (when it was not) were used to estimate the poverty rate. For countries with no estimates of the poverty gap, either the average relationship between the poverty rate and the poverty gap or the average poverty gap (for the countries with data) was used to estimate the poverty gap.[17] Even for the 12 countries where there are international estimates of the poverty rate and the poverty gap, the data are notoriously precarious and due to this, these results should be then be considered to be only estimates of the order of magnitude of the impact on poverty of the MISA programme.

Another difficulty with the available data on poverty must be pointed out before we proceed, because of its potential effect on our calculations. It has to do with the manner in which the data on the proportion of poor and on the poverty gap, taken from World Bank (2000, Table 4) were used to evaluate the impact of MISA on poverty reduction. In that table, the poverty line is US$1.08 in 1993 dollars, in purchasing power parity (PPP) terms (ibid, p. 319). The poverty gap is expressed as a fraction of the poverty line income, and is therefore also in PPP dollar terms.

This data are reproduced in Table 4, columns 3 and 4 (below), with adaptations for missing data. To be able to express the poverty gap as a proportion of per-capita income, in order to be able to evaluate the impact on poverty of an international hard currency grant, we used the incomes of these countries in PPP US$ from World Development Indicators (2000). The poverty gap in terms of per-capita income obtained in this manner turns out to be extremely low, as can be seen in the last column of Table 4. It averages only 13 per cent of GNP per capita, which implies that most of the poor are close to the poverty line, and could rather easily be removed from that condition. In 10 countries it is below 10 per cent of GNP per capita, which implies that in a few years, if economic growth is reasonable (in the range of 4 per cent per year) poverty would be eliminated. This does not reflect the common perception in the profession that poverty in these countries is widespread, profound, and very hard to eradicate. The reason for this apparent inconsistency is that the GNP per-capita in PPP US$ is several times larger than the GNP per capita obtained from conversion of the domestic GNP to US$ at the official exchange rate, as can be seen in the first column of Table 4.

[17] The poverty gap is the "mean shortfall below the poverty line (counting the non-poor as having zero shortfall)" (World Bank, 2000, p. 320). This number, which measures the difference between the *per capita* at the poverty line and the average *per capita income* of the population below it, is usually expressed as a percentage of the poverty line. In the simulations, the poverty gap is expressed as a percentage of GNP *per capita*.

Table 4 Comparison of methodologies for the calculation of the poverty gap

	Conversion factor (1)(a)	From Table 4	WDR (b)	Poverty gap	
		% population	Poverty gap	% of GNP per capita	
	US$ PPP/ US$ official	below US$ 1 per day	% poverty line	interpreting WDR data as Official US$	PPP US$
Angola	5.48	51.83	23.25	50.3	9.2
Benin	2.20	33.00	16.50	16.7	7.6
Burkina Faso	3.36	61.20	25.50	39.0	11.6
Burundi	2.28	36.20	18.10	49.2	21.5
Central African Republic	3.28	66.60	38.10	44.8	13.7
Chad	3.47	64.00	32.00	55.6	16.0
Congo, Dem. Rep.	1.95	51.83	23.25	79.8	41.0
Eritrea	4.75	51.83	23.25	44.2	9.3
Ethiopia	4.34	31.30	8.00	29.2	6.7
Guinea	2.92	40.00	20.00	13.8	4.7
Lesotho	-	43.10	20.30	10.9	-
Madagascar	3.19	60.20	24.50	42.2	13.3
Malawi	3.14	54.00	27.00	60.0	19.1
Mali	2.56	72.80	37.40	56.9	22.2
Mauritania	3.26	57.00	28.50	24.8	7.6
Mozambique	4.15	37.90	12.00	29.1	7.0
Niger	4.36	61.40	33.90	66.1	15.2
Senegal	4.80	26.30	7.00	5.0	1.0
Tanzania	2.69	51.10	25.55	58.2	21.6
Togo	4.14	32.30	16.15	18.8	4.5
Uganda	3.22	36.70	11.40	13.9	4.3
Zambia	1.85	72.60	37.70	38.9	21.0
Average or Total	3.40	49.69	23.15	38.5	13.3

Note: (1) calculated as the ratio of GNP per capita in PPP and offical US$, in 1998
Source: (a) World Bank, World Development Indicators 2000, CD-Rom
(b) World Bank, World Development Report (2001, Table 4, with adjustments for missing data

Table 5 shows the impact of MISA BB using the estimates of the poverty gap as percentage of *per capita* GNP in PPP terms. As expected from the discussion above, in most countries the target population (families that have children that dropped out of school) is removed from poverty just by receiving the grant to defray school costs. In fact, the income of the majority of the affected families is pushed significantly above the poverty line. The poverty gap is reduced by 2 per cent (last column, Table 5) to 9 per cent.

These results suggest that MISA programmes can have an extremely positive direct impact on poverty. They imply that when the poverty line is set at a very low level in PPP terms (as it is) and where the average income of the poor is not far below the poverty line (low poverty gap), much poverty reduction can be achieved with cash transfers to households which are relatively small in value when converted at official international exchange rates. However, it would be a delusion to assume that we can simply eradicate poverty int this way. Moreover, the PPP data have several theoretical and methodological constraints that may lead to the accumulation of distortions, particularly the further away in time we are from the reference surveys. They cannot be taken at face value. In our case, the implied conversion rate of PPP dollars to official exchange dollars in the World Bank data is of the order of 3.5 on average, which does not seem reasonable as a long term parameter.

There are no easy solutions for this dilemma, that is short collecting of new data and establishing new reference data for the PPP calculation. Thus, in the present analysis, a second approach is adopted. The poverty gap estimates in World Bank (2000, Table 4) are assumed to be in current dollars, that is, as if the poverty line is US$1 per day at the official exchange rate. With this assumption, the average poverty gap for these countries is 36 per cent of *per capita* GNP.

Table 6 shows the impact of the MISA BB programme assuming the poverty line of US$1 per day at the official exchange rate and the poverty gap is the same as the US$1 purchase power parity (PPP) poverty line. In this case the poverty line is much higher, and the average poverty gap before the MISA BB programme is 36 per cent of *per capita* GNP. The MISA BB programme would reduce that average poverty gap by 2.1 per cent to 33.9 per cent of *per capita* GNP. In all countries the cash grant calculated on the basis of school costs is insufficient to push these families above the poverty line, only reducing the poverty gap but not eliminating it.

A more ambitious simulation is considered in the next section, comparing costs and benefits for a US$1 per day at official exchange rate poverty line, and assuming that the poverty rate and poverty gap estimates which were made in PPP terms are still valid.

Table 5 Estimates of the direct impact of MISA BB for African LDCs on poverty, using PPP US$ incomes

	GNP per-capita (US$ 1995)	Yearly Cash Transfer		Poverty Line (b)			Impact of MISA in *poverty gap (5)**	
				National	International			
		(US$)	% of GNP per capita	% population below poverty line	% population below US$ 1 per day	Poverty gap before MISA	Poverty gap after MISA	Difference
	1998	(per pupil)	(per pupil)			% of GNP per capita	% of GNP per capita	% of GNP per capita
Angola 1	182	103	56	-	52	14	9	5
Benin 2	389	222	57	33	33	7	5	2
Burkina Faso	258	104	40	-	61	10	9	1
Burundi 2	145	69	47	36	36	11	8	3
Central African Republi	335	191	57	-	67	13	11	1
Chad 2	227	113	50	64	64	14	13	2
Congo, Dem. Rep.	115	65	57	-	52	15	13	2
Eritrea 1	207	118	57	-	52	9	6	3
Ethiopia 4	108	62	57	-	31	5	5	1
Guinea 2	573	199	35	40	40	4	4	0
Lesotho	735	227	31	49	43	3	-1	4
Madagascar	229	105	46	70	60	14	12	1
Malawi 2	177	75	42	54	54	20	19	0
Mali	259	58	22	-	73	20	20	0
Mauritania 3	453	195	43	57	57	7	4	3
Mozambique	162	83	51	-	38	7	4	3
Niger	202	100	49	63	61	18	17	1
Senegal	554	195	35	-	26	2	0	2
Tanzania 3	173	99	57	51	51	25	21	4
Togo 2	338	193	57	32	32	4	-1	5
Uganda	324	160	50	55	37	4	-2	6
Zambia	382	138	36	68	73	18	17	2
Average or Total	297	113	38	52	50	11	9	2

Sources:
World Bank, World Development Indicators 2000, CD-Rom; and
World Bank (2000), Table 4, adapted to express the poverty gap as percentage of *per capita* GNP

Notes:

1. For these cases, the values of the International Poverty line and of the poverty gap were set equal to the average values observed for the countries for which data was available (also see notes above).
2 When the 1 US$ International Poverty Line was unavailable, the National Poverty line used to replace it. In this case, it was al so assumed that the poverty gap was equal one half the percentage of poor.
3. In these cases the available data for the International Poverty Line was discarded and replaced by the National Poverty Line because it was obviously an outlier.
4 This value is surprising, but was accepted for lack of alternatives.
5. The estimates of the impact of the MISA programme refer to the difference between the poverty line and the average per capita income of the total population, that is families living below the poverty line, expressed as a percentage of GNP per capita. It than includes, not only the target population, that is families living below the poverty line with children of school going age, but also families not targeted by MISA.

