EuropeAid

Social transfers:

an effective approach to fight food insecurity and extreme poverty

Concept Note

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The aim of this paper is to present the way forward for the EC in the field of social transfers and it should not be considered as an official document.

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This Concept Note sets out the rationale for the European Commission (EC) to include social transfers within its programming. It is aimed primarily at Commission staff in Brussels and in the delegations, but it is hoped that it will be of interest to a wider group of partners and stakeholders. It discusses the concept of social transfers, and the justification for using them as a key tool of development cooperation

Introduction

Over 160 million people still live on less than 50 US cents per day, and are considered ultra-poor. The objective of the European Commission's (EC) development cooperation is oriented to the first of the internationally agreed Millennium Development Goals (MDG1) to "eradicate extreme poverty and hunger", with the following targets: "Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day, and the proportion of people who suffer from hunger". But even if the MDGs are achieved, an estimated 800 million people will still be living in absolute poverty and deprivation, many of them chronically poor.

Recognising that food security is a fundamental right, the EC has used a range of instruments, and has undertaken a large number of different interventions, to reduce hunger and increase food security.

It is now widely agreed that hunger is best understood not only in terms of **supply** of food, but in terms of people's ability to gain **access** to sufficient quantity and quality of food. The Commission's recent communication, in response to rising global food prices, puts it succinctly: "a humanitarian crisis could be looming, caused not by a global lack of food, but by a deterioration in the access to food for the world's most vulnerable people". It is this recognition that provides the policy framework for the increased emphasis on social transfers in the EC's response to food insecurity.

After more than ten years of experience, the EC's concept of food security has reached a degree of maturity. The Commission and its partners have had some success in increasing the production of food, and now recognise the need for a greater emphasis on the affordability of food. It is no surprise that EC Food Security Programme's experience in social transfers comes primarily from transition economies, whose availability problems were solved much earlier than, for example, in parts of Africa, where the EC still has a tendency to favour agricultural interventions. But, even here, access to food and household income approaches should become a key pillar of the EC's food security strategy: there is of course nothing to preclude EC interventions in both areas (increasing availability <u>and</u> improving access) simultaneously, whatever the level of development in a particular country.

There are clear linkages between food insecurity as a problem and social transfers as a solution to that problem. Food security depends at least as much on access to food (e.g. to making food affordable) as it does on availability of food; and therefore transfers which make possible such access to food are a logical response. Food security is a multidimensional problem, and social transfers encompass a multidimensional response.

The purpose of this Concept Note is to promote the use of social transfers by the EC in order to make the redistribution of its foreign aid and public resources towards the most vulnerable part of global populations more efficient and effective. The Note looks to build a better understanding of the potential role of social protection in addressing food security, and the logic behind the idea of social transfers within the access to food component. It attempts to guide decision-makers about where such a response might be possible, and where it might not; where is it a viable alternative to emergency assistance, and where it is not.

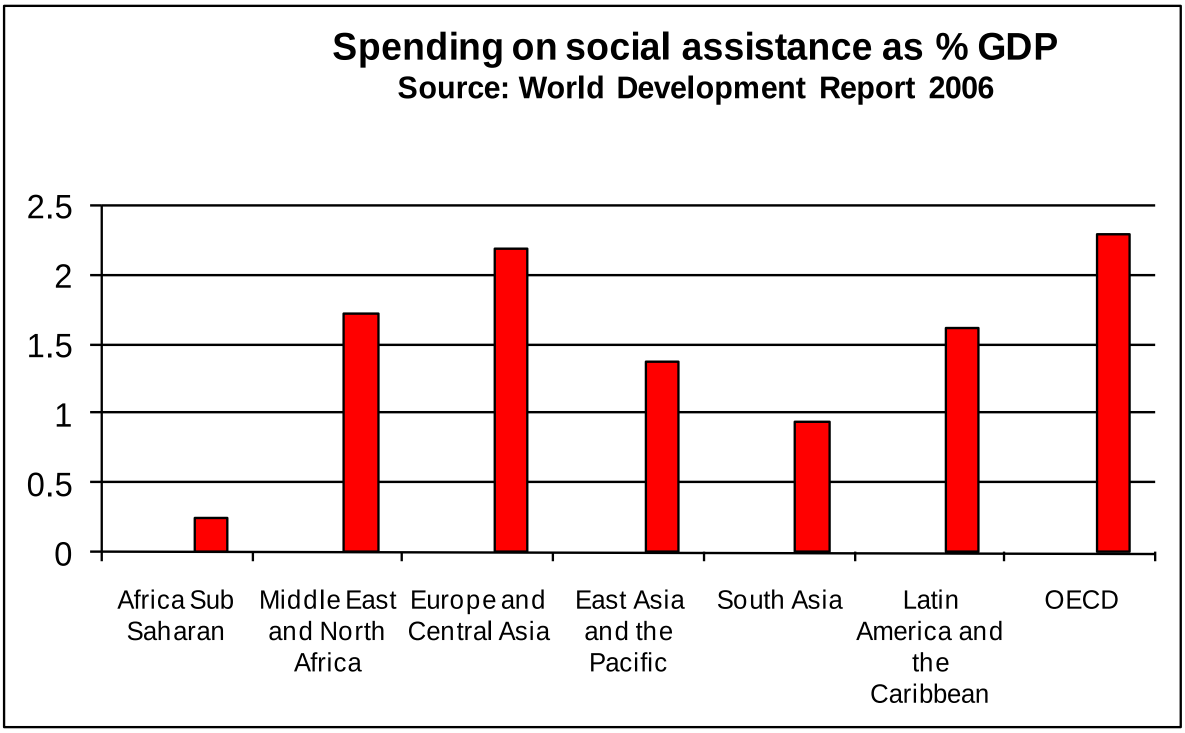
Social transfers are a significant – if under-utilised – tool in the EC's toolbox to reduce poverty and food insecurity. But it is noteworthy that one reason for the limited use of the tool may well reflect the low contribution of State resources (and therefore of demands for international aid) to social benefits in developing countries. In Africa, the proportion of GDP spent on direct social assistance is estimated at only 0.25%, compared with an average of nearly 2.5% in OECD countries (see Figure 1).

