1 WHAT ARE SOCIAL TRANSFERS?

Introduction

As the first in the series, this brief introduces the concept of **social transfers**.

What exactly do we mean by 'social transfers'? What we mean 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 this series of briefs. The important point, though, is that the social transfers that we refer to in this case are 'predictable' i.e. 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.

The Context of Social Transfers

This particular brief 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 falls 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.

Social protection

Social protection is an essential **public service** (along with, for example, health and education) that encompasses a broad range of public actions that provide direct support to people to help them deal with risk, vulnerability, exclusion, hunger and poverty. While precise definitions continue to be debated in academic circles, a working typology distinguishes three major elements of social protection:

- **Social legislation** provides a legal framework that defines and protects citizens' rights, and ensures minimum civic standards to safeguard the interests of individuals (e.g. labour laws, health and safety standards).
- **Social insurance** consists of contributory schemes, managed by governments, which provide financial support to participating individuals in times of hardship. In countries where social insurance schemes exist, contributions are generally compulsory (e.g. unemployment benefits, national insurance). There are few examples of social insurance schemes in low income countries.
- **Social transfers** are non-contributory (in the sense that the recipient is not required to pay for them through premiums or specific taxes) social assistance provided by public and civic bodies to those living in poverty or in

Characteristics of Social Transfers

Feature	Description	Examples
Benefit	The form of benefit of the transfer	Cash, food, agricultural inputs (seeds, fertiliser), assets (tools, livestock)
Benefactor	The organisation responsible for the provision of the transfer	Central government, local government, community donor, NGO
Beneficiary	The recipient of the transfer	Individual, household
Conditionality	The conditions that a beneficiary has to fulfil to qualify for the transfer	Clinic or school attendance, engagement in public works
Targeting (see Brief 6)	The criteria used to select the beneficiary (if any)	Means tested, community targeted, geographically targeted, categorically targeted (elderly), self targeted (public works), universal
Delivery (see Brief 5)	The mechanism used to transfer the benefit to the beneficiary	Direct (cash, food, inputs, assets), voucher/coupon, subsidy/fee waiver, debit cards/smartcard/mobile phone
Frequency	The interval at which the benefit is distributed	Weekly, monthly, seasonal, annual

danger of falling into poverty (e.g. non-contributory pensions, child benefit, disability allowance). This element of social protection is the focus of this series of briefs.

Chronic poverty and predictable social transfers

The term 'social transfers' encompasses a wide range of instruments - from short term reactive humanitarian assistance in times of emergency, to long term, pre-planned and predictable support to those entrapped in poverty, or in danger of becoming entrapped.

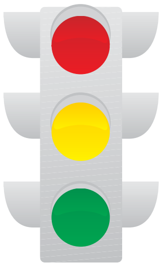
However, the current interest in social transfers in low income countries is focused on the potential of long term predictable instruments to address chronic poverty and its causes.

Such poverty, and vulnerability to it, has become an intractable and pervasive problem in many southern African countries; short term, reactive, sticking-plaster remedies have alleviated successive crises but to date the underlying causes of poverty have proved stubbornly resistant to treatment, and it is these that predictable social transfers seek to target.

Predictability is the key characteristic of social transfers that address chronic poverty.

Because the variables that drive chronic poverty, such as slow economic growth, low agricultural productivity, high unemployment and the HIV/AIDS pandemic are themselves chronic in nature, the caseload of the chronically poor is comparatively predictable. This predictability allows the problem to be tackled in a structured, multi-annual and managed way using predictable social transfers, rather than having to rely on the preparation of annual appeals for assistance which are invariably under-funded, late in being delivered, and inappropriate – or even damaging – to the chronic nature of the problem they are supposed to be addressing.

Predictable social transfers provide beneficiaries with guaranteed and regular support, which allows them to take considered decisions about how to use the transfer – in other words to plan ahead, to invest, to save and to gain some control over their future, rather than remain a victim of circumstance. In this way predictable social transfers can do more than just fill empty stomachs and can provide a range of benefits which short term reactive humanitarian support cannot (see Brief 2).



Conceptual models of social protection

There are a number of conceptual models for social protection - for example the World Bank's "*Social Risk Management*" framework; the International Labour Organisation's "*Decent Work*" agenda; the Centre for Social Protection's "*Transformative*" approach. Such models recognise that social transfers serve three important functions: to provide for those who are unable to provide for themselves; to prevent poverty shocks from devastating households; and to promote households by helping them to lift themselves out of poverty

Provision ("risk coping")

The "***red light***" in the traffic light above signifies life-threatening emergency situations.

These include the most basic 'safety net' transfers to save lives during emergencies (e.g. disaster relief); and social welfare or social assistance grants to offer relief from chronic deprivation (e.g. disability allowance).

Prevention ("risk mitigation")

The "***orange light***" warns that caution (or precaution) is needed.