Table 6 Estimates of the direct impact of MISA BB Programme for African LDCs on poverty, assuming US$1 per day poverty line at official exchange rates

	GNP per-capita (US$ 1995)	Yearly Cash Transfer		Poverty Line (b)			Impact of MISA in *poverty gap (5)**	
				National	International			
		(US$)	% of GNP per capita	% population below poverty line	% population below US$ 1 per day	Poverty gap before MISA	Poverty gap after MISA	Difference
	1998	(per pupil)	(per pupil)			% of GNP per capita	% of GNP per capita	% of GNP per capita
Angola 1	182	103	56	-	52	47	41.1	5.5
Benin 2	389	222	57	33	33	15	13.2	2.3
Burkina Faso	258	104	40	-	61	36	35.3	0.8
Burundi 2	145	69	47	36	36	46	42.5	3.1
Central African Republi	335	191	57	-	67	42	40.1	1.4
Chad 2	227	113	50	64	64	52	49.6	1.9
Congo, Dem. Rep.	115	65	57	-	52	74	71.6	2.4
Eritrea 1	207	118	57	-	52	41	37.6	3.4
Ethiopia 4	108	62	57	-	31	27	26.4	0.7
Guinea 2	573	199	35	40	40	13	12.4	0.3
Lesotho	735	227	31	49	43	10	6.4	3.7
Madagascar	229	105	46	70	60	39	37.8	1.4
Malawi 2	177	75	42	54	54	56	55.4	0.2
Mali	259	58	22	-	73	53	52.2	0.5
Mauritania 3	453	195	43	57	57	23	20.0	3.0
Mozambique	162	83	51	-	38	27	23.6	3.4
Niger	202	100	49	63	61	61	60.5	0.6
Senegal	554	195	35	-	26	5	2.2	2.4
Tanzania 3	173	99	57	51	51	54	50.0	3.8
Togo 2	338	193	57	32	32	17	12.4	5.0
Uganda	324	160	50	55	37	13	7.2	5.6
Zambia	382	138	36	68	73	36	34.4	1.6
Average or Total	297	113	38	52	50	36	33.9	2.1

Sources:
World Bank, World Development Indicators 2000, CD-Rom; and
World Bank (2000), Table 4, adapted to express the poverty gap as percentage of *per capita* GNP

Notes:

1. For these cases, the values of the International Poverty line and of the poverty gap were set equal to the average values observed for the countries for which data was available (also see notes above).
2 When the 1 US$ International Poverty Line was unavailable, the National Poverty line used to replace it. In this case, it was also assumed that the poverty gap was equal one half the percentage of poor.
3. In these cases the available data for the International Poverty Line was discarded and replaced by the National Poverty Line because it was obviously an outlier.
4 This value is surprising, but was accepted for lack of alternatives.
5. The estimates of the impact of the MISA programme refer to the difference between the poverty line and the average per capita income of the total population, that is families living below the poverty line, expressed as a percentage of GNP per capita. It than includes, not only the target population, that is families living below the poverty line with children of school going age, but also families not targeted by MISA.

5.3 MISA E: an economical programme

Now we extend the scope of the MISA programme to increase the NER to a target minimum of 90 per cent. In countries that have already exceeded the 90 per cent target,[18] the goal remains the same as in the MISA BB programme. Since the current average GER and NER are respectively 70 per cent and 52 per cent (see columns 3 and 4 in Table 3), we are contemplating an increase of about 16 percentage points in GER, and 38 percentage points in NER.

The reasoning for this design relies on the hypothesis previously mentioned that there are already several programmes being implemented in these African LDCs targeted at increasing the supply of schooling, and that the task for MISA in this context is to help stimulate the demand for these services, particularly by poor households. This amended design also takes care of situations such as that of Mali, Niger, Guniea and Ethiopia that in MISA BB did not qualify for significant support because its gap between GER and NER was small, mostly because GER was very low. Of course it is highly desirable to change this situation by increasing GER as well as NER, and MISA can be instrumental for this.

The calculation presented in Table 7 suggests that this change in the support policy could pose a significantly more heavier financing challenge for the programme, since the average enrolment gap to be eliminated increases from 16 per cent in MISA BB to 40 per cent in MISA E (see column 4 of Table 3 and column 5 of Table 7). The number of assisted children increases by 225 per cent, and the overall budget by about 200 per cent, to 21.4 million pupils and US$2.1 billion, respectively. The distribution of the expenditure between direct and opportunity costs is similar to that of MISA BB. There is an approximate proportionality between the increase in the number of assisted children and the total cost of the program because the per pupil cash transfer is the same (per country) in MISA BB and E, since the criteria of school attendance which are used to establish the value of the cash transfer - the recovery of direct and opportunity costs - are maintained in this expanded version of the programme. It can also be noted that the average grant transfer in MISA E (US$100)[19] is smaller than in MISA BB (US$113). This is due to a composition effect: as the program is expanded, the relative participation of poorer countries (those that have a very low GER) increases, and since for them the cash grant is also smaller (because it is based on *per capita* income), the average grant is smaller.

Since the income distributed is larger, the impact on poverty is larger (Table 7), because the number of assisted families and pupils is more than tripled. Whatever benefit the bare-bones programme afforded, the economical programme extends it to a larger target population. The poverty gap is reduced by 4.9 percentage points, nearly double the effect obtained in the BB case to 30.7 per cent of *per capita* GNP (see second last column in Table 7).

[18] A target smaller than 100 per cent was chosen because there may remain some residual enrolment gap due to attrition and other factors not directly related to those addressed by the programme.

[19] See Table 10, since the national estimates of the value of the cash grant in the MISA E Programme have not been displayed in Table 7.

Table 7 Estimates of the direct impact of MISA E Programme for African LDCs on poverty

	GNP per-capita (US$ 1995)	Rural Wage per-worker (US$ 1995)	Primary School Enrolment Ratio 1997 (% of relevant age group) GER	NER	Gap of NER (1) to 90%	MISA Program Increased Enrollment (number)	School Cost Direct (1) (million US$)	Opportunity (2) (million US$)	TOTAL (million US$)	Impact of MISA E in poverty gap (total population)(3) Poverty gap after MISA % of GNP per capita	Difference % of GNP per capita
Angola	182	178	91	35	56	609,326	24.4	38.0	62.5	41.1	5.5
Benin	389	419	76	68	22	209,047	17.9	28.5	46.4	9.2	6.2
Burkina Faso	258	134	40	32	58	1,016,443	57.6	47.6	105.2	30.2	5.9
Burundi	145	105	51	36	54	548,623	17.5	20.2	37.7	34.5	11.1
Central African Republic	335	335	58	46	44	210,867	15.5	24.7	40.3	36.4	5.2
Chad	227	180	65	48	42	439,972	22.0	27.7	49.6	46.8	4.7
Congo, Dem. Rep.	115	115	72	58	32	2,407,780	60.8	96.7	157.6	68.5	5.4
Eritrea	207	207	54	29	61	271,944	12.4	19.7	32.1	32.7	8.3
Ethiopia	108	108	37	35	55	5,957,383	141.7	225.4	367.1	8.8	18.2
Guinea	573	208	48	46	44	618,504	78.0	45.1	123.1	5.4	7.4
Lesotho	735	186	97	69	28	108,140	17.5	7.0	24.5	6.4	3.7
Madagascar	229	157	73	61	29	650,787	32.7	35.7	68.4	35.8	3.3
Malawi	177	103	135	99	1	21,386	0.8	0.8	1.6	55.4	0.2
Mali	259	195	49	38	52	827,800	47.2	56.4	103.6	50.3	2.4
Mauritania	453	273	83	57	33	309,504	30.8	29.6	60.5	13.6	9.4
Mozambique	162	134	60	40	50	1,179,523	42.2	55.4	97.6	18.6	8.4
Niger	202	158	29	24	66	1,056,608	47.0	58.5	105.5	52.8	8.4
Senegal	554	209	71	60	31	439,136	53.5	32.1	85.6	0.0	4.6
Tanzania	173	195	66	48	42	2,578,363	98.2	156.2	254.3	44.9	9.0
Togo	338	424	119	82	18	124,733	9.3	14.8	24.1	12.4	5.0
Uganda	324	255	73	52	38	1,534,130	109.3	136.8	246.1	2.8	10.1
Zambia	382	153	89	72	18	304,655	25.6	16.3	41.9	34.3	1.7
Average	297	201	70	52	40	21 424 654	962.0	1,173.3	2 135	30.7	4.9

Notes:

(1) Gross enrolment number GER* gap

(2) For assumptions used in calculating the direct and opportunity costs, see chapters 4 and 5.

(3) See Table 6 column 6 for estimates on poverty gap before MISA.

Sources:

World Bank, World Developmnet Indicators (2000), CD-Rom.

UNCTAD (2000), Table 11 except Mali.

5.4 MISA F: a full programme

The full MISA attempts to address the poverty issue more directly by establishing a value for the grant which is larger than the private costs of schooling. There are a considerable number of options for determining its value, as discussed in section 4.2. An arbitrary choice is made here, and to calculate the order of magnitudes of the budget of the programme.

The schooling target is the same as in MISA E, but the cost of the programme is larger, as there is the poverty eradication component of the grant. Its target could be, for example, to eliminate the *residual poverty gap of the target population* of MISA E. Note that we do not seek to eliminate the poverty gap, which would be a more ambitious project, but focus instead in eliminating the distance to the poverty line of the families assisted by MISA E (the *target population*).

The value of the cash grant for this purpose is calculated[20] in columns 4 and 5 of Table 8, and the total cash grant per pupil is displayed in column 6 of that table. The maximum cash grant now averages US$181 per year, and the budget for implementing this full-fledged MISA F in the countries listed totals US$3.9 billion (column 7), about 5 times the cost of MISA BB.

The impact on poverty can be measured by the reduction of 18 percentage points on average in the proportion of the population living below the poverty line (see next to last column), leaving a residual poverty rate of 32 per cent on average, reduced from 50 per cent before the programme. The distribution of this benefit however is quite uneven among countries. The reason for this wide spread of results in terms of poverty can be attributed to the nature of MISA, that utilizes the education dimension to focalize the distribution of the benefit. It can be noted that poor countries that have a more satisfactory educational system already have a smaller number of candidate beneficiaries of the grant, relative to total population, and therefore can improve less on poverty.

[20] Note that these columns detail an impact on poverty which is narrower than what the elimination of the poverty gap displayed in the last column of Table 7, would be.

