



Tools and Methods Series

Reference Document No 14

Social transfers

in the fight against hunger

*For better development outcomes
and governance*

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Reference Document N° 14

Social transfers
in the fight against hunger

A resource for development practitioners

Short version

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EuropeAid Development and Cooperation Directorate-General
European Commission

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The Reference Document and related documents can be downloaded from:
<http://capacity4dev.ec.europa.eu/topic/fighting-hunger-food-security-nutrition>

The insights, lessons and experiences on social transfers change continuously. On the platform capacity4dev.eu, an online Working Group will try to capture these changes, lessons and evolving insights:
<http://capacity4dev.ec.europa.eu/hunger-foodsecurity-nutrition/>

TABLE OF CONTENTS

ACKNOWLEDGMENTS	1
LIST OF ACRONYMS	5
INTRODUCTION	7
OVERVIEW OF THE CONTENT OF THE FULL VERSION OF THE REFERENCE DOCUMENT	8
1. Introducing social transfers	10
2. Conceptualising social transfers	11
3. Justifying social transfers	13
4. Using social transfers to fight hunger	14
5. Contextualising social transfers	16
6. Designing social transfers	17
7. Managing social transfers	19
8. Supporting social transfers	20
9. Financing social transfers	21

List of tables

Table 1: Common types of social transfers	11
---	----

List of diagrams

Diagram 1: Social transfers in the framework of food security	14
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List of acronyms

AAA	Accra Agenda for Action
ACP	African, Caribbean and Pacific States
AEF	Aid effectiveness Forum
AIDCO	EuropeAid Cooperation Office
CSPs	Country Strategy Papers
CPA	Cotonou Partnership Agreement
CSO	Civil Society Organisation
DAC	OECD Development Assistance Committee
DEV	European Commission Directorate General for Development
DFID	UK Department for International Development
EC	European Commission
EDF	European Development Fund
EU	European Union
GBS	General Budget Support
GOVNET	OECD-DAC network on Governance
IBP	International Budget Project
INTRAC	International NGO Training and Research Centre
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	Organisation for Economic Co-operation and Development – Development Assistance Committee
MDBS	Multi Donor Budget Support
MDGs	Millennium Development Goals
NAM	New Aid Modality
NGO	Non-governmental organisation
NIP	National Indicative Programme
NSA	Non-State Actors
ODI	Overseas Development Institute
PAF	Performance Assessment Framework
PBA	Programme Based Approach
PEFA	Public Expenditure and Financial Accountability
PRSP	Poverty Reduction Strategy Papers
RELEX	European Commission External Relations Directorate
SBS	Sector Budget Support
SPSP	Sector Policy Support Programme
SWAp	Sector-Wide Approach
UNDP	United Nations Development Programme
WB	World Bank

INTRODUCTION

A European Commission Reference Document aims to deepen the understanding of a concept and present good practices in order to stimulate discussions around the practicalities of aid in regard to that particular concept. The Reference Document *Social transfers in the fight against hunger — A resource for development practitioners* is intended as a resource to support the **practical integration of social transfers** into programmes addressing hunger in development cooperation.

The Reference Document is targeted primarily at development practitioners and aid administrators working within EU Delegations and offices of Member States and is intended to offer **background** information (terminology and basic features, arguments in favour of social transfers, field-level insights, etc.) to those with little familiarity of social transfers. It can also be a **tool to stimulate and guide discussions** for individuals already familiar with these types of interventions. The Reference Document also contains references to a number of useful **existing materials** (publications, training courses, websites, etc.) for readers who would like to deepen their knowledge on a specific topic.

This present document provides an **overview of the content of the Reference Document**. It follows its overall structure and presents its key messages. It is worth noting that the Reference Document was written so that each chapter could be read independently, according to the immediate needs of the reader.

OVERVIEW OF THE CONTENTS OF THE FULL REFERENCE DOCUMENT

ACKNOWLEDGMENTS

LIST OF ACRONYMS

INTRODUCTION

1. Introducing social transfers

- 1.1. Background and rationale
- 1.2. Scope and purpose of the Reference Document
- 1.3. Structure of this Reference Document

2. Conceptualising social transfers

- 2.1. Defining social transfers
- 2.2. Types of social transfers
- 2.3. Operational frameworks for social transfers
- 2.4. Policy framework for social transfers

3. Justifying social transfers

- 3.1. Poverty reduction and risk management
- 3.2. Economic growth and capital-based production
- 3.3. Political stability and state-building
- 3.4. Social justice and human rights
- 3.5. Food security

