

SOCIAL TRANSFERS:

A SERIES OF ADVOCACY BRIEFS FOR NATIONAL STAKEHOLDERS

An overview of the series

A fundamental reappraisal is currently taking place about how best to tackle the chronic poverty and hunger which are prevalent, and increasing, throughout much of sub-Saharan Africa. Typically, governments and donors have reacted to these problems only after they have become acute. Moreover, responses tend to be reactive and short-lived, focusing on humanitarian assistance; and, once the crisis has been alleviated, attention drifts away and the problem is forgotten until another “emergency” once more pushes it into the headlines.

In the face of growing evidence, governments and donors alike are recognising that such treatment provides little more than a temporary dressing to a festering sore. In this series of briefs, the case is presented for a different approach – an approach which not only provides for and protects the poor and hungry but also seeks to promote them out of poverty. In situations where this approach has already been applied, it is becoming evident that individuals, previously victims of circumstance, can regain control over their lives, that national economies can benefit and that the dependency culture can be overturned. This approach is through predictable social transfers.

Synopsis

What are social transfers?

1

What we mean by social transfers is social assistance provided by public and civic bodies to those living in poverty or in danger of falling into poverty. This ‘social assistance’ can be cash or it can be a number of other things, or a combination – as we shall see later in the series.

The important point, though, is that the social transfers we refer to in this case are ‘predictable’: they are paid or distributed regularly, not as a reaction to a crisis, but as a pre-emptive initiative to allow recipients to prepare for and protect themselves in an effective way against unforeseeable catastrophes.

Brief 1 explains how social transfers fit within the broader context of social protection. It provides an overview of the key characteristics of social transfers and differentiates between long term predictable transfers and short term emergency transfers. While a wide spectrum of instruments fall under the definition of social transfers, the appeal of social transfers, and the reason for this series of briefs, is the ability of long term predictable social transfers to address chronic poverty. Finally, the brief highlights a number of social transfer programmes currently in operation in southern Africa.

Why social transfers: the socio-economic case

2

This brief puts forward the socio-economic case for investing in social transfers. It highlights the benefits of predictable social transfers as a policy instrument to deal with poverty, risk, vulnerability and food insecurity.

Southern African countries are characterised by pervasive poverty, low life expectancy, weak economic growth and highly skewed wealth distribution. There is increasing evidence that predictable cash transfers not only reduce poverty among direct beneficiaries and their households, and improve wealth distribution, but also that they generate economic growth within local communities and conserve fiscal resources. This makes them an attractive policy instrument, not only to Ministries of Social Welfare but also to traditionally sceptical Ministries of Finance and Economic Development.

At the household level, predictable social transfers provide more than just welfare and can positively improve the livelihoods of the poor. They can also increase the access of household members to education and health facilities, which has long term benefits. At community level, predictable social transfers generate demand for goods and services, stimulate markets, create employment and foster growth. At national level, broad-based, comprehensive social transfers reduce poverty and inequality, create growth, support social and political stability, and directly address a range of MDG indicators. Their fiscal impact, in generating economic growth, means that they are ultimately more affordable than a continuous series of short term ad hoc transfers.

Why social transfers: the rights case

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It is widely accepted that social protection is a basic right of all citizens and that it is the responsibility of the state to safeguard that right. Rights are extremely important as they set out the fundamental tenets for a

civilised state to live up to. For rights to have meaning, though, it is necessary for them to be known and understood, not just by the citizens of the country but by their government as well.

However, although social protection is one of the economic, social and cultural rights, to what extent it can be provided depends on a country’s economy. Rights can only be achieved progressively as resources become available. The most vulnerable in any society should have priority and access to scarce resources. As resources become more plentiful, so the social protection network can expand to encompass those in less immediate need.

Society and governments need to work together to achieve what is possible, in the sense of finding financial resources and agreeing on their equitable distribution. They should then together reach consensus on a viable strategy for a progressively more effective protection policy for the future.

With rights come responsibilities, not just in terms of the state but also in terms of citizens. Rights should be respected and not abused.

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Which social transfer?

There are a range of different types of benefits that can be delivered under a social transfer programme, the most common being cash, food, inputs and assets. This brief discusses four complementary considerations when choosing between the different options.

First it looks at meeting desired outcomes: where welfare (or protection) is the desired outcome, food may have advantages over others, but as wider impacts of social transfers become more important, cash is gaining recognition as the preferred benefit. Second, it looks at the appropriateness of different forms of transfer in addressing different types of vulnerability. Third, it argues for an approach of building on what works: it is better to expand or replicate an existing scheme that is successful, than to start a new one. Finally it recommends consultation, and respecting beneficiary preferences: it is important to ask recipients what they would like rather than simply assuming and imposing it on them.