Table 8 Estimates of the direct impact of MISA F Programme for African LDCs on poverty

	MISA E Programme		Target Population					Total population (2)	
	Increased Enrolment (number)	School Costs % of GNP per capita (per pupil)	Poverty gap after MISA	Difference	Cash grant to eliminate poverty gap	Total cash grant per pupil	Total Budget of MISA F Programme	below US$1 Poverty gap after MISA	poverty line(3) Difference
			% of GNP per capita	% of GNP per capita	% of GNP per capita	US$ per year	(US$ millions)	Percentage	Percentage
Angola	609,326	56.2	22	24	60	212	129.3	39	13
Benin	209,047	57.0	23	-	-	222	46.4	20	13
Burkina Faso	1,016,443	40.2	16	20	50	233	236.5	39	22
Burundi	548,623	47.4	19	27	66	165	90.6	15	21
Central African Republic	210,867	57.0	23	19	47	348	73.3	52	15
Chad	439,972	49.8	20	32	79	292	128.5	49	15
Congo, Dem. Rep.	2,407,780	57.0	23	51	128	212	510.9	40	12
Eritrea	271,944	57.0	23	18	45	212	57.7	33	19
Ethiopia	5,957,383	57.0	23	4	11	73	434.9	6	25
Guinea	618,504	34.7	14	-	-	199	123.1	17	23
Lesotho	108,140	30.9	12	-	-	227	24.5	27	16
Madagascar	650,787	46.0	18	21	52	224	145.5	49	11
Malawi	21,386	42.3	17	39	97	246	5.3	53	1
Mali	827,800	22.2	9	44	109	341	282.5	53	19
Mauritania	309,504	43.1	17	6	14	260	80.5	26	31
Mozambique	1,179,523	50.9	20	7	16	110	129.2	22	16
Niger	1,056,608	49.4	20	41	104	309	326.8	35	26
Senegal	439,136	35.2	14	-	-	195	85.6	-	26
Tanzania	2,578,363	57.0	23	31	78	233	601.1	31	20
Togo	124,733	57.0	23	-	-	193	24.1	23	9
Uganda	1,534,130	49.5	20	-	-	160	246.1	8	29
Zambia	304,655	36.0	14	22	54	344	104.8	64	9
Average or Total	**21,424,654**	**33.6**	13	22	56	**181**	**3,887.2**	32	18

Notes:

(1) To calculate the population that was removed from poverty, it was assumed that the cash grant is shared by the household (5 members) and that on average each targeted household has 2 school-age children and receives one grant for each

(2) Calculations based on World Development Report 2001, World Bank, Table 4, adapted

(3) See Table 6 column 6 for estimates on poverty gap before MISA.

5.5 Summary of MISA simulations

Table 9 shows the result of the simulations based on the assumption of a poverty line of US$ 1 at official exchange rates. The total population of these countries is 312 million, of which 146 million are below the poverty line.[21] About 11 per cent and 36 per cent of them escape poverty through MISA BB and E and F, respectively.

Table 9 Impact of MISA programmes for African LDCs on the number of poor

	Population		Target population that escape poverty through MISA	
	Total (millions)	Below Poverty line (millions)	BB (millions)	E and F (*) (millions)
Angola	12.1	6.27	1.52	1.52
Benin	5.8	1.91	0.19	0.52
Burkina Faso	11.3	6.92	0.35	2.54
Burundi	6.5	2.35	0.38	1.37
Central African Republic	3.5	2.33	0.14	0.53
Chad	7.3	4.67	0.45	1.10
Congo, Dem. Rep.	49.1	25.45	2.63	6.02
Eritrea	3.6	1.87	0.28	0.68
Ethiopia	59.7	18.69	0.54	14.89
Guinea	7.3	2.92	0.07	1.55
Lesotho	2.1	0.91	0.27	0.27
Madagascar	15.1	9.09	0.67	1.63
Malawi	10.4	5.62	0.05	0.05
Mali	10.7	7.79	0.43	2.07
Mauritania	2.5	1.43	0.24	0.77
Mozambique	18.9	7.16	1.18	2.95
Niger	10.1	6.20	0.20	2.64
Senegal	9.3	2.45	0.42	1.10
Tanzania	32.1	16.40	2.76	6.45
Togo	4.4	1.42	0.31	0.31
Uganda	20.6	7.56	2.14	3.84
Zambia	8.8	6.39	0.72	0.76
Average or Total	311.2	145.79	15.97	53.56

Note (*) In MISA E this is the assisted population;
in MISA F it is the population removed from poverty

Table 10 summarizes the main aggregate indicators for the designs discussed above, again based on the assumption of a US$ 1 per day poverty line at official exchange rates. The table is intended to give a rough idea of the costs and benefits of the different MISA scenarios. Columns were also added for a variation of the BB and E programmes designed to have a broader scope, by restricting the grant to one per family. Costs for reaching the same number of families are roughly cut in half, when compared to the standard case of a maximum of two grants per family, but at the expense of a smaller reduction of the poverty gap.

[21] Recall the discussion in section 5.2 that the poverty line here is obtained from WDR data interpreted as if it referred to official US$ exchange rates, not PPP exchange rates, for the reasons discussed in section 5.2.

This table also highlights one important aspect of the problem of designing a MISA programme for a specific country: a balance must be struck between reach and depth of the programme, and it is dependent on the volume of resources available. If US$750 million were available, we could either implement a MISA BB-2 or a partial MISA E-1, and either reach 3.2 million families with an average grant of US$226, or 7.5 million families with an average grant of US$100.

Table 10 Summary of MISA programme scenarios

	BB		E		F
Number of grants per family	**2**	**1**	**2**	**1**	**2**
Annual total cost of programme, US$ million	722	361	2 135	1 068	3 887
Change relative to BB case, %		- 50%	196%	48%	438%
Annual value of cash grant per family*, US$	266	113	199	100	363
Families (average 2 pupils in each), million	3.194	3.194	10.712	10.712	10.712
Poverty gap after MISA % of GNP per capita	33.6	34.6	30.7	33.2	22
Difference % of GNP per capita	2.1	1	4.9	2.5	13
Reduction of population below poverty line, %					18

Notes: * This is the average cash per grant per family for this group of countries, calculated by dividing the total budget by the total number of families in the programme. This value is different from the simple arithmetic averages of country values presented in some of the previous tables.

While the adoption of the programme may be treated as a global issue, justifying the involvement of multilateral institutions such as those that are proposing this initiative the design and implementation of the programmes are an issue for the different countries. It is expected that in each case there will be many specifics that will characterize these programmes as variations of the examples provided in this section. The overall cost of the programme will therefore not likely reach the US$3.9 billion of the first line of Table 10, since not all countries will be able to find financing for the full programme. But it is also likely broadly to exceed US$360 million, which is the figure that is associated with the not very ambitious goal of implementing only the bare-bones version with a limit of one grant per family in all the countries.

It would be desirable to conduct simulations such as those in this chapter at the national level to explore alternatives MISA design parameters within countries implementing the approach. When this is done, it will be possible to avoid the dilemmas of selecting PPP or official exchange rates. However, the central tendencies identified by the assumption-laden simulations presented here are likely still to hold. Where the

poverty line is very low, and the average income of the poor is close to the poverty line, cash transfers designed to compensate direct and opportunity costs of schooling can have a major effect on poverty. Where the poverty line and the poverty gap are higher, complex trade-offs have to be made to strike a balance between the reach and the depth of the programme.

In the end, too, it must be recognized that the lasting impact of these programmes is not going to come only from the immediate effect of the cash transfers on the household budget, which is explored in the simulations of this chapter. It will come through the positive short-term effects of the cash transfers on employment opportunities, gender equality, social policy coordination and the sense of citizenship of households receiving the transfers, and through child labour eradication and the positive long term effects of improving education of the poor.

Chapter 6

Financing MISA programmes

We have seen in chapter 5 that the budget for implementing MISA in a set of 22 African LDCs is somewhere between US$361 million and US$3.9 billion per year, depending on the form of programme implemented in each country. These are rough estimates, made only to provide an order of magnitude of the resources needed to finance the programme. The question is: how can this be financed?

6.1 The potential for domestic financing of MISA programmes

Ways and means of financing MISA programmes within African least developed countries must be assessed within the context of the general situation which they face with regard to development finance.

Most are caught in a low-income economic trap. On the one hand, there are massive investment needs. Private sector enterprises, which mainly consist of small-scale agricultural and urban informal sector activities, are under-capitalized. There is also gross under-investment in physical infrastructure, human capital formation and health, the maintenance of an efficient civil service and enforcement of law and order. On the other hand, there is very limited scope to meet these requirements through domestic resources.

For those countries with data, it seems that about 75 per cent have a *per capita* income of less than US$2 a day. Most of the population works in agriculture and lives close to subsistence level. Domestic savings rates are very low, and even negative in many countries. Given the widespread poverty, private consumption is estimated to average about 85 per cent of GNP, a share which is about 20 percentage points higher than that of other developing countries.

Sources of tax revenue are limited and also highly unstable owing to commodity price falls and internal shocks such as drought and floods. Revenue from the main traditional sources, import and export taxes, have been reduced through economic liberalization and adjustment programmes. It is difficult to find alternatives as the domestic corporate sector is usually very weak and formal employment low. In the 1990s, external resources, mainly foreign aid, constituted between 60 and 70 per cent of total government expenditure for the average African LDC.

Many African LDCs have been actively engaged, throughout the 1990s, in economic reform programmes, a central aspect of which is improved fiscal management. Evidence also shows that when the LDCs grow, there is a strong domestic savings effort. But because of very low *per capita* income in most LDCs and their sluggish or negative *per capita* growth rates, the potential for creating a virtuous circle between rising domestic savings and investment cannot generally be realized.

The economic magnitude of terms of trade shocks and natural disasters is also often many times greater than domestic resources that LDCs can muster internally to cope with them. This is a fundamental source of vulnerability of LDC economies which renders growth, when it does occur, fragile.