4. Using social transfers to fight hunger

- 4.1. Social transfers to increase availability of food
- 4.2. Social transfers to improve access to food
- 4.3. Social transfers to improve nutritional adequacy of food intake
- 4.4. Social transfers to enhance crisis prevention and management

5. Contextualising social transfers

- 5.1. Nature and causes of food insecurity
- 5.2. Policy framework
- 5.3. Existing social transfer initiatives
- 5.4. Institutional context and capacity

6. Designing social transfers

- 6.1. Objectives
- 6.2. Targeting
- 6.3. Work requirement
- 6.4. Graduation
- 6.5. Form of the transfer
- 6.6. Benefit level
- 6.7. Delivery mechanisms
- 6.8. Conditionality

7. Managing social transfers

- 7.1. Cost, affordability and sustainability

- 7.2. Implementation
- 7.3. Monitoring and evaluation
- 8. Supporting social transfers**
 - 8.1. Policy dialogue
 - 8.2. Capacity development
 - 8.3. Financial resources
 - 8.4. Implementation
- 9. Financing social transfers**
 - 9.1. Procurement and grant award
 - 9.2. Common pool funds
 - 9.3. Budget support

ANNEXES

Annex 1: Glossary of terms

Annex 2: Further information and guidance

REFERENCES

Chapter 1

Introducing social transfers

Hunger is an outcome of food insecurity. A total of 925 million people were still estimated to suffer from hunger in 2010, representing almost 16 % of the population of developing countries. While the number of people suffering from hunger in the world was declining in the 1970s and 1980s in spite of relatively rapid population growth during those decades, and the proportion of people suffering from hunger in developing countries was declining quite rapidly, these numbers have increased since the mid 1990s, with a significant worsening as a result of the recent global crises.

Social transfers are increasingly recognised as having great potential to address food insecurity in the short, medium and long term. The recent global food crisis drew attention to the importance of social transfers in ensuring household food security, reducing poverty and vulnerability, and supporting agricultural development. Different types of social transfers, such as seasonal cash transfers, food-for-work or vouchers, have been used in a number of countries to facilitate access to food (directly or through the market) in the short term. In the medium and long term, protective and productive social transfers have also been scaled up as key elements of predictable social protection and food security strategies. In enhancing agricultural productivity, improving nutrition, reducing poverty or integrating environmental considerations, social transfers may help to address the structural causes of food insecurity. And, by preventing the potentially irreversible impacts of malnutrition in early childhood on later life — especially on cognitive development and on education outcomes — social transfers can help to break the intergenerational transmission of poverty.

At policy level, eradication of extreme poverty and hunger is the **central objective** of the European Union's vision on development. The European Union intensively supports the poverty reduction strategies of developing countries: its recent policy framework (COM(2010) 127 final of 31 March 2010) to assist developing countries to address food security challenges makes it a priority for the European Union and its Member States to support countries in establishing and operating targeted and flexible social transfer policies adapted to local contexts.

Chapter 2

Conceptualising social transfers

In the Reference Document, the following **definition** is adopted, relating social transfers specifically to food security:

Social transfers are non-contributory, publicly funded, direct, regular and predictable resource transfers (in cash or in kind) to poor or vulnerable individuals or households, aimed at reducing their deficits in food consumption, protecting them from shocks (including economic and climatic) and, in some cases, strengthening their productive capacity.

Chapter 2 covers many different types of social transfer, as shown in Table 1.

Table 1: Common types of social transfers

Cash-based social transfers	In-kind social transfers
Cash transfers	Food transfers
Unconditional cash transfer	School feeding
Conditional cash transfer	Take-home rations
Cash-for-work/asset	Targeted food distributions
Labour-intensive public works	Food-for-work/asset
	Food-for-training
	Preventive supplementary feeding
Near-cash transfers	Commodity vouchers
Value-based vouchers	Food vouchers
	Other commodity vouchers
Grants	Asset and input transfers
Lump sum grant	Livestock transfer
	Agricultural input transfer
	Asset transfer

Source: European Commission, Directorate General for Development and Cooperation – EuropeAid.

Each **type** of social transfers presented in Table 1 can be used either in institutionalised long-term schemes (i.e. legislated and organised by the State — though not necessarily administered by it) or in stand-alone projects (often funded and administered by international bodies). Their objectives may vary: to respond to a distinct shock in order to prevent a humanitarian crisis from developing (e.g. targeted cash/food transfers to assist people affected by an earthquake); to protect the poor and the vulnerable suffering protracted poverty and deprivation (e.g. cash transfers to help the poorest meet their minimum food requirements); or to support long-term development (e.g. conditional cash transfers to support human capital development).