Social transfers lie midway along a scale between humanitarian relief on the one hand and broader development agendas on the other.

Social transfers distinguish themselves from humanitarian relief by being structural, long-term, predictable and government-owned response.

They are distinct from economic development approaches by being directly pro-poor and by increasing the level of household resources, rather than relying on development to bring with it economic growth, which only in the longer term can be expected to reduce poverty. In a reversal of the traditional development paradigm, such deliberate redistribution of public resources in favour of the poorest can be an efficient way to directly fight extreme poverty (which should after all be the primary objective of development assistance), and thereby stimulate economic development.

Figure 1



Social transfers as such represent a purposive redistribution of public resources, a policy decision taken in the public sphere to regulate income in favour of the poorest and bring about inclusive equitable growth. This capacity of the State to redistribute resources as part of a social compact with its citizens is itself an indicator of development. Transfers should in principle be available universally, i.e. to every citizen who needs them, whether rural or urban, and regardless of social status or ethnic group. They work outside the influences of the markets, for whose weaknesses they can therefore partially compensate. And they promote empowerment and entrepreneurship. But, while they can be justified on grounds of building social cohesion and underpinning economic growth, they are essentially a political decision to support the poorest in society.

It is important that this primary purpose of social transfers – to support the poorest and ensure basic food security– is retained, and is reflected in policy implementation.

There is a danger that adding extra layers of objectives such as "productivity-enhancement" will dilute their effective-ness. Pursuing increased productivity, either individual or collective, for example through public works pro-grammes or agricultural input subsidies, should be at best a side-effect or bi-product of social transfers. There is a risk that pursuing such objectives may undermine targeting (eg. by excluding those with no labour or land, who may be the ones most in need of support), or may introduce a bias towards the rural rather than the urban poor, or may distort incentives by encouraging or discouraging migration and labour movement. Enhanced productivity can be as efficiently achieved through increasing effective demand as through increasing supply.

The rest of this section discusses what is meant by social protection and by social transfers; then it draws on experience from around the developing world to demonstrate the beneficial impacts of social transfers.

Box 1. An exit strategy from social transfers: the EC Food Security Programme in Bangladesh.

The "Challenging the Frontiers of Rural Poverty" (CFRP) programme is an example of how a focus on social protection can generate its own momentum to graduate from basic protection (access to food) to promotion (access to micro-credit).

Through the Bangladesh Rural Advancement Committee (BRAC), the programme is aimed at supporting the poorest of the poorest inhabitants of one of the poorest countries in the world. It was designed to address the specific needs of ultra poor women such that they are able to overcome the poverty threshold through individual grants and asset transfers (cows, goats, poultry…etc) from which they can generate income.

The profit drawn from their activities and the conditions of life reached by the beneficiaries resulted in a substantial improvement of their own economic situation, strengthened livelihood conditions for their families, improved solidarity among the beneficiaries, and ultimately reinforced the whole community.

By the end of the programme, 1 525 000 households have been supported; of these 60%-65% succeeded in escaping the ultra poor threshold of extreme poverty. The same figures are given for ultra-poor entering the micro-finance loan process, resulting in total loans of US$2 300 000.

The current phase, CFRP 2, has expanded from 15 districts to 40 districts and now has a budget of US$166 million. The successful impact of CFPR 1 is very visible and the evidence of alleviation of poverty is impressive, in terms of: construction (numerous houses built or repaired, water pumps and piping, latrines); nutrition (substantial increase from 1 to 3 meals a day); health (100% of beneficiaries visiting a Medical Centre); institutions (2700 village committees created); land access (plot ownership or lease increased by 50%); and education (increase of 13% of children attending school).