Against the current macroeconomic realities of African LDCs, it is unrealistic to envisage domestic financing of MISA programmes until income *per capita* levels rise and growth is more securely sustained.

6.2 Debt relief as a source of finance for MISA programmes

One possible source of finance for MISA programmes is debt relief. Latest World Bank estimates indicate that the nominal value of total external debt stock of African LDCs was US$121 billion in 1998 (Table 11). Total debt service in that year amounted to US$5.6 billion. This represents actual payments rather than obligations as many of the African LDCs were unable to acquit themselves of their debt service obligations in 1998 and were accumulating arrears. Table 11 also shows that for 21 African LDCs, debt service in 1998 exceeded US$30 million.

Debt service payments have been particularly high in relation to social sector expenditures. For example, debt service due was 112 per cent of total social sector spending in Mali during 1995-97, 184 per cent of total social sector spending in Mauritania in 1995-97, and 228 per cent of total social sector spending in Tanzania in 1995/96 to 1997/98. Debt service actually paid was necessarily smaller, but still constituted 59 per cent, 114 per cent and 75 per cent of total social sector expenditure for Mali, Mauritania and Tanzania respectively over the same periods (UNCTAD, 2000, pp.159-160).

Many LDCs have inevitably been unable to meet their debt service obligations and have engaged in a form of default that entails an automatic refinancing by the creditors. Traditional debt relief, centred on debt rescheduling through the Paris Club supplemented by forgiveness of bilateral official development assistance (ODA) debt, reduction of commercial debt through the IDA Debt Reduction Facility and special programmes to deal with multilateral debt obligations such as the Rights Accumulation Programme of the IMF and the "fifth dimension" programme of the World Bank, has proved insufficient to remove the debt overhang.

The Highly Indebted Poor Countries (HIPC) initiative was introduced in 1996, and enhanced in 1999. It attempts to innovate on the traditional debt relief mechanisms in three ways by:

- widening the coverage of the types of debt eligible, to include multilateral debt;
- setting an explicit target for debt sustainability, and providing for additional action if it is not reached;
- using new sources and mechanisms for financing the relief.

Table 11 Debt and debt service payments in African LDCs, 1997 and 1998

	Total debt stock in $ million 1998	Total debt service paid in $ million 1998	Total debt service paid as % GDP 1998	Total debt service paid % of government revenue 1997
Angola	11 223.0	1 352.7	18.1	28.5
Benin	1 650.6	60.6	2.6	16.2
Burkina Faso	1 405.3	52.8	2.0	15.8
Burundi	1 118.7	30.2	3.4	22.0
Cape Verde	243.7	19.2	3.9	..
Central African Republic	923.5	30.4	2.9	16.1
Chad	1 091.9	35.5	2.1	21.4
Comoros	203.1	6.2	3.2	..
Democratic Republic of Congo	13 187.0	19.3	0.3	..
Djibouti	287.8	5.5	..	..
Equatorial Guinea	306.1	6.0	1.3	9.6 [1996]
Eritrea	151.3	3.8	0.6	..
Ethiopia	10 351.0	119.0	1.8	27.5 [1996]
Gambia, The	459.3	26.1	6.3	..
Guinea	3 545.9	159.1	4.4	34.7
Guinea-Bissau	970.0	7.9	3.8	22.4
Lesotho	692.1	50.9	6.4	..
Liberia	2 102.9	1.0	..	..
Madagascar	4 394.1	125.3	3.3	61.5
Malawi	2 444.0	83.8	5.0	18.8
Mali	3 201.5	81.9	3.0	19.2
Mauritania	2 589.2	110.2	11.1	35.9
Mozambique	8 314.9	104.7	2.7	24.3
Niger	1662.8	61.9	3.0	17.5 [1996]
Rwanda	1 225.7	20.7	1.0	10.6
Sao Tome and Principe	252.4	3.7	9.1	86.0
Senegal	3 846.7	322.6	6.9	30.4
Sierra Leone	1 255.7	20.4	3.2	..
Somalia	2 635.0	0.2	..	..
Sudan	16 843.0	61.2	0.6	8.4
Tanzania	7 633.0	245.9	3.1	14.8
Togo	1 448.3	40.3	2.7	25.9
Uganda	4 015.6	159.5	2.4	27.7
Zambia	6 865.3	202.1	6.0	32.7
Average or Total	120 538.4	5 628.6	4.1	..

Source: UNCTAD calculations based on World Bank *World Development Indicators 2000* CD Rom, and *World Bank Global Development Finance* CD-ROM. The data on debt service paid as percentage of government revenue are from the Centre for International Development, Harvard University. HIPC debt data

base.

Of the aspects listed above, the one which bears most directly on MISA is that the poverty reduction goal has been added to existing policy conditionality, and has been given increased importance, characterizing an crucial shift in emphasis.[22] Access to debt relief under the HIPC initiative, and to concessional lending by the IMF and the World Bank, are now linked to the preparation and implementation of poverty reduction strategies.

Since MISA is a programme that squarely addresses the poverty issue in the short and long run, it can be an integral part of a PRSP and can be thought of as a prototype programme to be supported in the context of an effort to ensure that debt relief supports poverty reduction. This is the case because, being a minimum income programme, it clearly resolves a major concern in designing public policies, that of insuring that increased spending actually produces better social outcomes and reduced poverty rates. In other words, the in-built efficacy of MISA as a social programme is a strong argument in favour of its adoption as part of a PRSP.

However, two caveats must be made to linking HIPC assistance to MISA programmes within the context of PRSPs.

Firstly, an important feature of the PRSP process is that it is based on country ownership. MISA programmes must not be imposed on unwilling countries as a policy conditionality.

Secondly, it is questionable whether HIPC assistance will actually do the trick and ensure a sustainable exit to the debt overhang for African LDCs. Current expectations regarding the effects of the HIPC initiative are likely to be inflated for various reasons. According to the OECD *Development Cooperation 1999 Report* the average reduction in annual debt service through 2005 under the enhanced HIPC initiative compared with debt service paid during 1993-98 for Burkina Faso, Mozambique and Uganda would be equivalent to just 6-8 per cent of net ODA in 1997. The export forecasts which underlie the expectation that the amount of debt relief provided is sufficient to ensure a durable exit from the debt overhang are over optimistic, particularly in the light of recent commodity price declines.[23] Finally, aid flows to LDC-HIPCs, including those not in conflict, are declining, thus offsetting the benefits of HIPC assistance.

Projections of average debt service payments for countries benefiting from enhanced HIPC assistance indicate that debt relief should be further deepened if meeting basic social needs and increasing social investment are deemed to be an absolute priority. Table 12 shows projections of debt service payments in the first three years after the HIPC decision point for nine African LDCs. It is apparent that expected debt service payments remain higher than primary education and health spending in

[22] This is clearly shown by the replacement, of the IMF's Extended Structural Adjustment Facility (ESAF) by the Poverty Reduction and Growth Facility (PRGF).

[23] The weakness of the balance of payments forecasts underlying estimates of future debt sustainability of LDC-HIPCs is highlighted in UNCTAD (2000, part II, chapter 5, pp.154-158). See also IMF/World Bank (2001).

1998/99 in six out of nine countries for which data is available. Moreover in four of these countries debt service obligations are at levels which are more than double primary education spending.

Against this background, it may be the case that there will be a further reconsideration of the terms of the HIPC initiative, which goes beyond even its enhanced form. The ideas for a social compact in which debt relief is channeled into social investments through International Social Funds, which were canvassed before the enhancement of the HIPC initiative of 1999 by various NGOs, UNDP and the Harvard Centre for Development may well be revived in this context (Sachs et al.,1999). MISA programmes would be a natural candidate for such finance. However, in the absence of further enhancement, HIPC assistance should not be relied upon as the main source of financing for MISA

Table 12 Debt repayments and spending on health and primary education (in US$ million)

	Average debt repayments [1]	Primary education spending [2]	Health spending [2]
Burkina Faso	39	22	24
Malawi	72	55	37
Mauritania	75	30	19
Mozambique	61	70	52
Rwanda	7	36	10
Senegal	171	55	24
Tanzania	177	80	56
Uganda	55	280	102
Zambia	222	95	123

Notes: [1] Projected annual average debt repayments for the first three years after countries each HIPC decision point.
[2] 1998/1999
Source: Oxfam (2000). *HIPC Leaves Poor Countries Heavily in Debt*, September 2000, Oxfam International, Oxford.

6.3 Foreign aid as a source of finance for MISA programmes

Given constraints on domestic financing and the limits to debt relief, at least in the current form of the enhanced HIPC initiative, MISA programmes must largely be funded by international aid.

The case for using aid to support MISA programmes cannot be made using traditional investment project reasoning. However, the claim of MISA is clear: it deserves support in the form of official development assistance because it is an innovative scheme, which promises short run results for poverty reduction, and has a long term development logic, which is based on human capital accumulation. Its impact

on development will be solid and potent, but since it promotes human capital formation, its full effects will take some time to materialize.

Financing MISA through aid can also be part of donor action to improve aid effectiveness. As aid projects proliferated in the 1980s and 1990s, the share of donor-controlled funds increased, at the expense of the share of the regular budget directly controlled by the recipient country, leading to a decrease in the quality of the public services. Public expenditure was skewed towards capital spending. This can be an ineffective allocation of resources if adequate funds are not budgeted for operational expenses. For example, the current expenditure share of education in LDC governments' budgets decreased markedly during those decades, from about 3.3 per cent of GNP in 1980 to 2.2 per cent of GNP in 1998 (UNCTAD, 2000, p.189). MISA is proposed here as an aid financed programme that breaks with this trend, and skews government expenditure towards current spending on poverty.