Ideally, social transfers should be institutionalised, guaranteed by law, financed in a sustainable manner, and provide transfers on a regular and/or predictable basis. Such transfers differ from charity-based handouts by the fact that they constitute an entitlement to citizens and an obligation on the State. When fully institutionalised, social transfers may be qualified as a **social guarantee**. They are (implicitly or explicitly) part of a country's social protection (or social development) policy and contribute to ensuring food security for all. But, while this is highly desirable, all these principles cannot be achieved overnight, and the operational framework for social transfers will necessarily follow different institutional trajectories in different countries.

They may also evolve through different **policy frameworks**: either from a social protection policy framework or through a food security or poverty reduction strategy. Good coordination is thus needed between 'economic' ministries (e.g. Agriculture) and 'social' ministries (e.g. Social Welfare) to maximise the synergies between social protection and food security interventions. A situation of chronic or seasonal food insecurity calls for the establishment of permanent regular social transfer schemes, with mechanisms to increase their coverage during downturns — along with other measures and policies to tackle the root causes of food insecurity (and poverty). Such permanent, predictable schemes should (eventually) be developed (explicitly or implicitly) within a social protection framework and turned into guaranteed entitlements for eligible citizens.

Chapter 3

Justifying social transfers

Proponents of social transfers **justify** them for a variety of different reasons, and advance a range of different arguments to advocate their adoption.

The first common justification is that they are widely used as part of **poverty reduction** and risk management strategies. In this respect, social transfers can help achieve four specific objectives: provision (helping the very poorest in society to survive); prevention (protecting the poor from having to adopt adverse coping strategies); promotion (allowing some beneficiaries to graduate out of poverty); and transformation (through legislation, guarantees and enshrined rights).

Social transfers can also be justified as supporting **economic growth** and capital-based production. The view that there is an inevitable trade-off between social protection and economic growth is not supported by evidence and is most likely to be wrong, as the world's most productive economies tend to have strong social protection systems. On the contrary, social protection can be characterised as a productive factor, as a contributor to economic growth, and as a stimulus to local economies.

It is also crucial to recognise the political dimension of social protection instruments like social transfers. These have been used in various developing countries as **state-building** instruments, and there is evidence that they have additional empowerment and accountability effects. Predictable transfers constitute a social contract that binds a government to its citizens, can reduce social conflicts and criminality, and can ease unpalatable fiscal reforms. Lower inequality and greater social stability in turn support greater productivity and economic growth.

Fourthly, social transfers are useful instruments to realise **human rights**. Social transfer policies are implied in a number of international legal instruments, including the Universal Declaration of Human Rights. A rights-based approach to social protection (and food security) considers social transfers to be a right and entitlement that citizens can claim, and places clear obligations on states to guarantee social protection (and food security through a right to food and through principles of food sovereignty).