These social transfers aim to prevent deprivation or destitution before it happens, by various insurance mechanisms (crop insurance, health insurance, unemployment benefits, old age pensions, burial societies).

Promotion ("risk reduction")

The "***green light***" is to give poor people opportunities to go forward.

These social transfers aim to protect livelihoods as well as to enhance incomes and capabilities (e.g. school meals support both nutrition and education; conditional cash transfers deliver cash and health care).

Donor support to predictable social transfers

To safeguard their predictability, social transfers require reliable, and therefore on-budget, resources. This aspect of social transfers has raised many concerns amongst cash-strapped governments in southern Africa. Some have even interpreted the desire of some donors to replace emergency humanitarian responses with predictable social transfers as a way for donors to extricate themselves from their commitments to assist countries in solving problems of poverty and hunger. This is not a true reflection of the donors' position. Those donors that are promoting social transfers are doing so because they have evaluated their support to humanitarian actions as having had little impact on reducing chronic poverty and would like to redirect their support to other instruments such as predictable social transfers which evidence shows to be progressively more effective by gradually lessening dependency. Essentially these donors would like to reduce their financial support to humanitarian assistance and correspondingly increase their support to on-budget, government-run social transfer programmes.

Examples of social transfer programmes in operation today in southern Africa

Lesotho Old Age Pension

The Lesotho Old Age Pension was established in 2005 and provides a monthly grant. The grant was increased from M150 to M200 (US$30) following recent parliamentary elections. The pension is non-contributory and is an entitlement for all (74,000) citizens over the age of 70 years. The pension is delivered through the Lesotho Post Office service. The total cost of the programme including the value of the grants was about M135 million (US$20.5 million) in 2006. Operating and delivery costs are estimated to be as low as 6% of the value of the grants. The Lesotho Old Age Pension was established without donor assistance and is fully funded through the national budget.

Malawi MASAF 3 Public Works

The Malawi Social Action Fund has been implementing public works programmes (PWPs) since 1995, with funding from the World Bank and DFID. Its third phase, MASAF 3, began in 2003 and is expected to run until 2015 (to coincide with MDG deadlines) with a total funding commitment of US$240m. MASAF provides waged employment to 110,000 poor and vulnerable beneficiaries, especially female headed households, and creates community assets (e.g. water supply and sanitation, food security, transport and communication, soil conservation). Each beneficiary receives MK43 (US$0.30) for a 4-hour working day and is guaranteed 2.5 months of employment or about US$22. The wage transfer constitutes 40% of total project cost.

Malawi Mchinji Pilot Social Cash Transfer Scheme

This Government of Malawi pilot scheme, funded by UNICEF, aims to verify the hypothesis that locally implemented cash transfers are feasible, cost-effective and have a quick impact. The pilot targets 3,000 "*ultra poor*" and "*labour constrained*" households (10% of the district's population). Households are selected through a multi-stage targeting process by community and district level Social Protection Committees. Monthly transfers vary from MK600 (US$4.20) to MK1800 (US$12.60) depending on household size, with an additional MK200 (US$1.40) and MK400 (US$2.80) for every child attending primary and secondary school respectively. Total cost is estimated at US$480,000 for this pilot phase (Sep-06 to Dec-07), of which transfer payments are expected to comprise 86%. A scale-up plan envisages extension to three more districts by Dec-08 at a cost of US$5.4m, and nationwide coverage by 2016 at an annual cost of US$42m.

Malawi Input Subsidy Programme

In 2005/06 the Government of Malawi introduced and fully funded a fertiliser subsidy aimed at increasing agricultural productivity and food security among 2 million smallholder farmers. To limit leakage and ensure even distribution of the subsidy, a voucher system was used. All the subsidised fertiliser was sold through the parastatals ADMARC and SFFRM. The scheme was extended to the 2006/07 season with modifications to include the private sector in fertiliser and seed distribution and improve voucher security and allocation, and with some DFID funding for logistical support and seed procurement. The total cost of the programme in 2005/06 was MK7.2 billion (US$58 million), and is expected to rise to MK10.2 billion (US$71 million) in 2006/07, with government meeting 87% of this. A DFID-commissioned evaluation of the programme is under way.

Mozambique Programa de Subsidio de Alimentos

The Programa de Subsidio de Alimentos (PSA) is in fact a cash transfer programme, funded by the Government of Mozambique and implemented by the National Institute for Social Action (INAS), a semi-autonomous institute under the Ministry of Women & Social Action (MMAS). PSA aims to assist poor households who are unable to work or satisfy their basic needs, in particular the elderly, disabled and chronically sick, and malnourished pregnant women. In 2007 the PSA has 97,000 direct beneficiaries, overwhelmingly elderly urban dwellers, identified by community leaders with community-based INAS agents (Permanentes) who refer candidates to the provincial INAS delegations for checking. The cash transfer varies between MZN 70 and 140 (US$2.68 – 5.36) monthly depending on household size. The total programme cost was MZN164 million (US$6.0 million) in 2006 and is MZN189 million (US$7.2 million) in 2007. INAS management costs are in principle 15% of transfer value, though in practice this is likely to be higher. Negotiations with donors are under way to enable coverage to be expanded in terms of target groups and geographical area.