The costs of the programme set out in the previous chapter can be compared with current aid flows to African LDCs (Table 13). It is apparent that in the recent past there has been a strong downward trend. For LDCs as a whole, official development assistance has dropped by 45 per cent in the 1990s, by about US$4.5 billion between 1995 and 1998, and is now at the levels it was in the early 1970s. The reversal of this trend, together with enhanced aid effectiveness, is imperative for LDC development. MISA programmes should be seen as a logical candidate for financial support in this context.

But it is necessary to stress again the caveat made in relation to debt relief. It is apparent that a condition for increased aid effectiveness is that aid should fit into nationally defined priorities and strategies. MISA programmes should thus be integrated within the PRSPs, which are being elaborated by national governments in conjunction with civil society.

There is a good fit in this regard. MISA is a results-oriented poverty reduction programme, which develops the effective engagement of the civil society and private sector agents, leading to greater empowerment and ownership by target populations. It also fits the shift in donor thinking towards providing budget rather than balance of payments support. In those cases where the implementation of the MISA programme leads to reduced repetition rates in school, it can also be a source of increased internal efficiency of the education system.

However, it is important that the adoption of MISA programmes should not be made a policy condition for the receipt of aid. Moreover, they are most likely to be effective when they are integrated as a part of a sector-wide programme for educational development and within poverty reduction strategies. Predictability and continuity of financing would also be essential for the success of MISA programmes. Donors to MISA programmes would have to make a commitment for support over a number of years in order to ensure sustainability of the programmes as domestic financing capabilities are developed. Nevertheless, as stressed in chapter 3, it is possible that these schemes could be partly self-financing via their impact on economic growth and on reducing repetition rates.

Ideally funding for MISA programmes should be additional to current aid commitments. International Social Funds to support Africa are currently being

proposed. MISA programmes could logically fit within this framework. A multi donor funding process can be envisaged to ensure the adequacy and continuity of financing of MISA programmes.

Table 13 Net ODA and net ODA per capita in African LDCs, 1995 and 1999[1]

	Net ODA $ million		Net ODA per capita $ million	
	1995	1999	1995	1999
Angola	417.8	387.5	38.8	31.4
Benin	280.4	210.8	51.2	34.5
Burkina Faso	488.8	398.1	47.1	36.2
Burundi	287.7	74.2	45.9	11.1
Cape Verde	117.2	136.4	308.5	317.9
Central African Republic	165.6	117.2	50.6	33.1
Chad	236.3	187.8	36.7	25.1
Comoros	41.7	21.5	84.8	39.4
Democratic Republic of Congo	195.5	132.3	4.5	2.7
Djibouti	105.1	75.0	165.8	115.8
Equatorial Guinea	33.5	20.2	83.9	45.6
Eritrea	148.9	148.5	41.7	37.2
Ethiopia	882.7	633.4	15.6	10.1
Gambia	46.7	33.1	41.9	26.5
Guinea	416.9	237.6	63.2	32.8
Guinea-Bissau	115.5	52.4	107.9	44.2
Lesotho	113.5	31.1	57.3	14.8
Liberia	122.3	94.0	44.7	30.9
Madagascar	301.1	358.2	22.1	23.8
Malawi	432.3	445.8	44.3	41.3
Mali	541.3	354.0	55.3	32.4
Mauritania	230.1	218.5	101.2	84.1
Mozambique	1 064.1	118.4	65.8	6.9
Niger	273.8	187.1	30.3	17.8
Rwanda	702.0	372.9	109.7	44.9
Sao Tome and Principe	84.2	27.5	652.9	189.7
Senegal	665.6	534.3	78.6	57.5
Sierra Leone	206.2	73.5	45.7	14.9
Somalia	188.9	114.6	19.9	12.2
Sudan	239.4	242.9	9.0	8.4
Tanzania	877.1	989.6	29.6	30.1
Togo	192.2	71.3	46.8	15.6
Uganda	830.3	589.8	43.3	27.5
Zambia	2 033.6	623.4	226.5	63.1

Source: UNCTAD Secretariat calculation based on OECD-DAC online database.
Note: [1] Current prices

To sum up, implementing MISA programmes in African LDCs must be thought of as an international programme to be supported in broad terms by the international donor community. However, whatever financing scheme is eventually adopted the following principles should be applied:

First, it must allow universal access, in the sense that it should be accessible to all candidate countries.

Second, by their very nature MISA programmes must be implemented as national programmes in participating countries, taking into consideration the specificity of each one. In this sense then there is decentralization among countries in its application. In some cases the implementation within a specific country may also be decentralized (see next chapter), but funding for MISA must be treated as a national concern, not as a problem of financing small projects for specific communities.

Finally, it should be adopted and elaborated on the basis of national ownership of policies within the context of sector-wide programmes of educational development and national strategies of poverty reduction.

Chapter 7

Some implementation options

A MISA programme has to be tailored for each country, as there are many specific details that must be taken into consideration, as has been discussed in the foregoing chapters. The purpose of this chapter is to identify the issues related to implementation, and consider some options by identifying implementation functions and discussing which of them should be addressed at which level.

One of the lessons from the Latin American experience was the need for considerable flexibility in the matter. Flexibility is even more critical in the African LDC context since there is an even greater variation in the human, financial, institutional and technical resources that can be mobilized.

7.1 Some implementation principles

The following provides a set of guiding principles for the development of implementation strategies:

- Implementation mechanisms must ensure the greatest possible **flexibility** to ensure adaptability to local contexts, while retaining overall programme **coherence**.
- **Accountability** must be built in to each level of the system, with clear delineation of roles, responsibilities and reporting requirements.
- **Gender** dimensions should constitute a key consideration in all programme and implementation mechanisms and strategies must reflect gender balance on governance or supervisory bodies.
- Targeting must ensure **reduction in inequities** within a context of overall poverty reduction.
- Responsibility for implementation should be **devolved to the level closest to the beneficiaries** that will permit effective and efficient implementation.
- The principal beneficiaries should be **households** (however defined). Within the households, the cash transfer should be given to women, whether in female headed households or in nuclear families.
- Implementation mechanisms must as far as possible provide opportunities for **participation of the beneficiaries**, as well as representatives of civil society and institutions in the society that will be most directly affected (e.g. schools).
- Where necessary **complementary initiatives** must be supported as part of the overall programme to ensure maximum impact and quality.
- There must be clear **linkages to other poverty reduction initiatives** in other sectors, and to other **education sector development** initiatives.

7.2 Levels of implementation

While the conditions in individual countries will vary, there are in theory at least five key levels of implementation for a scheme of this nature:

7.2.1 Household level

The locus of impact of the scheme is at the level of the household in terms of poverty reduction, elimination of child labour and school attendance. If the impact is not measurable or detected at this level, the approach is clearly not successful. The definition of what constitutes the household level may vary from context to context depending on the local social conditions, target priorities (categories of "extreme vulnerability" such as HIV/AIDS and war orphans, working children, etc.) and the targeting approach used (individual households, whole communities in extreme poverty, extremely vulnerable households in poor communities etc.).

7.2.2 Community level

Schools are located in and serve local communities. In addition, for targeting in contexts where reliable data on individual household income is not available, communities may be identified as the key unit for targeting. If there is to be a focus on other factors of vulnerability in addition to extreme poverty, the community is often a critical participant in the process of identifying eligible households/families (HIV/AIDS or conflict affected areas, working girls, children at risk of dropping out etc.)

7.2.3 Local/district/municipal level

The Latin American experience used the local government level as the key implementation level. This is partly because primary education normally comes under the authority of local government, as are many social welfare and poverty alleviation functions. In African LDCs there may well be a different allocation of authority to the local or district level, but in most cases local authorities have some responsibility for primary education administration (sometimes limited to construction and maintenance of facilities). A key question in the design of implementation strategies will be an assessment of the capacity of the local authorities, and of the capacity-building needs to enable them to play an effective role in implementation.

7.2.4 National level

Because of the focus on the most vulnerable families and communities, there is an important role for the central government in addressing equity issues and monitoring and managing the transfer of resources to local authorities. Given the need for a considerable degree of targeting in this approach, the national government will clearly have a role in determining the targeting criteria and mechanisms, as well as liaison with donors, implementation support agencies, civil society etc.

7.2.5 International level

In Latin America the scheme originated in a national initiative and has since been transferred to other countries without any systematic international mechanisms. However, the focus on African LDCs suggests that there may be a role for international

cooperation in applying the approach to the African context, at least in the initial stages. The role of the actors at this level will be limited in terms of actual implementation, but could be critical in such areas as learning networks and information dissemination, advocacy, and technical assistance.

7.3 Implementation functions

There is a range of key implementation functions that need to be addressed in order to ensure effective implementation of schemes of this type. In the case of some of these functions their locus in terms of level is simple, while in the case of others the assignment of these functions across the various levels will be strongly determined by the local conditions, preferences, capacities and governance practices of the country concerned. This chapter considers some of the implementation functions and reflects on the issues that need to be taken into account in assigning them across levels. In the end, of course, each country would develop its own implementation matrix (Graph 2).

Graph 2 Implementation matrix

Function / Level	Advocacy	Learning and information sharing	Policy setting	Project initiation	Resource mobilization	Grant disbursement	Complementary support programme	Monitoring and evaluation	Capacity-development
International									
National									
Local									
Community									
Household									

7.3.1 Advocacy

There is considerable need for advocacy of an innovative approach particularly in view of the strong competition for resources in African LDCs. There is clearly an advocacy role at the international level, to convince the donors and international agencies of the value of such a programme, and to mobilise support for the concept at the regional level in Sub-Saharan Africa.

At the national level, advocacy may be required to elicit support from the range of government sectors involved, including the office of the head of state, the ministries responsible for development, planning, finance, public administration, education, and

social welfare. The national level will also have to ensure linkage to the PRSP, and to any significant related strategies such as education sector-wide approaches (SWAps), Education for All (EFA) programmes and other national forums. Advocacy may also be required at the national level to elicit the support of key agencies and actors in civil society, and to create a favourable policy environment for innovation.