The brief concludes with a discussion about the constraints to making choices. One of these is that transfers are often dictated by what is available, rather than by what is preferable. Another concerns the limitations of cash: although cash is widely considered to be the most effective and most efficient social transfer instrument, it can only function where markets are able to respond. But, even where this is not the case, food aid provided on a more predictable and regular basis can still be better than resorting to reactive emergency responses.

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Delivering social transfers

How social transfers are delivered is important. Transfers themselves take different forms and include cash, vouchers, agricultural inputs and food; and this brief outlines ways of getting them out to beneficiaries. The possibilities range from physical delivery, usually by NGOs, for example of agricultural inputs or food, to using the private retail sector.

In the case of cash, which is now a much more common form of social transfer, there are a range of options: from local banks, to

mobile banks, to money-transfer companies, to direct payments through NGOs, post offices or retailers. New technology increasingly allows the use of smartcards, which contain a chip carrying all necessary personal information. This can be used to deposit or withdraw money at banks, post offices and retail outlets, and is increasingly being seen as the easiest and most secure solution to distributing cash.

Even in the case of non-cash transfers, smart card technology can promote private sector growth and stimulate local economies. Smartcard technology is already here: a number of southern African countries are already using, or thinking of using, such technology today for social transfers.

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Targeting social transfers

Orthodox theory argues that targeting increases the impact and reduces the cost of social transfer programmes. However, evidence from countries like Malawi suggests that there is often reluctance or opposition to targeting at community level (a common refrain being “but we are all poor”) and that even when targeting is applied it is frequently circumvented. Targeting is never watertight: people get excluded from programmes who should be included and vice versa. Such “errors” further add to the overall cost of targeting.

Poverty targeting, for example, involves means testing, but this is often inefficient, is also expensive and can lead to corruption, discrimination and stigmatisation. Another possibility, universal access, involves providing benefits to each and every household or individual, irrespective of their degree of need. Universality has a number of distinct advantages, especially when the potential economic growth impact of a broad-based social transfer programme is considered, but many low income countries would argue that it is financially beyond their reach. Categorical targeting, which provides benefits to distinct highly vulnerable groups, such as orphans or the elderly, without any means testing, may offer a practical and pragmatic solution to balancing efficiency (keeping costs down) with effectiveness (maximising benefits).

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Cost, affordability and value of social transfers

Paradoxically, the countries that most need social transfers are the ones that can least afford them. While rich countries spend on average over a third of their GDP on social transfers and other social protection measures, low income countries spend on average just three per cent. But as Lesotho’s old age pension scheme testifies, for example, social transfers are affordable by even the poorest nations. The question arises, also, as to whether it is more expensive in the long term not to increase spending on social protection. Continuing with the present short term approach will ultimately cost more money without creating the growing economy and individual self-sufficiency that is inherent in a well-managed social transfer programme.

Affordability implies finding a balance between how much is available and how much is needed. The first step towards funding social transfers is having the political determination to make a commitment. Next it is useful to compile an inventory of all existing expenditure on supporting the poor and vulnerable – often surprisingly high – and rationalising it under a national programme. After that, several ways can be considered to obtain extra resources – ad hoc tax levies on such things as fuel, alcohol, air travel, and/or a reallocation of donor funding, for example.

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Are social transfers enough?

Social transfers can play a vital role in alleviating chronic hunger and vulnerability and can also provide the impetus and the means for households to escape the poverty trap and to engage in more sustainable livelihoods. Social transfers are not however a general panacea for lasting poverty reduction. They must be linked to pro-poor policies which reduce people’s exposure to economic and agricultural shocks, which promote private trade networks and markets, and which improve the infrastructure – to mention just a few examples. Moreover, the success of any social transfer

programme is influenced by the prevailing policy environment in the country.

Gains from social transfers will remain transient unless they go hand-in-hand with these longer-term structural measures to provide development pathways for the poor and vulnerable.

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Why are social transfers popular?

People of all ages, including the elderly, children and disabled people, benefit from social transfers. They like being trusted to take control of their own lives. They see pensions, child benefits, disability grants and other cash transfers as their right. And while many people find that the cash they get is not enough to pay for all their needs, it does have a significant impact on their lives.

Social transfers enable people to buy food and clothing for themselves and their families. Parents and grandparents use them to pay for children’s school fees, uniforms and school books. But more than just meeting their basic needs, people say that using the money to pay their way and support others helps restore their dignity and sense of self-worth, and that relationships and respect between family members improves. Cash transfers enable many people to break out of the isolation in which they live, socialise with others and become active members of society. Interviews with a number of recipients illustrate these benefits.

It is not only recipients who value the impact of social transfers on their lives and on the communities in which they live. Policymakers, those involved in administration and others in the community also see the benefits. And, for these reasons, they are popular too with politicians and parliamentarians!

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From policy briefs to implementation

The last brief in the series addresses the question: what next? It sets out ten key messages for national policymakers to help them address practical issues of implementing social transfer programmes.

It ends with a quote, from Dr Samuel Johnson, reminding us that “A decent concern for the poor is the true test of civilisation”.

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