Mozambique Input Trade Fairs

Input Trade Fairs (ITFs) were first piloted in four districts in 2001 by the Ministry of Agriculture (MINAG), with FAO and ActionAid support, as an emergency agricultural rehabilitation programme for flood-hit farming households which had lost seed and other inputs. They have been implemented every year since in flood or drought affected areas of the country, as a means of enabling farming households quickly to restore agricultural production and food security following a disaster, and to promote trade in agricultural inputs even in remote areas. ITFs bring together farmers and input vendors at specified sites at the start of the agricultural season, giving farmers vouchers that can be exchanged for a wide range of agricultural inputs including MINAG-approved seeds, fertilisers, tools, small livestock and veterinary supplies. Between 2002 and 2006, 118,000 farmers received vouchers worth MZN180 to MZN190 (US$7 approx). In 2007 the voucher value is to be increased to MZN400 (US$15.40). MINAG is considering extending ITFs beyond disaster-affected areas, as a development intervention to support rural livelihoods.

• Swaziland Neighbourhood Care Points

Swaziland's Neighbourhood Care Points (NCP) project aims to provide food, psychosocial care and other support to orphans and vulnerable children (OVC). An NCP is a community site at which local, trained, volunteer 'caregivers' come together to provide care for vulnerable children from the neighbourhood, with support from the Ministry of Regional Development & Youth, UNICEF, WFP and local and international NGOs. Children, mostly aged up to 10 years, are selected by communities using vulnerability criteria in line with the National Plan of Action for OVC, and receive a balanced meal each day along with emotional support, a range of day-care activities, health monitoring and promotion, and encouragement to attend school. Starting with four NCPs in early 2001, the project expanded with ECHO funding from 2003 and by the end of 2006 covered 625 NCPs caring for some 33,000 OVC in all four regions of the country. The cost of establishing a new UNICEF-supported NCP is about US$8,600, after which running costs are met by communities and food commodities provided by WFP. The National Plan of Action aims to establish an NCP in every community by 2010, tripling the present number.

• Zambia Food Security Packs

Since 2000/01, the Government of Zambia, through the local NGO Programme Against Malnutrition (PAM), has been providing Food Security Packs to improve productivity amongst "*vulnerable but viable*" smallholder farmers. Packs comprise inputs (mainly seed and fertiliser) for 0.25ha each of a cereal, a legume and a root or tuber crop. Targeted farming households are in principle those which are vulnerable because they are female or child headed, support disabled people or orphans, or have been affected by disasters, but also have sufficient labour to cultivate at least 1 ha. At the design stage 200,000 households were to be reached per year, each receiving packs for two years after which they were expected to "*graduate*" to other agricultural support programmes such as the Fertiliser Support Programme. In practice, resources allocated to PAM for the programme have declined since 2003/04, so that in 2006/07 the ZK15 billion (US$3.7 million) allocation provided for less than 20,000 packs.

• Zimbabwe Food Vouchers

In 2006/07, as a component of the DFID-funded Protracted Relief Programme, ActionAid has worked through local partners to provide food vouchers to some 1500 urban poor and HIV/AIDS-affected households in Harare, Bulawayo and Gweru, many of which are headed by the elderly or chronically ill and/or receiving home-based care, and some of whom were victims of urban clearances. Monthly vouchers, valued at about US$18, can be exchanged within a short time-window for a specified basket of food commodities at OK and TM retail outlets, which then redeem them at a pre-arranged price with the programme. ActionAid has been able to fund the programme using foreign currency converted at near-market exchange rates negotiated in advance with the Reserve Bank. Based on a survey of beneficiary preferences, the intention is to move towards offering beneficiaries a choice of cash or vouchers.

In conclusion

In providing short-term relief to victims of disaster, one staves off immediate catastrophe but fails to provide any protective armour for defence against the next onslaught. Short term relief is therefore a never-ending, and unproductive, flow of resources. In providing, through predictable social transfers, the means for people to shield themselves against unforeseeable events, to enable them to plan, to invest, to save, one is helping them to regain control over their lives at the same time as providing an exit route out of dependency into self-reliance, benefiting the entire economy.

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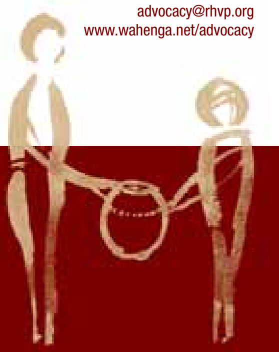

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