At the local authority level, advocacy may be required to mobilize community support and participation, and to convey and and legitimate the targeting criteria. At the individual community level, some advocacy may be required to engender wider approval, of selective support, as well as to involve the school community in the scheme.

7.3.2 Learning and information sharing

There is a key role at the international level to facilitate learning and information sharing between countries and between regions. This information sharing should help to make lessons from experience and successful practices available in a way that encourages learning and adaptation to local contexts. There is also an urgent need for some learning and information sharing regarding the complementary support programme that may be necessary for effective implementation.

At the national level there is also a need for learning and information sharing between local initiatives, and also between the various actors and agencies involved in supporting the approach. It is also important to ensure effective linkage and information sharing to and from the international networks.

7.3.3 Policy setting

The principal locus of policy will be at the national level, since these schemes, while implemented at local and household level, usually involve allocation or transfer of national resources, and have to be located within national policy frameworks, poverty reduction objectives and education and development targets.

The national level may determine the extent of policy discretion to be delegated to the local government level, and even to the level of individual communities and their schools.

7.3.4 Resource mobilization

There may well be a limited role at the international level for supporting the process of resources mobilization, but this will largely be at the level of advocacy, technical assistance, and information sharing. The likely strong linkage of most initiatives to the Poverty Reduction Strategy Papers and to debt relief means that the major focus of resource mobilization will be at the national level, although both of these involve mobilization of international resources for national programmes. There may well be a need for resource mobilization strategies at the local and community levels to support implementation and ensure sustainability. This may involve human, institutional and financial resources.

7.3.5 Project initiation

Given the creation of a favourable policy environment, initiation of projects may take place at a range of different levels, depending on the implementation approach proposed. It may well be that individual communities or local authorities can operate within the policy framework to initiate a local scheme subject to higher-level approval, while in other contexts it may be necessary for the national level to take responsibility for project initiation.

7.3.6 Grant disbursement

The experience of Latin America and of secondary school scholarships for girls in LDCs indicates that there is a wide range of options for grant disbursement, including use of banks and even cash cards, local government authorities, contracted NGOs, school governing bodies and so on.

7.3.7 Complementary support programme

It is crucial that MISA schemes be implemented in the context of a range of complementary support programmes. At the global level, these are not regarded as part of the overall approach, since they will vary considerably from context to context. However, at the national level, complementary strategies may well become an inherent component of an overall development initiative in which income transfers for education attendance form one central element. Such complementary support programmes may include supply-side initiatives to ensure the availability of an adequate supply of learning opportunities for children. They may also include demand-side strategies such as community education grants to facilitate community involvement and quality improvement at the school and community level.

7.3.8 Capacity development

A critical lesson from the experience in Latin America and Sub-Saharan Africa is the key role of capacity development in implementation. In the case of African LDCs there is clearly an important capacity-development component necessary for effective implementation. Capacity development is required at every level from the national through the local to the community, school and household levels.

7.3.9 Monitoring and evaluation

Monitoring and evaluation that need to be carried out at several levels. The international level will probably largely be confined to networks and information sharing to facilitate learning from the monitoring and evaluation. At the national and local levels various monitoring and evaluation functions may be distributed in different ways depending on the nature of the programme and the functions assigned to the various levels. Parents and communities also may have important roles in monitoring the implementation and effectiveness of the scheme.

7.4 Implementation options

This section explores very briefly some of the possible options for implementation mechanisms at each level. This must of necessity be exploratory and tentative in nature,

since the implementation mechanisms depend very critically on local conditions, capacities and culture. A number of possible options are considered in relation to each level.

7.4.1 International

At the international level there may well be some value in constituting some kind of task force consisting of influential and well-known persons from African LDC governments, international agencies, foundations and corporations to provide added weight to the international advocacy to develop momentum at the global level. This body may deem it of value to have the support of a technical advisory group with strong national participation.

There will need to be some institutional capacity to ensure that the international functions of learning networks and information sharing are carried out. This may be accommodated within an existing international institution (such as UNCTAD or ILO) or could be linked to an existing network.

At the regional level there may well be some need to ensure that the scheme receives the support of key actors, especially governments through regional organizations. One example is the Association for the Development of Education in Africa (ADEA), which consists of all the ministers of education in Africa in partnership with key donors to Africa. There may well be other regional bodies that play a key role in poverty reduction and/or the elimination of child labour. Other key regional bodies such as the Forum of African Women Educationalists (FAWE) may have a useful role to play, especially in ensuring a focus on the gender dimensions.

7.4.2 National level

The locus of policy related to the scheme is clearly at the national level, and there are a number of possible mechanisms that can help to facilitate effective implementation. One of the options concerns the location of the initiative in an individual ministry (such as education), in the office of the head of state, or in the ministry of finance. Another possibility is the establishment of an inter-ministerial body to develop the conducive policy environment and to coordinate implementation. These functions could be separated, with policy development at the inter-ministerial level, and implementation located in a lead ministry. Experience in Latin America suggests that there is considerable value in locating the project at an inter-ministerial or head of state level. If it is implemented through the administrative infrastructure and budget of the ministry of education, it may well end in competition for resources (financial, human and institutional) with the supply-side responsibilities of that ministry.

It is also clear that there may be benefits in involving a wide range of other actors and institutions in the national level governance mechanism, even if there is need for a distinction between advisory and executive functions. Thus national schemes may wish to constitute more broadly based programme implementation units, steering committees or advisory bodies with involvement of international agencies and donors, local and international NGOs, civil society and community-based organisations, and representatives of key interest groups, including the beneficiaries.

7.4.3 Local authority level

As at the national level, there is a similar issue regarding the location of the programme in specific sectors of local government (education, social security, finance etc.) or in some inter-sectoral body or the office of the head of the local government (mayor, chief, governor). As in the case of the national level, there may be considerable benefit in finding mechanisms to include the voices of civil society, local NGOs and community-based organisations, and project beneficiaries in managing, supervising or supporting implementation.

7.4.4 School/community level

The local community often has to carry some of the burden of identifying target households or recipients. They also often have to support the local school in responding to the supply pressures placed on the school/s, and in supporting quality improvement programme that may be part of the national programme. Where school governance mechanisms provide for adequate community participation to facilitate effective support for the approach, the scheme should build on these. Where these do not exist or have limited participation or insufficient authority, the scheme may require changes in governance policies and concomitant capacity development.

7.4.5 Household level

Strategies may be required to ensure that the scheme does not result in disempowerment of women in the household or girls in the home. Thus it has been common practice in some schemes to target women or child-headed households, or to ensure that cash transfers are given to women.

References

Arndt, C. et al. 2000. "Structural characteristics of the economy of Mozambique: A SAM-based analysis", in *Review of Development Economics* 4 (3), pp: 292-306.

Colclough, C and Al-Samarrai, S. 2000. "Achieving Schooling for All: Budgetary expenditures on education in sub-Saharan Africa and South Asia", in *World Development*, Vol. 28, no.11, pp.1927-44.

Dasgupta, P. 1993. *An Enquiry into Well-being and Destitution* (Oxford, Clarendon Press).

Dercon, S. 1996. "Risk, crop choice and savings: evidence from Tanzania", in *Economic Development and Cultural Change* 44, 3, pp.385-414.

Dercon, S. 2000. *Income Risk, Coping Strategies and Safety Nets*, CSAE Working Paper WPS/2000.26 (Centre for the Study of African Economies, Oxford University).

Dercon, S. and Krishnan, P. 1996. "Income portfolios in rural Ethiopia and Tanzania: choices and constraints", in *Journal of Development Studies*, 32, 6, pp. 850-875.

Galabawa, J.C. 2000. *Impact Assessment of School Mapping in Six Districts* (Dar es Salaam, UNICEF).

Hoddinott, J. and Skoufias, E. 2000. *Preliminary Evidence of the Impact of Progresa on Consumption*, Executive Summary (IFPRI, Washington DC).

IMF/World Bank. 2001. *The Challenge of Maintaining Long Term External Debt Sustainability*, Development Committee Papers, DC 2001-0013, April 20, 2001.

Lavinas, L. 1998. "O Barato da pobreza", in *Inteligência*, (Rio de Janeiro) year 1 no. 4, August/September/October/. Rio de Janeiro. Pp. 36-46.

Lavinas, L. 2001. *The Appeal of Minimum Income Programmes in Latin America* (Geneva, ILO).

Lavinas L., Barbosa, M.L., Tourinho, O. et al. 2001. *Assessing Local Minimum Income Programmes in Brazil* (Geneva, ILO).

Mason, A. D. and Khandker, S. R. 1996. *Household schooling decisions in Tanzania* (World Bank, Washington D.C.) mimeo.

Narayan, D. et al. 2000. *Voices of the Poor: Crying out for Change* (Oxford, Oxford University Press).

Opolot, J. 1994. *Study on Costs and Cost-effective Approaches to Primary Education in Uganda* (Kampala, UNICEF), mimeo.

Oxfam International. 2000. *HIPC Leaves Poor Countries Heavily in Debt* (Oxfam).

Penrose, P. 1998. *Ghana: Cost Sharing in Education. Public Finance, School and Household Perspectives,* Department for International Development Education Research Report No. 27 (London).

Rose, P. 2001. *Household Willingness and (In)ability to Pay for Education: Cost-Sharing in Malawi* (Unpublished PhD thesis , University of Sussex), Draft.

Sachs, J. et al. 1999. *Implementing Debt Relief for the HIPCs,* CID Policy Paper No. 2 (Centre for International Development, Harvard University).

Secretaria del Desarrollo Social. 1999. *Progresa. Evaluación de Resultados del Programa de Educación, Salud y Alimentación Primeros Avances* (Mexico).

Tembon, M. et al. 1994. *Gender and Primary Schooling in Guinea*, IDS Research Report 32 (Brighton, Institute of Development Studies).

UNCTAD. 2000. *Least Developed Countries 2000 Report* (Geneva, United Nations).