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.

The concept has evolved significantly over the last two decades. In the late 1980s, social protection was seen – especially by its proponents – as a kind of residual short-term "safety net" for the poorest in countries that were too poor and lacked the administrative capacity to manage fully-fledged social protection programmes. Gradually, during the 1990s, the potential for social assistance as a driver and necessary constituent of economic growth came to be increasingly recognised, for example in the World Bank's "social risk management" framework.

But the focus remained predominantly on economic protection, and it is only during the past decade that there has been greater understanding of the social benefits of protecting and promoting livelihoods, born out of a concern for social equity and rights, and leading to the concept of social transfers as being genuinely "transformative". Social protection is now widely seen by development agencies as a valuable long-term instrument in their armoury for reducing poverty and promoting growth.

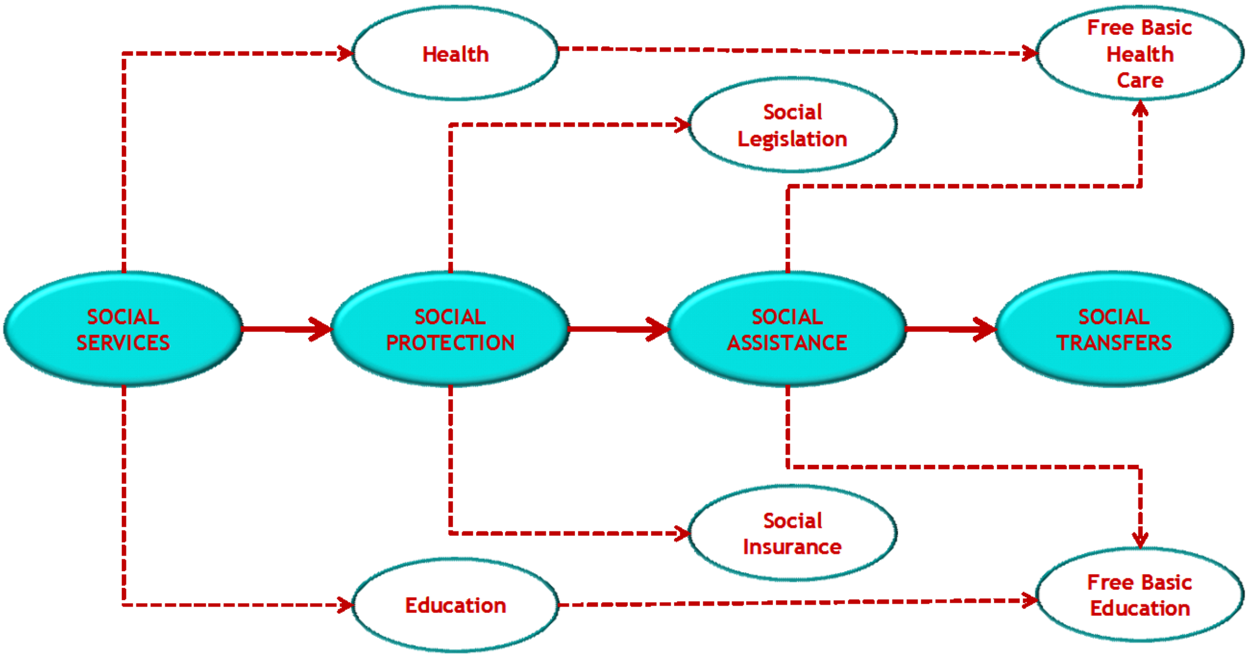
While precise definitions continue to be debated in academic circles, a working typology distinguishes three major elements of social protection (see Figure 2):

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, often 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 assistance includes non-contributory (in the sense that the recipient is not required to pay for them through premiums or specific taxes) social transfers provided by public and civic bodies to those living in poverty or in danger of falling into poverty (e.g. social pensions, disability allowance, child benefit). This element of social protection is the focus of this Concept Note.

Figure 2



Source: Regional Hunger and Vulnerability Programme

Social protection enables people to deal more effectively both with "covariate" (shared) risk (such as droughts, floods or rising prices), and with their vulnerability to "idiosyncratic" (individual) crises and to changes in their life-cycle circumstances (such as unemployment, death, illness or old age).

The basis of social protection is its element of **provision**. This is aimed at people who are already very poor and who need assistance to enable them to meet their basic needs (food, shelter, water) on a daily basis. There are millions of people for whom these basic needs are a daily struggle. Provision may equally be on a temporary basis, such as when farmers need protection to help them recover from a drought.

Social protection also works to **prevent** people from falling into (extreme) poverty. Both protection and prevention require safety nets to help people to meet and maintain basic needs. However, social protection also tries to make the link with livelihood **promotion**, so people can increase their asset base and graduate out of poverty to the point where they are not dependant on social protection (although some people will always need some kind of protection). Finally, through policy and legislative reforms, social protection can also **transform** the lives of citizens.