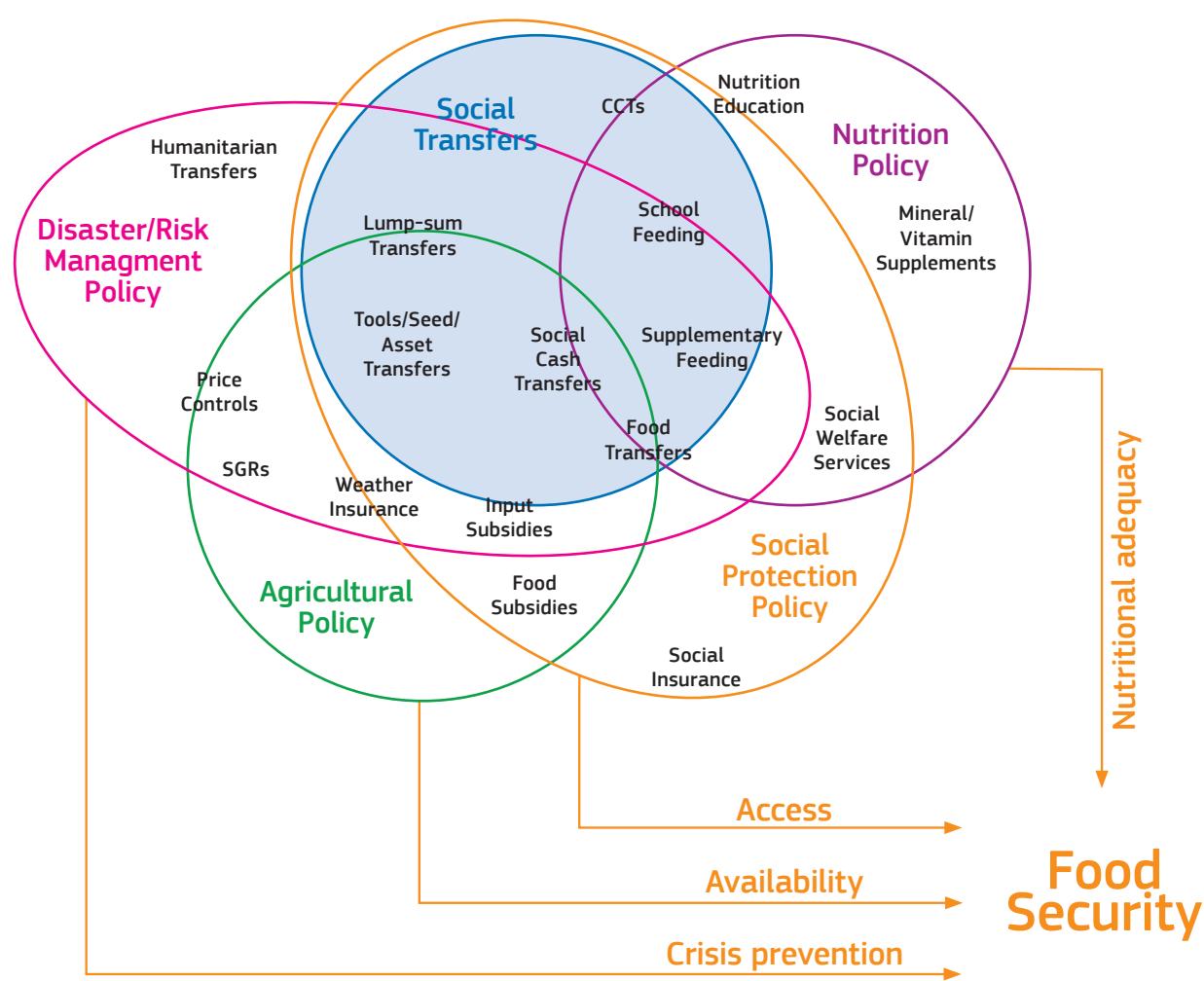
Finally, social transfers can be justified in the framework of **food security**: they can be used to address the immediate causes of food insecurity in the short term as well as the underlying and structural causes of food insecurity in the medium and long terms.

Chapter 4

Using social transfers to fight hunger

Hunger may result from deficiencies in any of the **four pillars of food security**: availability, access, utilisation (nutritional adequacy), and stability (crisis prevention and management). While in the past, food crises were often the result of the unavailability of food (e.g. due to failed production), food insecurity is now increasingly the result of the inability of people to afford food commodities available on the market. Understanding the exact immediate as well as underlying and structural causes of food insecurity is crucial to be able to determine appropriate responses. Social transfers can support each of the four food security pillars, and can be designed to increase availability of food, improve access to food, improve nutritional adequacy of food, or to enhance crisis prevention and management.

Diagram 1: Social transfers in the framework of food security



N.B.: CCTs = Conditional Cash Transfers; SGRs = Strategic Grain Reserves.

Source: European Commission, Directorate General for Development and Cooperation – EuropeAid.

Social transfers can directly increase **availability** through assistance linked to agricultural productivity, the provision of inputs, particularly high-quality seeds and fertilisers, support to the livestock and fisheries sectors, and through the provision of tools, assets or lump sum grants for productive equipment. In recent years, there has been increasing use of market-based mechanisms for delivering such social transfers, with the distribution of vouchers and the organisation of seed and livestock fairs, where competition between participating traders is expected to lower prices

for beneficiaries as well as non-beneficiaries. Public work programmes may also be designed to build productive assets (e.g. terraces) and develop rural infrastructure (e.g. roads, marketplaces) which support product marketing.

In the framework of food security, social transfers are mainly used to ensure **access** to food. They may be used directly as instruments of food assistance to ensure an immediate access to food (either directly to households in the form of cash, vouchers or food, or through institutions in the form of school feeding), or to improve households' income (and thus, indirectly, access to food) in the medium term, through mechanisms such as small regular transfers, lump sum cash transfers, asset/input transfers and public works; or to develop households' human capital through improved education and health (and thus the ability of its members to earn better incomes and better access food) in the long term, again through school feeding or through conditional cash transfers (although it should be mentioned that unconditional cash transfers also have positive effects on the use of education and health services).

