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## ARE SOCIAL TRANSFERS ENOUGH?

## Introduction

This brief highlights the danger of assuming that social transfers on their own can solve problems of chronic poverty and hunger in southern Africa, and points to complementary measures in the areas of social and economic policy that are needed to address the underlying structural causes of these problems.

## Social transfers are not a substitute for pro-poor development

There is a gathering momentum, especially amongst donors, international NGOs and researchers, and increasingly on the part of southern Africa's governments, in favour of social transfers as a response to widespread and deepening poverty and vulnerability in the region.

A concerted effort is being made, backed up by substantial aid funding, to generate political commitment to the idea of guaranteed, on-budget transfers for the chronically needy as a basic right. Apart from ethical rights-based arguments (see brief 3), much is made of the potential for transfers of food, cash or productive assets to yield development dividends. Not only can they **protect** people from the consequences of disasters and extreme poverty, but their ability to **prevent** them falling into poverty and food insecurity in the future and even to **promote** their livelihoods to a level at which they will no longer require this kind of assistance is highlighted (see brief 2). On a macroeconomic scale predictable social transfers can **reduce income inequality**, **promote economic growth** and support the **attainment of MDGs**.

There is a growing body of evidence to support these claims, emerging from an expanding number of small pilot transfer schemes across southern Africa, and from similar programmes in other parts of the world. The trend is a very positive one, holding out the prospect of real improvements in the situation of the most disadvantaged of the region's citizens, so long as this political commitment can be nurtured, sustained and translated into effective action.

Yet there is also a danger that social transfers will become **the foremost** or even **the only** policy response to the problems of extreme poverty and vulnerability: they will be seen as not just a treatment of the symptoms of development failures and a potential bridge to development (which they are), but as a substitute for development itself (which they are not).

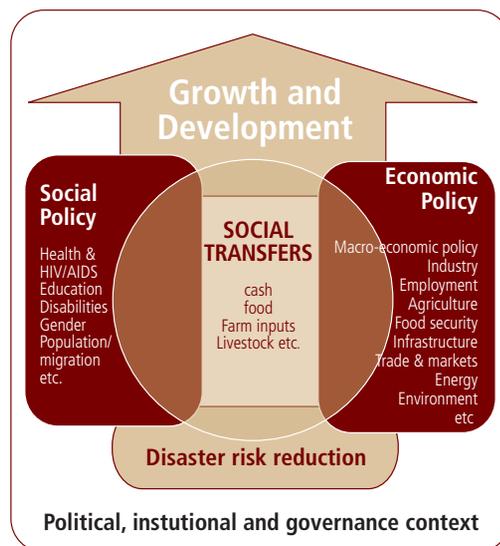
Social transfers can relieve suffering and enable poor people to take advantage of development opportunities, but if those opportunities are not supported by more structural, longer-term measures, then there will be little to stop people sliding back into a dependence on social transfers in the future.

Social transfers are often regarded as an answer to the problem of "linking relief and development" - but they can only do this if there is some development to link to.

## What kind of pro-poor development should social transfers link to?

If the need for social transfers is to be kept within manageable limits and their full potential realised, they must be linked to social and economic policies which:

- Are genuinely **pro-poor**, in the sense that they are accessible to the poor and work to reduce the incidence and severity of poverty, social marginalisation and exclusion, and increase people's participation in development (see brief 3 for more on rights issues);
- **Reduce risk** by helping to minimise hazards, lessen people's exposure to shocks and build resilience to future shocks, so that fewer people are knocked back into needing emergency relief when disasters and misfortunes strike.



## Social transfers: links to development and risk reduction

This figure provides one way of looking at links between social transfers and development. In order for social transfers to open up **pathways** to development, social and economic policies must provide the necessary opportunities, and be able to reduce individual and collective risk. All this requires a **conductive political, institutional and governance context**.