Social Transfers

Social transfers are a social assistance instrument, comprising regular and predictable non-contributory grants that aim to *directly increase or protect the incomes of those living in poverty or at risk of falling into poverty*. Typical transfer programmes include social pensions, child benefits, disability benefits, conditional cash transfers, employment guarantee programmes and some regular in-kind transfers to households. There are a number of different **types** of social transfer to choose from, ranging from school feeding to non-contributory pensions and from agricultural inputs to child support grants.

Equally, there are different **forms** that the transfer can take: cash is nowadays the preferred choice, but other options (which may be preferable in certain circumstances) include vouchers/ coupons, food, agricultural inputs (seeds, fertiliser), and assets (tools, livestock).

Box 2. Dispelling the Common Myths about Social Transfers

There are a number of myths that persist, despite compelling evidence that there is no basis for them. These include:

"Social transfers are not affordable in low income countries". First, the so-called high income countries which now rely heavily on social protection were themselves much poorer when they introduced social transfers. Arguably this is indeed part of the reason why they have now become so much richer: there is a strong correlation between productivity and the amount spent on social protection. Another example is Mauritius, for whose dramatic improvements in living standards even the IMF cites its early adoption of comprehensive social transfers. Finally, a recent study of selected African countries by the ILO demonstrates that the cost of an $18 per month pension for all over-65s and all disabled would represent no more than 0.3% to 1.0% of GDP.

"Social transfers are an endless unproductive drain on the Exchequer". Whilst social expenditure might increase in the short-term to provide a broader range of transfers, in the longer term this would stimulate growth in the economy, pulling more and more people out of poverty, thereby increasing the tax base and generating more government revenue to cover the declining social protection costs of a decreasing number of poor and vulnerable. A modelling exercise for South Africa, with its extensive national social protection coverage, showed that, after an initial increase in expenditure over four years, the overall costs would thereafter decrease rapidly as economic growth increased and the poverty gap fell.

"Social transfers create dependency and laziness". There is no evidence to support this claim. In fact all the evidence points to the opposite conclusion: social transfers, by mitigating risk and allowing investment, reduce dependency and improve productivity. Recipients of social transfers in South Africa look for work more intensively and extensively, and find employment more successfully, than do workers in comparable households that do not receive social grants; an evaluation of the Mchinji cash transfer programme in Malawi found that 50% of recipients were more likely to produce crops since receiving the cash transfer; and beneficiaries of the Mexican agricultural support programme, *Procampo*, raised their income by 1.5 to 2.6 times the value of the actual transfer.

"Social transfers should not 'give something for nothing'". This argument, linked to the ones above, is as commonly heard among politicians and commentators in OECD countries as it is in developing countries. It is often used to justify "productive safety nets" (such as public works programmes) or conditional schemes as a basis for social transfers. But the "productivity" of such schemes, sometimes imposed with minimal consultation by external agents such as governments and donors, is often far less productive than the alternative of providing individuals and households with the means to make their own consumption and investment decisions, without obliging them to waste valuable time and energy on misguided and frequently "unproductive" enterprises.

"Social transfers encourage irresponsible spending". Quite apart from being patronising and misguided, this assertion is demonstrably wrong. Poor households are by far the best judges of how to use effectively any resources they are given; and any numbers of studies have confirmed that they spend their transfers wisely: on food, on health, on education, on productive investments … not on alcohol and cigarettes. Recipients of the old age pension in Lesotho spent less on all such "luxuries" combined than they did in contributions to the church collection-plate! And a study in South Africa showed that households that receive social pensions have higher expenditure shares on food and education and lower expenditure shares on alcohol, tobacco and entertainment, than other households do. As the t-shirts distributed to recipients of the Kalomo social cash transfer in Zambia proudly proclaim: "the poor are not irresponsible".

Social Transfers – Justification

The case for social transfers can be made from a number of different standpoints, and different stakeholders resort to a variety of different arguments to justify them – this can be both a strength and a weakness. The justification for such transfers can be:

Social – transfers reduce poverty; they are also redistributive, and thus promote equity and social cohesion; they are good for the labour market; and they support the achievement of MDGs, by reducing poverty, improving health and education outcomes, promoting inter-generational human capital development, and enhancing gender equality and environmental sustainability. Such arguments appeal in particular to donors and international agencies.

Economic – transfers (particularly in cash) promote economic growth, stimulate local markets and conserve fiscal resources in the long term – especially when integrated with complementary policies and investments in public services. This argument appeals in particular to Ministries of Finance, especially in low-income countries, who need to be convinced that expenditures on social transfers contribute to economic performance, rather than being a non-productive drain on resources.

Rights-based – this argument, a favourite of international and national NGOs, sees social transfers as a basic human right or right of citizenship (as enshrined in a number of international charters and national constitutions), like the right to life, the right to food, the right to shelter. They campaign for an entitlement to a "universal basic minimum" package of social protection, as part of a social contract between the state and citizens on a needs-driven basis.