UNDP. 2000. *Private Adjustments: Household Responses to the Erosion of Work* SEPED Conference Paper Series.

Weir, S. and Knight, J 1996. *Ethiopia: Household Demand for Schooling in Rural Ethiopia* (Oxford, Centre for the Study of African Economies), PHRD Study 1A.

World Bank. 1996. *Republic of Zambia Education and Training Sector Expenditure Review* (World Bank, Washington D.C.).

World Bank. 2000a. *World Development Report, 2000/2001: Attacking Poverty* (World Bank, Washington D.C.).

World Bank. 2000b. *World Development Indicators, CD-Rom,* (World Bank, Washington D.C.).

Appendices

Appendix 1. Illustrative examples

The following cases indicate initial reactions to the MISA approach and how it may fit within current poverty reduction and educational development efforts in three African LDCs. These examples are intended to be illustrative. They do not necessarily reflect a choice of countries for implementing the pilot project, nor any prior commitments concerning the design for such a project. They are included as they exemplify how MISA programmes can be integrated with African realities and priorities.

Case 1 Mozambique: a country in transition from instability to stability

The current education situation.

The Mozambique educational system is organized as follows:

EP1 – Low primary education (5 years)
EP2 – Upper primary education (2 years)
ES1 – First cycle of secondary education (3 years)
ES2 – Second cycle of secondary education (2 years)
5+2+3+2 = 12 years

Basic education corresponds to the complete 7 years of primary education (EP1 + EP2) and is complemented by a formal and illiteracy programmes.

In 1981, six weeks after the proclamation of independence, Mozambique had virtually achieved universal access to primary education with a 93 per cent gross enrolment rate. However, performance was reversed mainly because of the negative impact of the war, which affected the country for 16 years.

From 1993, the system started to expand again and by 2000 gross enrolment rate was 90.6 per cent, but is still lower than the figure in 1981.

In 2000, net enrolment rate was 54 per cent, which means that Mozambique is not on the trajectory required to achieve universal primary education by 2015.

Internal efficiency

The dropout rate in primary education has declined from more than 20 per cent to a national average of 7 per cent in 1999, but is still higher in some provinces. The repetition rate is a big concern representing 25 per cent of the enrolments in primary education for more than 15 years.

Demand is affected by the shortage of teachers and classrooms, and also by the low internal efficiency of the system.

The imbalance between urban and rural areas, and among provinces, as well as gender inequalities are all factors influencing access and participation, as well as girls' performance.

Research shows that poverty is much stronger than cultural factors in determining school attendance. Opportunity cost implications have to be considered when it comes to female education. Experience shows that removing fees in primary education, leads to an improvement in access. However, the challenge is how to keep children in school without providing additional support to compensate opportunity costs.

Mozambique has some positive experience, with scholarships for girls in secondary education and teacher training. Another experience is the programme on textbook provision through *Caixa Escolar* - a revolving fund mechanism whose objective is to guarantee textbook distribution to primary school pupils. The programme is seen as an appropriate intervention to address poverty. It should be noted that the *Caixa Escolar* programme is important but insufficient since absolute poverty affecting the majority of families goes beyond the textbook provision.

Financial issues

Since mid-1990, the Government of Mozambique has substantially increased domestic expenditure in education, resulting in an average growth rate far outstripping the growth of GDP and of total governmental expenditure.

From 11 per cent of the government budget in 1994, the education budget has grown to about 19 per cent in 2000. However, the main feature of this budget growth is that it goes mainly to salaries, which represent 75 per cent of the total budget. In primary education the percentage of salaries budget is more than 90 per cent. In terms of GDP, education represents about 2.2 per cent.

At this point in time, HIPC impact in education is very low. There is an enormous trade-off between allocating additional resources for education and health.

- The level of poverty incidence is high in Mozambique. Household surveys conducted in 1997 show that about 70 per cent of the population lives in absolute poverty;
- There are provincial imbalances between urban areas and, between urban and rural areas;
- Limited domestic fiscal capacity generates few resources for cash transfer;
- There is very pronounced gender gap.

The way forward

The programme could be concentrated in a selected number of rural districts having girls as the target group. However, a more holistic approach is suggested, combining a cash transfer programme with school development as a whole. A broader vision of general school development might include the following elements:

- shared vision development with the community,
- clear goals

- school development plan,
- professional leadership/head teacher,
- participatory approaches including accountability.
- Emphasis on learning - maximizing learning time.
- creating a positive learning environment
- greater student involvement (more towards learner-centred support),
- parental and community involvement.

At provincial and district levels appropriate monitoring mechanisms need to be developed in order to enable the respective education officers and community/parents representatives to monitor and support the cash transfer programme at the schools.

Policy Framework

The Ministry of Education has developed a five years rolling Education Sector Strategic Plan (ESSP), appraised and endorsed by the Government and donors. All the donors agreed to support education sector efforts within the context of the ESSP. Currently the Government is in the process of finalizing its PRSP, which includes selected activities from the ESSP having potential impact for poverty reduction.

Following the Dakar Declaration, Mozambique is developing an action plan, which is seen as part of the ESSP. The main objective is to define clear goals and targets to specify when and how the country will be able to achieve universal primary education. Thus, the cash transfer programme should be seen and understood as an instrument which will be part of the existing policy and planning mechanisms, aiming at accelerating current reforms and reducing poverty.

Case 2 Senegal : incitations à la demande d'éducation des familles pauvres

La situation actuelle du secteur de l'éducation.

Avec un taux de scolarisation brut (TBS) de 68.3 per cent en 2000, le Sénégal fait partie des pays les moins scolarisés en Afrique au Sud du Sahara (ASS). Pourtant, il consacre environ 5.2 per cent de son PIB au secteur de l'éducation, l'effort public représentant près de 30 per cent des dépenses courantes de l'État (tableaux 1 et 2).

L'efficacité interne

La parité garçons/filles (47 per cent) n'est toujours pas réalisée. La scolarisation connaît d'importantes inégalités entre les régions, le TBS S variant entre les régions de 35 à 90 per cent. Le système éducatif est confronté ainsi à un problème d'inefficacité et d'inéquité. Les indicateurs de qualité ne sont guère brillants. Les taux d'abandon et de redoublement demeurent élevés, respectivement 6 per cent et 15 per cent dans l'enseignement élémentaire. Les niveaux d'enseignement secondaire et supérieur affichent des taux nettement au-dessus de ceux de l'élémentaire. Pour tous les niveaux, les filles redoublent et abandonnent plus que les garçons. Une autre caractéristique du système éducatif sénégalais est le ratio nombre d'élèves par enseignant très élevé (65). Tous ces indicateurs montrent que l'efficacité interne est faible.

Allocation des ressources

L'enseignement élémentaire n'absorbe que 36 per cent des dépenses publiques courantes alors que l'enseignement supérieur, grâce â sa capacité de négociation, accapare près de 26 per cent de ces dépenses. Pour tous les niveaux, les coûts unitaires sont élevés. Ils sont essentiellement constitués des salaires. Dans l'enseignement élémentaire, ces derniers représentent une proportion de 97 per cent. Au cours des dernières années, des politiques ont été mises en oeuvre dans ce sous-secteur pour réduire la dépense salariale par élève: classes à double flux, système multigrade, recrutement d'enseignants volontaires dont le salaire représente à peine le tiers de celui d'un instituteur fonctionnaire.

Un nouveau programme sectoriel

Conscient de ces nombreuses distorsions, le Gouvernement a élaboré un Programme Décennal de l'Éducation et de la Formation (PDEF) qui vise l'expansion du réseau avec la scolarisation universelle, l'amélioration de la qualité avec la baisse des taux de redoublement et d'abandon, la distribution gratuite de manuels dans l'enseignement élémentaire et l'amélioration de la gestion stratégique du secteur.

On peut dire que le PDEF cherche à desserrer les contraintes liées à l'offre d'éducation. En effet, en ce qui concerne la demande, les principales stratégies retenues pour inciter les ménages à scolariser leurs enfants sont la suppression des frais d'inscription dans l'enseignement élémentaire, le lancement d'une campagne de sensibilisation et la distribution gratuite de manuels scolaires qui peut être considérée aussi comme un effort de réduction des coûts d'éducation à la charge des parents. Le Ministère de l'Éducation Nationale (MEN) est conscient du fait que ces stratégies ne sont pas suffisantes pour l'inscription et le maintien à l'école des enfants des familles les plus pauvres. Le chômage des diplômés, l'attrait qu'exerce l'immigration sur les jeunes des zones rurales et les coûts d'opportunité élevés de la scolarisation pour les parents représentent de puissants facteurs qui dissuadent bien de ménages démunis d'envoyer leurs enfants à l'école.

Nouvelles incitations à l'augmentation de la demande d'éducation des pauvres.

Le MEN cherche à compléter les stratégies de stimulation de la demande d'éducation en généralisant l'expérience des cantines scolaires. Celles-ci sont implantées dans les zones rurales de six départements. Initialement, il s'agissait de venir en aide aux élèves déplacés des deux régions du Sud confrontées à une rébellion armée. Actuellement 92,600 sur 188,000 élèves, soit près d'un enfant sur deux, mangent dans ces cantines. Il est prouvé que ces dernières contribuent au maintien des élèves à l'école.

Les cantines scolaires fonctionnent essentiellement grâce à l'appui de bailleurs de fonds qui fournissent des céréales, à l'exception de l'UNICEF dont la contribution est financière. Les enfants participent au financement en s'acquittant d'une cotisation. Un des objectifs du MEN actuellement est d'étendre l'expérience des cantines scolaires aux zones rurales des autres régions du pays. Un programme qui s'inspire de l'expérience *Bolsa-Escola* pourrait constituer un autre instrument de stimulation de la demande d'éducation des enfants des familles les plus pauvres. En opérant des transferts de ressources financières directement à leur profit en contrepartie de l'inscription et du

maintien de leurs enfants à l'école, la pauvreté serait combattue à court terme en même temps que s'améliorerait le capital humain des enfants confrontés à la pauvreté extrême.

