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CHOOSING THE BEST SOCIAL TRANSFER

Introduction

It is evident from the previous briefs that there is a wide range of predictable social transfer instruments to choose from. They range from school feeding to non-contributory pensions and from agricultural inputs to child support grants. With such an array of possible instruments to choose from, how do you decide between them? This brief reviews a number of considerations that should be taken into account in making such a decision:

- **Meeting desired outcomes**
- **Responding to the nature of poverty**
- **Building on what works**
- **Respecting beneficiary preferences**

These four considerations are complementary and not mutually exclusive: the best social transfer instruments will take account of all four. In addition, decisions on the selection of social transfers will also be based on considerations such as what resources are available, how to avoid dependency, and how to ensure fiscal affordability and political sustainability.

Meeting desired outcomes

Predictable social transfers not only reduce poverty but also lessen inequality, stimulate economic growth and help attain MDGs (see Brief 2). But not all social protection instruments are equally effective in achieving each of these objectives. Instruments based on **food** benefits, for example, may be effective in providing welfare support as part of a programme to reduce poverty but are less effective in reducing inequality or promoting economic growth. Instruments that provide agricultural **inputs** can have a strong growth impact for those who have access to land and labour (if the rains don't fail!) but provide little immediate benefit to those that are hungry. **Asset** transfers such as livestock can help improve livelihoods of the poor but only if their immediate food needs are satisfied. Overall, **cash** based transfers are considered to be the most flexible and the best in terms of achieving the desired multiple outcomes of social transfers. But, even then, how do you decide whether a pension scheme that transfers cash to the elderly is preferable to a child support grant to children under 5, or to a basic income grant to female-headed households?

Responding to the nature of poverty

Predictable social transfers are intended for people who are chronically poor. There are a number of different causes of poverty, and different kinds of vulnerability, which affect different groups of people in different ways. By providing the right instrument, predictable social transfers can not only provide welfare to the poor and vulnerable but can also help to make beneficiaries more resilient in the future.

Individuals facing **personal shocks** that leave them unable to work (like chronic illness, disability or retirement) might require **income grants** or **pensions** to support them indefinitely, unless or until they are adequately supported by their family and community. Similarly, for people who are poor or vulnerable because they **lack access to key productive assets**, the appropriate social transfer might be in the form of **assets** - fertiliser, tools, livestock. A lack of **purchasing power** can be dealt with in various ways, including **food stamps** or, again, **income grants**. Finally, if poverty is perpetuated by **lack of access to basic services** (e.g. because fees are unaffordable), social transfers can take the form of targeted **fee waivers**, or **conditional transfers** such as school feeding schemes or linking cash transfers to attendance at clinics.

Some groups of people are known to be over-represented within the poorest strata of society. The elderly, very young, chronically ill and disabled are some examples. Some types of social transfer are more suitable than others for specific groups. **School fee waivers** would benefit children but not the elderly. **Free anti-retrovirals** would benefit those living with AIDS but not others. **Income grants** would benefit many groups but perhaps not those located in remote areas with limited market access.

Source of vulnerability and suitability of social transfer instruments

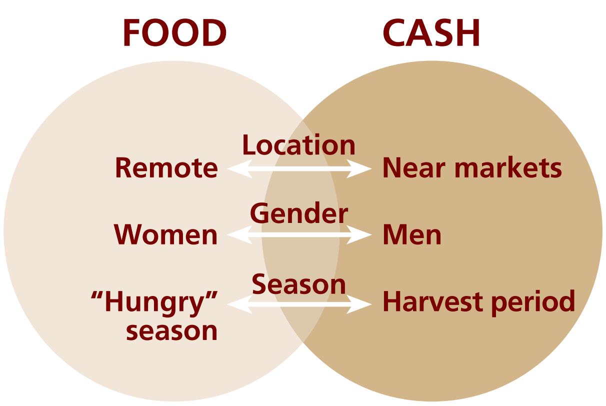
Source of vulnerability	Benefit	Modality	Examples of types of instrument
Chronic poverty	• Cash • Food	Direct support Public works	• Conditional/unconditional cash/food transfers • Microfinance
Personal shock (e.g. illness, disability)	• Cash	Direct support	• Social welfare grants • Pensions
Lack of access to key livelihood inputs	• Cash • Inputs • Assets	Conditional transfers (eg, must have land to utilise inputs)	• Conditional cash transfers • 'Starter Packs' (farmers) • Land reform (women) • Restocking (pastoralists)
Market failures (e.g. price seasonality)	• Cash • Subsidies • Food	Direct support Public works Subsidies	• Cash transfers • Food stamps/vouchers • Food price subsidies • Employment guarantees
Inadequate uptake of basic services	• Food • Cash • Waivers	Conditional transfers (eg. conditional on attendance)	• School feeding (education) • Conditional transfers (health) • Fee waivers (education, health)