Political – in reality, none of these arguments is as persuasive as the argument of political economy. Experience has shown that the social transfer programmes that are most likely to succeed and endure are those that are "home-grown" and that have political will and popular support behind them. This is a strong argument for donors to engage in national policy processes, to support the politicisation of social protection and to undertake national capacity-building; and to avoid the plethora of externally-driven "pilots" that have characterised their approach to date.

Similarly, a number of different groups of stakeholders approach social transfers from a variety of different directions. Some approach from the perspective of support to the ultra-poor or to the 'hungry' (the starting point for this Concept Note). Others argue for approaches to assist broad categories of society who are most often associated with poverty and vulnerability, such as older people, the disabled, and children. Still others have special interest in helping, for example, orphans, or people living with HIV/AIDS, or exploited workers. The ultimate goal should be to rally all such advocates together under one banner, to campaign for universal and comprehensive social protection policies to reduce unacceptable levels of vulnerability and risk.

Source: European Commission

Social Transfers – Impacts

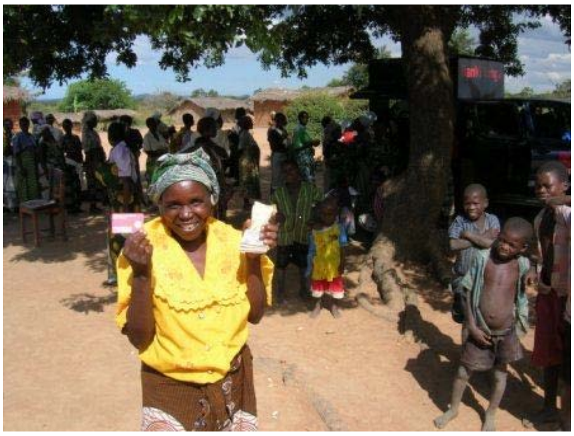
Social transfers work. They can be shown to have a range of impacts, at different scales and in different areas. Selected examples are given below.

Poverty - Social pensions in Brazil and South Africa are estimated to reduce the depth of income poverty among recipients by 25% and 94%, respectively. 55% of recipients of Chile's PASIS (social pension) have moved from being extremely poor to poor, and 45% have moved out of poverty altogether. In the Kalomo social cash transfer scheme, average indebtedness of beneficiary households decreased from ZMK13,000 before the scheme to ZMK8,000 after it.

Hunger - Between 50% and 80% of a transfer is traditionally spent on food. The percentage of Lesotho's old age pensioners who reported that they "never went hungry" increased from 19% before the pension to 48% after it was introduced. An extensive assessment of Ethiopia's Productive Safety Net Programme (PSNP), for example, finds that three-quarters of participants consumed a higher quantity and quality of food compared with the previous year, and were less likely to sell assets in order to buy food.

Source: European Commission

Livelihoods - In an asset transfer programme for ultra-poor women in Bangladesh, the value of the livestock provided by the asset transfer is estimated to be doubling every 18 months. Under the Kalomo social cash transfer scheme, 29% of income transferred was invested, either in purchases of livestock, farming inputs, or informal enterprises. Asset ownership among recipients developed positively from 4.2 assets at baseline to 5.2 assets at evaluation. The increase in ownership of small livestock was particularly noteworthy: seven times as many households owned goats, and the ownership for chickens increased by 15 percentage points.

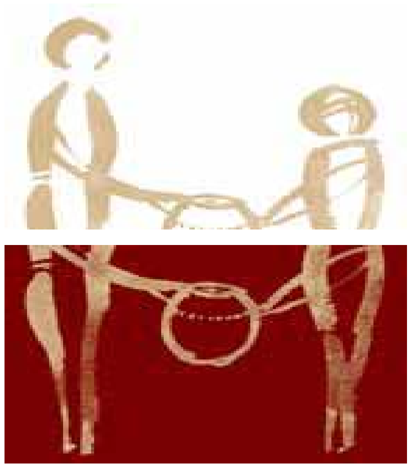


Source: Stephen Devereux

Wellbeing - Again in the Kalomo social cash transfer scheme, impact evaluations have measured significant improvements in beneficiaries' motivation: they think that they are considered less poor by the community, they look at the future more positively (households being hopeful increased from 37% at baseline to 49% at evaluation) and they have plans for the future (increase from 50% at baseline to 73% at evaluation). In Mexico's *Oportunidades* programme, women confirm that cash transfers enhance their self-esteem, financial security and social status.

Gender equality - In Bangladesh, the School Stipend programme has helped achieve gender parity in primary education. In South Africa, the effects of social transfers on the education of girls are strong. South Africa's old age pension has also had particularly positive effects on girls' nutritional status, with girls in recipient households an average of 3-4 centimetres taller than in non-recipient households. In Brazil, the impact of *Bolsa Familia* on women's labour market participation is very strong – 16% greater than for women in similar non-participating households.