Un tel programme devrait être implanté prioritairement dans les zones rurales où vivent principalement les pauvres. Il pourrait aussi s'appuyer sur les femmes en en faisant les bénéficiaires directes des transferts de revenu minimum. Dans une étude économétrique menée par le Centre de Recherches Économiques Appliquées de l'UCAD dans le cadre de la préparation du Document de Stratégie de Réduction de la Pauvreté (DSRP), il a été solidement établi en effet qu'une augmentation de la part des revenus féminins dans le revenu total du ménage, toutes choses égales par ailleurs, augmente les dépenses alimentaires de ce dernier, ce qui réduit son exposition à la pauvreté. La préparation en cours du DSRP offre l'opportunité d'inclure dans les actions à retenir pour le secteur de l'éducation, un programme-test devant permettre de vérifier l'adaptabilité de l'expérience *Bolsa-Escola* au contexte sénégalais. En cas de réussite, un nouvel instrument pourrait ainsi s'ajouter à ceux dont dispose déjà le MEN pour atteindre son objectif de scolarisation universelle et de relèvement de la qualité de l'enseignement à la fin de la présente décennie.

Case 3 Tanzania: transfers for poverty reduction through primary education

Throughout the 1970s the Government of Tanzania adopted free universal primary education. During this period public expenditures increased, supported by high donor funding. Increased expenditures were also complemented by high rates of mobilization, sensitization and public campaigns.

The public responded positively to these supply measures. Gross enrolment increased to reach 93 per cent by 1980, 99 per cent for boys and 86 per cent for girls. These numbers may be a little exaggerated, but it is generally agreed that enrolment was high. But these achievements were not made without problems. A focus on quantity led to quality declines. This, in combination with rising costs of living and education motivated parents to withdraw children from public schools. By 1997, gross enrolment had fallen to 66 per cent, 67 per cent for boys and 66 per cent for girls. Apparently the rate of withdrawal was higher for boys than for girls. The rate is currently around 76 per cent, with a gender balance.

Current Government initiatives and implications for cash transfer

The above experience shows that poverty explains part of the enrolment decline. This suggests that initiatives to boost demand will enhance enrolment. This provides the case for targeting poor households, which are unable to enroll children and keep them in school. But targeting is difficult in a country where the majority of the population (over 70 per cent) is poor and the data is not available for accurate targeting. Targeting under these conditions has to be more focused.

The PRSP recognizes the importance of focused targeting. It does this by identifying extreme vulnerable groups, such as victims of HIV/AIDS, street children, etc. These groups will receive special attention. But the PRSP fails to see the role of cash transfers. Yet, it is obvious that in situations of income collapse, a case for cash

transfer may be made not only for stabilization but also, in the context of education, for increased enrolment and retention of pupils in the classes.

This focused approach is more likely to get support from the Government and donors for three reasons. Firstly, it is undertaken within the framework of the Government budget. Already extreme vulnerability is budgeted for. Secondly, a more focused targeting is less resource demanding. It can be accommodated within the existing resources, which are unlikely to increase in the short to medium term. It should be noted that for many countries the HIPC relief will not produce significant extra resources and most of these resources have anyway been accommodated in the PRSPs. Thirdly, this approach brings in cash transfer from a developmental angle, although some consumption may be a pre-requisite for enhancing future human capability.

Appendix 2. Pilot programme proposal

Programme proposal for the Third United Nations Conference on the Least Developed Countries (LDC III)

Minimum Income for School Attendance (MISA)

Coverage: African LDCs

Executing: International Labour Office (ILO)
Agency United Nations Conference on Trade and Development (UNCTAD)

Summary

MISA is a cash transfer (minimum income) programme conditional on school attendance, targeted to the poorest and most vulnerable families. The distinguishing feature of the MISA approach is to use the cash transfer instrument to achieve the simultaneous objectives of reducing current poverty, combating child labour and improving the educational attainment of the children, which should serve to reduce future poverty by increasing human capital.

Evaluations carried out in both Brazil and Mexico indicate that there is a strong synergy between these objectives. They also show that the scheme can have wider multidimensional effects. In particular, it has been observed that the increased security provided by the cash transfer conditional on school attendance can increase female activity rates in the labour market as well as upgrading labour skills and strengthening the coordination of social policies, and therefore, their effectiveness.

A Report[24] prepared by an Advisory Group brought together by ILO and UNCTAD, with the participation of representatives from some African LDCs and from UNICEF and the World Bank, has assessed the desirability and feasibility of applying such a scheme in African LDCs. The Report argues that the MISA approach would be a valuable and innovative mechanism for helping governments to achieve international development goals and the specific targets of their Poverty Reduction Strategy Papers.

[24] Report of the ILO/UNCTAD Advisory Group. 2001.The Minimum Income for School Attendance (MISA) Initiative. Achieving International Development Goals in African LDCs. Geneva.

Preliminary estimates for a limited MISA programme, targeted simply at poor families with children dropping out of school, indicate costs in the range of US$10-40 million per year per country.

This programme proposal consists of a pilot scheme, to be implemented in at least three African LDCs over the next three years, to examine benefits, trade-offs, costs and implementation options in practice. This will be coordinated by the executive agencies with possible involvement of other specialized UN agencies.

Budget

It is proposed to conduct pilot projects in three African LDCs (2001-2004). The budget estimate is based on simulations made for three countries, which differ in terms of target group size, annual value of cash grant and gross enrolment rate (GER) gap. In addition, 20 per cent over-head costs were also computed.

Country 1: 5,000 children x US$45 annual school grant + 20 per cent over-head = US$270,000
Country 2: 10,000 children x US$50 annual school grant + 20 per cent over-head = US$600,000
Country 3: 1,600 children x US$80 annual school grant + 20 per cent over-head = US$153,600

Total amount: US$ 3,070,000 for three years

Background

Poverty and social exclusion are a widespread and profound problem of global proportions (UNCTAD, 2000 and World Bank Report, 2000-2001). To alleviate the plight of this immense contingent of poor, several initiatives to extend and improve the social protection system of the countries concerned have surfaced, some of which are inspired by the concept of guaranteed income. These are minimum income programmes, which may be tied to school attendance by poor children of school-going age. They are particularly attractive because in addition to reducing poverty they increase educational attainment and contribute to the elimination of child labour.

Several Latin American countries, like Brazil and Mexico, have been pioneers in extending minimum income support schemes in a developing country context. The format of a guaranteed minimum income tied to compulsory school attendance, was implemented successfully in Brasilia, Brazil Federal District, in 1994. For the first time, a social programme reached a sufficiently large scale and coverage to generate an effective impact on the impoverished population. In view of the very satisfactory results and low operational cost, and in the absence of perverse trade-offs that often have an adverse effect on the efficiency of social programmes, the Federal District *Bolsa-Escola* programme has become something of a model in Brazil and other Latin American countries.

What are the major outcomes of the *Bolsa-Escola* programme? It has contributed to the breakdown of mechanisms, which exclude the poorer students. *Bolsa-Escola* commits families to ensuring that their children attend school and, at the same time,

obliges the schools to keep on students who would otherwise be at high risk of dropping out. The *Bolsa-Escola* programme has proved an effective means of breaking one of the most pervasive mechanisms for reproducing and legitimizing inequalities: namely, early exclusion from school. In addition, the Programme does not constitute a disincentive to work, but rather, the contrary. Family income (not including the benefit) increased significantly in the first year that families were in enrolled in the Programme, despite the difficulty of finding jobs on a weak labour market. More than 50 per cent of the adults in the programme and/or their spouses are illiterate, or barely literate. Despite such shortcomings, the level of occupation (employment) among the benefited families rose to a level that fulfilled their basic economic needs, notwithstanding an unfavourable economic environment characterized by recession. Thanks to the monthly cash benefit received over the period of one year, over two-thirds of the families in the *Bolsa-Escola* programme were enabled to rise above the poverty line and reduce their degree of social deprivation. The *Bolsa-Escola* programme also had positive effects on the incidence of child labour, in that *Bolsa-Escola* students tend not to be engaged in paid work.

ILO and UNCTAD have brought together an advisory group of international experts to assess the feasibility and desirability of applying such a scheme to African LDC's. The Report of the Advisory Group argues that the MISA approach would be a valuable and innovative mechanism for helping governments both to achieve international development goals and the specific targets of their Poverty Reduction Strategy Papers. Preliminary estimates for a limited MISA programme, targeted simply at poor families with children dropping out of school, indicate costs in the range of US$10-40 million per year per country. The very positive outcomes of this joint-initiative led to the following programme proposals for UNLDC III.

Objectives

The overall objective of this initiative is to test how the MISA approach can best be implemented to promote poverty reduction, the achievement of universal primary education and the elimination of the gender gap in education, the combating of child labour and human resource development in African LDCs.

Strategy

The preliminary assessment of the desirability and feasibility of applying MISA programmes in African LDCs has identified a series of issues and options for programme design and implementation. The basic form of the programme will vary according to the precise weight given to the achievement of the different objectives, which are attainable through the programme. Key issues include: the value of the cash grant, defining and identifying the population to which it should be targeted, designing the scheme to reinforce school quality, maximizing the multi-dimensional developmental benefits of the programme, determining the role of local and central institutions, tailoring the programme to rural and urban communities.

These issues can only be effectively addressed through concrete initiatives. Pilot projects are also imperative to allow LDC governments themselves to tailor the programmes to their local circumstances and fit them into their poverty reduction

strategies. It is important that LDC governments who enter the pilot project agree to be fully involved in the design, implementation and monitoring of the pilot project.

Results

The outcome of the project will be to provide information on how the MISA approach can contribute to poverty reduction and educational goals of the LDCs and how the approach can be applied on a wider scale both within the countries concerned and in other African countries over the ten-year period of the Global Programme of Action for LDCs.