**Priority areas** for substantial and sustained investment by southern African governments and their aid partners include the following:

- **Strengthening production**, especially in small-scale agriculture, for example by improving security of access to land, livestock and farm inputs, promoting small-scale irrigation, supporting more diversified, sustainable and drought resilient farming systems, and building in measures to adapt to climate change.
- **Supporting markets**, especially in food and agricultural sectors, by:
  - Introducing measures to stimulate and nurture (rather than undermine) private trade networks while providing alternatives, where necessary, for the benefit of the most vulnerable;
  - Lessening the impacts of production shocks, for example through futures options on grain imports and weather-based crop insurance schemes;
  - Enhancing capital markets; and
  - Genuine action to promote fairer international trade regimes.

- **Enhancing off-farm employment opportunities**, for example through labour-based infrastructure schemes, promotion of rural and urban enterprises, and favourable labour migration policies.
- **Building infrastructure and assets**
  - Improving rural and urban transport, communications and service infrastructure, including mobile phone networks, electricity and water supply and local feeder roads;
  - Protecting and building human capital and physical assets at the household level, leading to long-term improvements in livelihoods.
- **Improving basic services**: supply-side measures to improve access by the poor to adequate health and education services, including those aimed at curbing HIV/AIDS, tuberculosis and malaria.
- **Reducing social marginalisation and exclusion** through prioritising measures which benefit and protect the rights of women and vulnerable children, and reduce stigmatisation of AIDS sufferers and the disabled.
- **Strengthening governance institutions and policy processes**: measures which create an enabling environment for all the above, prioritise increased participation of communities, civil society and parliaments in political processes, tackle corruption and reform patronage politics and promote a free and active media - all within a distinct and independent national development agenda.
- **Expanding public revenue** through the introduction of more progressive income and expenditure tax regimes and strengthening collection systems, as well as a more concerted international effort to meet pledges on debt and aid.

The boundary between these areas of policy and the more promotive aspects of social transfers is not a sharp one - but the two are mutually reinforcing and interdependent. This is recognised, for example, in the linkage between Malawi's emerging National Social Protection Policy and the country's current Growth and Development Strategy (see box).

In many cases social transfers will only work properly where labour, input and produce markets are functioning effectively and market information is available. Efforts to link transfers to personal enhancement, for example through making them conditional upon the uptake of health and education services by children of beneficiary households, will bear fruit only where those services are capable of coping with the additional demand. Rather than imposing such obligations on beneficiaries, it might be more appropriate to oblige providers of social transfers to upgrade services to the required standard, an approach being tested by CARE-Zambia in their urban cash transfer programme in Chipata.

## Social protection and development in Malawi

The Government of Malawi is developing a National Social Protection Policy (NSPP) which aims to ensure the strategic coordination of new and existing social protection initiatives within a common institutional and funding framework. The policy has two important features:

- It is explicitly linked to broader pro-poor development as one of five thematic pillars of the 2006-2011 Malawi Growth and Development Strategy (MGDS), the others being sustainable economic growth, social development, infrastructure development and improved governance. Linkages are strengthened by cross-linking these five themes to six priority policy areas: agriculture and food security; irrigation and water development; transport infrastructure development; energy generation and supply; integrated rural development; and prevention and management of nutrition disorders, HIV and AIDS.
- It shares a thematic pillar with disaster risk management, both falling within the remit of the Department of Poverty and Disaster Management Affairs under the Office of the President and Cabinet. This allows close coordination between the two, even as policies on risk reduction are in principle mainstreamed into development programmes.

If these links can be made effective, it will be easier to ensure, for example, that social transfers and measures to improve efficiency and stability in food, input and cash crop markets are mutually reinforcing rather than contradictory, that benefits of both are not captured by elites, and that transfers have positive rather than negative impacts on small-scale agriculture.

## In conclusion

Predictable social transfers can protect people from risk and promote livelihoods, as well as provide a minimum level of sustenance to the very poor - but they cannot on their own put an end to extreme poverty and vulnerability.

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

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