Equity - Data from the South African 2000 Income and Expenditure Survey indicate that a full uptake of the state old age pension, disability grant, and child support grant would reduce the Gini coefficient (an indicator of the severity of income inequality in a country) from 63% to 60%.



Source: RHVP

Nutrition - In Bangladesh, BRAC's Challenging the Frontiers of Poverty Reduction (CFPR) programme has led to an improvement in calorie intake from 1632 Kcal per day to 2236 Kcal per day (from below to well above WHO minimum recommended levels). With Brazil's social pension, 42% of the transfer is allocated to purchasing more nutritious food. South Africa's child support grant increased the height of its beneficiaries by 3.5cm if it was paid during their first year and for two out of the three first years.

Health - In Mexico, stunting was found to have decreased by more than 10% as a result of *Oportunidades* transfers; infant morbidity was reduced by 25% and under-5's illness by 12%. Incidence of illnesses reduced from 43% to 35% in the Zambia social cash transfer scheme, and incidence of partial sightedness halved from 7.2% to 3.3%.

Education - Using data from the national household survey in 2000 in South Africa, modelled data show that household receipt of an old age pension or child support grant is associated with a 20 to 25 percent reduction in the school non-attendance gap. In Brazil, participants in the *Bolsa Familia* programme are 63% less likely to drop out of school and 24% more likely to advance an additional year than comparable children in non-participant households.

Labour market - Recipients of social transfers in South Africa look for work more intensively and extensively, and find employment more successfully, than do workers in comparable households that do not receive social grants. Research into the social pension in Lesotho shows that 18% of recipients spent part of their pension on creating cash for jobs for other people.

Source: APEJ, Mali

Local economy - A study of the Dowa Emergency Cash Transfer (DECT) in Malawi showed that for every $1 made as a social transfer, a regional multiplier of 2.02 to 2.45 was observed in the local economy, benefiting traders, suppliers, services and other non-recipients within the community and beyond. In Namibia the social pension has increased the volume of trade for grocery stores, and contributed to the growth of marketing infrastructure and trade nationwide.

Together, social transfers and wider complementary investments have the potential to increase the opportunities for the chronically poor to benefit from, and contribute to, economic growth since they help achieve threshold levels of human development, asset ownership and sufficient protection from risk to encourage economic dynamism.

Box 3. Social Transfers in the Current Context

This is a particularly apposite time for the EC to be considering social transfers as a response to food insecurity. As if the challenge facing governments and their donor partners was not already bad enough, recent events in the global economy, from food price volatility and financial instability to the global economic downturn, are set to make the challenge of reducing poverty, hunger and malnutrition even more difficult. Faced with falling economic growth rates and high income distribution disparities, poverty is predicted to increase. World leaders, meeting ahead of the recent G20 Summit, warned of the risk of conflict in some countries as a result of the current global crisis and the anticipated reduction in donor support. Meanwhile, on the horizon, arguably already here, are the less well understood but potentially far more damaging threats of climate change, fossil fuel depletion and increasingly unsustainable population growth.

Development institutions are advocating a range of policy responses. In the short term, these mostly predicate increases in humanitarian assistance; but in the longer term, two main policy measures predominate: agricultural growth to increase food availability, and social transfers (in the form of cash or vouchers) to ensure food access by the poorest.

Just a few examples suffice to demonstrate this near-unanimity on the need to scale up, or to introduce, comprehensive social transfer programmes:

"We are determined to support food aid, nutrition interventions, social protection activities and measures to increase agricultural output" – G-8 Leaders

"Support safety nets, including direct social protection (cash) transfers for the poor (urban and rural) to enable them to cope with shocks and lasting high prices" – European Commission

"Implement safety-net programmes like food or income transfers" – International Food Policy Research Institute

"The main options are compensating transfers … aid agencies should provide more support to developing country efforts to boost social protection" – Overseas Development Institute

"Expand and improve access to safety net programs such as cash transfers" – WB-IMF Group

"The actions and decisions we have taken today will provide $50 billion to support social protection, boost trade and safeguard development in low income countries" – G-20 Leaders

Social Transfers – Preconditions

A number of pre-requisites exist as a condition for implementing social transfers. If these are not available or are not properly understood, then the first area of intervention would be for the EC to assist with their establishment. Such preconditions may be discussed under the headings of the nature of poverty, the policy and institutional contexts, the legal framework and the resource availability (both in terms of capacity and finances).

Nature of Poverty

Designing the best social protection response requires a clear understanding of the nature and extent of poverty.

- This understanding should be based on **vulnerability assessment and analysis**
- Such tools can help define **priority groups and areas**, and appropriate responses
- This in turn gives a better grasp of the **scale of the problem**
- Finally, it is important to **consult the beneficiaries** themselves.

Policy Context

Political will is a crucial prerequisite for the implementation of comprehensive social transfer programmes. The EC, in particular through its national Delegations, is well-placed to encourage and support such political will.