Building on what works

Each country in southern Africa has some experience with the implementation of social transfers, whether it be with small-scale pilot schemes or with more comprehensive programmes. Because delivery and other systems are already in place, such programmes can often be scaled up or refocused relatively quickly and easily: this is especially true when the programmes are already relatively comprehensive in their coverage and are financed from on-budget resources. An old age pension scheme could be rapidly expanded by lowering the eligibility age so that more households benefit from it. Similarly the delivery system for an old age pension could be utilised to provide welfare grants to OVC, many of whom are cared for by the elderly. A public works programme operating in one region could be extended into the rest of the country or a particularly effective pilot programme could be scaled up or replicated to widen its coverage.

Respecting beneficiary preferences

Instead of guessing or assuming what people want, policy-makers could **ask** people what they prefer, and give them what they ask for. Of course, what people ask for can be complicated and cause more work for the programme providers, and might be very difficult to meet: poor people in rural Ethiopia and Malawi have requested food in the hungry season, agricultural inputs at planting time and cash after harvest. Women often request social transfers in the form of food, whereas men tend to prefer cash. People who live in more isolated communities with limited access to markets tend to prefer food transfers, to avoid the transaction costs (time plus transport) of buying food, while people nearer towns and markets prefer cash because cash gives them a wider choice.



Gentilini U. 2007. "Cash and Food Transfers: A Primer", or Gentilini U. (2007) "Food Transfers and Food Insecurity". IDS Bulletin 38(3): 82-86

Limiting factors

Plans to construct social transfer programmes around one or more of the above criteria may be constrained by two further practical limitations: the type of transfer available, and the need for an enabling environment.

All too often, the **type of social transfer** benefit (food, cash, inputs, etc) is determined by what is available, rather than by what is needed. **Food aid** has been delivered to Africa for decades, not necessarily because it was the most appropriate benefit to transfer, but because food was readily available (often in the form of US or EC surpluses), whereas cash was not. The recent surge in popularity of **cash** transfers as an alternative to food aid is a recognition that - for many reasons and in many circumstances - cash is preferable to food. Governments and donors have become disillusioned by the evidence that decades of emergency and project food aid to Africa have had no positive impacts on levels of vulnerability, on household and national food insecurity, or on malnutrition rates. For the first time, donors are making cash available for social transfer programmes in Africa.

The second constraint to be considered is the **lack of enabling environments**: in some countries, or in parts of some countries, it may not be possible to give the most appropriate social transfer, or to deliver it effectively. For example, where markets do not function well, the introduction of cash-based transfers would make little impact on improving access to food. Conversely, in situations where markets do function well, the use of food-based transfers would often undermine the operation of the private sector.

In conclusion

Selecting the appropriate instrument or resource for a social transfer programme requires careful consideration. Choosing the wrong instrument can have serious consequences, bearing in mind that we are dealing with the poorest and most vulnerable members of society. Not all instruments are equal and one instrument will be more appropriate and effective than another. Instruments are not mutually exclusive; they can be used in combination - combined food and cash transfers, for instance. However, the greater the range of instruments utilised, the more complex the social transfer programme becomes and the more difficult and costly it is to operate.

The design of social transfer programmes should be based on a careful assessment of needs, and on consultation with programme beneficiaries. Based on this consultation process, cash might be chosen as the resource transferred in some circumstances, food in others, and inputs or productive assets in others. Ideally, social transfer programmes should be needs-driven, not resource-driven, and they should be beneficiary-driven, not donor-driven.

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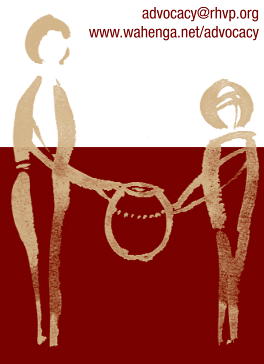

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