- A starting point is **existing constitutions, development plans** and **PRSPs**
- It is desirable to develop a **national social protection policy** or strategy
- Encouragement should be given to social protection as part of the **political debate**
- EC involvement will be largely determined by the quality of **governance**
- EC may also support a **stock-take of existing social protection programmes**
- It should ensure full **development partner alignment** behind social protection.

Source: Stephen Devereux

Institutional Context

Political will is linked to the institutional context. Where political will is strong, the institutional environment for social protection is also likely to be strong.

- A key issue concerns the **strength of the Ministry** responsible
- Effective social protection requires clear **linkages** to other social sectors
- A **strong coordinating agency** is needed for design and implementation
- Priorities may vary within a **relief-rehabilitation-development continuum**
- **Decentralisation** is another key consideration, especially in terms of capacity
- The **roles of different stakeholders** must be clearly articulated
- **Capacity-building** is crucial, and a key area where the EC can contribute.

Legal Framework

Social transfers have their basis in human rights and citizens' entitlements, and must in turn be underpinned by appropriate legislation.

- Social security is, like food and shelter, a **basic human right**
- Social protection also needs to be underpinned by **legislation**.

Resource Availability

The issue of the affordability of social transfer programmes is a critical one; and clearly a key area where EC resources can contribute with direct funding support. Some level of social security is affordable at all stages of economic development, even for people in the informal economy, as the new developments in Brazil, China and India (and ILO simulations for Africa) show.

- The starting point is the availability of **government resources**
- National programmes require significant additional **donor resources**.
- Such support may be provided through **budget support**, either sectoral or general.
- Donors may also be able to provide additional **insurance** or **contingency funding**.

Source: RHVP

Social Transfers – Implementation

Only after the necessary preconditions have been met should governments – and their international development partners – start to look at the necessary decisions around design, implementation and monitoring of social transfers. These will be considered in detail in the "Reference Document" that the EC plans to produce, but they may be considered under the following headings: nature of the transfer; targeting; delivery; conditionality; and management.

Nature of the Transfer

As discussed earlier, social transfers can take many forms – choosing the best one is difficult, but essential to the success of the programme. This includes:

- Setting the **value** of the transfer (or the wage rate in the case of public works)
- Deciding the **form** of the transfer (cash, food, inputs, vouchers or a subsidy)
- Fixing the **scaling** of the transfer (individual/household; flat-rate/banded)
- Agreeing on **modification to the value** (e.g. index-linking)
- Selecting the **recipient** of the transfer.

Targeting

In theory, targeting resources on those who need them most is the most efficient way of disbursing social protection. In reality this may not always be the case.

- The first decision is **whether to target**
- Then to **establish the criteria** for targeting
- Agree on **beneficiary selection**
- Can self-targeting work – e.g. through **public works**
- Offer legally-enshrined **employment guarantee** schemes
- The next stage is **registration** of beneficiaries
- Finally, there is the question of **retargeting**.

Source: Stephen Devereux

Delivery

Delivery systems have a critical and sometimes under-rated significance in social transfer programmes.

- Decide the **frequency of delivery** of the transfer
- There is next a question of the **mechanism** for the transfer
- This will help choose the **technology** for delivery
- Allow the private sector to play a significant role as **agents** in delivery
- And **leverage the opportunities** presented to gain from synergies.

Conditionality

An important decision is around the issue of whether attaching conditionalities to social transfers encourages a greater impact.

- **Conditional cash transfers** may have an appeal grounded in political economy
- One key decision is on the **availability of services**
- Linked to this is the question of the **cost of compliance**
- Equally, there is the issue of **enforcement** of the conditionality
- The imposition of conditions makes a programme more **expensive**.

Management

What additional actions are needed to manage and add value to a social transfers programme? How can maximum impact be guaranteed? And how can the EC support this?

- Improve the **supply side** of the equation (health, education)
- Establish effective **management information systems** (MIS)
- Set up systems for the **monitoring and evaluation** (M&E)
- Assess longer-term impact through **impact evaluations**
- Support social protection through a comprehensive **communications campaign**
- Finally, include an **exit strategy**.

Source: DECT, Malawi

Social Transfers – Opportunities for the E.C.

Past Experience

The EC is already involved in a large number of social safety nets programmes, which in the past have been substantially funded by Food Security Budget Line (FSBL) appropriations and are currently supported at the geographical level through the “access” pillar of the food security. These range from substantial national reforms of social security policy to small-scale localized pilot transfer schemes.

From the origins of the EU, social investment – including social protection – has been seen as integral to social cohesion and an essential component of economic development and the fight against poverty: even today 16% of EU budgets are spent on it. More recently, the Lisbon Summit of 2000 endorsed an integrated approach, with employment, social protection and social inclusion as core elements of the “European social model”. Social Protection is seen as a productive factor, an essential component of the European “model” of society (solidarity, equity, state-guaranteed). In this integrated vision of employment, more and better job creation leads to more fiscal revenue, and so to better social protection and safety nets to protect those who are excluded.

The EU is proud of its unique experience of developing social protection systems within Europe, and sees this as giving it a comparative advantage as a donor in this field – externalizing its internal expertise and experience. For this reason, Employment, Social Inclusion and Protection (ESIP) programmes comprise a key component of poverty alleviation strategies supported by the EU.

A Flexible Response

This Concept Note has suggested specific areas within the context, design, implementation and evaluation of social transfers where the EC has an appropriate role to play. The potential contribution will be different according to countries, so the EC has to maintain a fully flexible approach and adjust its response to the prevailing conditions and developmental stage of the partner country.

The sequencing of interventions, and therefore of EC support, is critical to success: certain reforms may need to be introduced before others can be considered. For example, it is inappropriate to close “social” orphanages (a problem in many transition countries), and send children back to their families, before instituting a system of child allowances that will enable those families to reintegrate their children: otherwise there is a risk that this might create a problem of “street children” that is worse than the original problem of orphanages.

Similarly, it may be an important first step to rationalise a multitude of existing initiatives that are operating at different levels; but it is often difficult to phase these out before a reformed national programme is introduced, which may necessitate a period of “double-funding” while one set of programmes is progressively withdrawn and another, albeit more comprehensive, is introduced.

Because social transfers represent a universal approach and are in theory operated indefinitely (as in OECD countries), they require a significant degree of learning by doing. Pilot programmes are all very well, and may establish useful technical lessons and parameters, but they often do not provide much information that is relevant to operating at full national scale. The process is dynamic, both in the sense that beneficiaries of social transfer programmes may graduate out of the programme – and others may fall in – and also in the sense that the programmes themselves need to evolve in changing social, economic and political circumstances.

The EC has a number of modalities of intervention available to it to make a response, which may be considered as appropriate to the short, medium and longer term.

Source: European Commission

Geographical level: Country Strategy Paper/National Indicative Programmes

EC Delegations in each country focus on at most two key development "sectors" for their EDF funding. These are agreed with government, and are set out in five-year country strategy papers (CSP). Currently, there are no countries in which social protection is identified as a priority sector; but a number of countries' CSPs consider food security as a priority intervention "sector", and in such cases there is scope for EDF funds through the Delegations to be used for social transfers, as long as that is consistent with the government's own policy.

Regional/continental level: Food Security Thematic Programme

The objective of the Food Security Thematic Programme (FSTP) strategy, under the Development Cooperation Instrument (DCI), is "to improve food security in favour of the poorest and the most vulnerable and contribute to achieving the first MDG, through a set of actions which ensure overall coherence, complementarity and continuity of Community interventions, including in the area of transition from relief to development".

The strategic priorities of the FSTP during its first phase (2007-2010) are to support research and food security information, exploiting the potential of continental and regional approaches to improve food security, addressing food security in transition and fragile States, promoting innovation, and fostering advocacy of the food security agenda. As a result of its Mid-Term Review (MTR), and to ensure coherence with the EC's revised Food Security Policy, it is likely that FSTP's second phase (2010-2013) will have a greater focus on the "access" pillar of food security. This will ensure that social transfers as a support to household income will be better represented in the strategic priorities of the FSTP, with a direct pro-poor impact in a context of global crisis.

Global level: counter-cyclical interventions

The EC disposes a number of instruments to mitigate the impact of the global crisis on the most vulnerable: for instance its Food Facility, Vulnerability Flex mechanism, and European Development Fund (EDF) "B" envelope.

The Commission has implemented a series of short- to mid-term measures. This included the establishment of 1 billion euro **Food Facility** to help developing countries to cope with the food crisis. This was later complemented by additional short-term support to help cover the social consequences of the crisis in those ACP countries most vulnerable to the crisis and with limited domestic response capacity.

Source: Stephen Devereux

The EC thus established an ad hoc **Vulnerability Flex** mechanism aimed at effectively mitigating the social consequences of the crisis, and addressing related fragility concerns, in the most-affected countries. This framework constitutes an opportunity to promote political dialogue with beneficiaries on the institutionalisation of social transfers to address simultaneously both the question of the impact of the crisis and the problem of long term chronic poverty.

Among longer-term measures designed to assist developing countries in addressing the impact of the financial and economic crisis, are the bringing forward of **EDF** commitments of Community assistance, the speeding up of aid delivery, and acceleration of the Mid-Term-Reviews of its CSPs and support programmes to reflect new needs and priorities.

Budgetary support

For the Commission, budgetary support is one of the preferred financial modalities to promote social protection where deemed feasible. And this modality is very well-suited to social transfers. The redistributive function of social transfers can be considered as a regulatory function of the State, so the national budget is the appropriate place to reflect pro-poor social priorities and related predictable expenditures in a long term reform-driven approach. Furthermore, it promotes national ownership and coherence between policies, budgeting and actual results.