The third pillar of food security seeks to improve the **nutritional adequacy** of food, and secure positive nutritional outcomes, through the better utilisation of food and related resources (drinking water, sanitation, healthcare). Well-designed social transfers have a positive impact on the nutritional status of beneficiaries through improved diet (both in terms of quality, quantity and diversity), greater micronutrient access (e.g. through supplementary feeding, fortified school meals and take-home rations), and associated nutrition education.

The fourth pillar of food security is concerned with enhanced **crisis prevention** and management. Social transfers can be used as a response to sudden shocks (in emergency and post-emergency situations, or in case of local or global price increases); as a response to cyclical stresses (e.g. through seasonal interventions or public works programmes linked to the hungry season); and as a response to longer-term threats (including in situations of state fragility), where well-designed social transfers help to reduce social conflicts and criminality rates, strengthen the relationship between the nation and its citizens, contribute to disaster risk reduction, and support climate change adaptation.

Chapter 5

Contextualising social transfers

Before introducing or extending social transfer programmes, it is important to undertake a preliminary **context analysis** and consider the prerequisites for their introduction: the nature and causes of hunger; the policy framework; existing social transfer initiatives; and institutional context and capacity.

Designing an appropriate social transfer programme requires a clear **understanding** of food insecurity and poverty. Most countries already have some kind of vulnerability assessment system in place to identify, quantify and prioritise the types of vulnerability among the population, to classify groups vulnerable to or already affected by food insecurity and poverty, and to assess the impact of different shocks on them. The use of Vulnerability Analysis and Assessment (VAA) tools allows an understanding of the priority groups and areas. This, in turn, dictates the nature of the possible response, and provides a better grasp of the scale of the problem. Finally, to better understand the nature of food insecurity and identify the most appropriate responses to it, it is important to consult the food-insecure themselves.

Social transfers addressing food insecurity may be included in a number of sectoral policies so it is important to understand the **policy context**. Political will is another crucial prerequisite for the implementation of comprehensive social transfers; and existing constitutions, national development plans and Poverty Reduction Strategy Papers (PRSP) are a starting point for engagement. Leading on from this, and especially in cases where food security or social protection already form a plank of national PRSPs and development plans, it is desirable for countries to have a multi-sectoral national social protection policy or strategy, behind which different stakeholders can rally and which provides an agreed framework for social transfer interventions.

The design of social transfers should consider the local capacity and culture, building on what already exists and has proved successful, and accounting for any capacity constraints. In practical terms, this might include an **inventory** or stocktake of existing social transfer initiatives within a country, and a review of existing expenditure which could be rationalised and consolidated even before new expenditure is sought.

It is important to conduct a review of the level of interest and capacities of the different **institutions** that are already involved or could possibly be given a role in social transfer programming — such as ministries, decentralised administration, civil society organisations and private bodies — and a clear mechanism for the necessary coordination between them. Capacity-building is crucial: social transfers on a national scale require significant human and technical capacity, which is often lacking, particularly at sub-national levels. This is the case not just in terms of the technical skills to design and implement social transfers, but also in financial management, monitoring and evaluation (M&E) and impact evaluation.

Chapter 6

Designing social transfers

There are a number of **design considerations** that need to be taken into account when designing social transfers: objectives, targeting, work requirement, graduation, form of the transfer, benefit level, delivery mechanisms, and conditionality.

It is essential to set **realistic objectives** in view of the envisioned target group, and the form, level and duration of transfer. Setting clear and realistic objectives provides the framework for discussing the appropriateness of various social transfer types, and for building in any necessary safeguards to ensure that they are gender and child-sensitive.

In theory, **targeting** resources to those who need them most is the most efficient way of disbursing social transfers. In reality, this may not always be the case. Poverty targeting does not necessarily translate into larger transfers to the poorest. A number of reviews show that targeting tends to lead to reduced budgets devoted to poverty and welfare, with theoretical savings (or more) being eaten up by administrative and corruption costs. Badly targeted programmes can impose costs that exceed the theoretical savings made by only reaching the poorest. Thus, it is essential to balance the savings in social transfers against the costs of the targeting processes — which include not only the direct costs to the benefit provider from administering the targeting mechanisms, but also the private costs incurred by programme participants in complying with the targeting requirements, as well as a range of social, political, and other costs.

A particular discussion is needed around **public works**, which are often cited as a ‘win-win-win’ approach, on the basis that they (a) simplify targeting by introducing an element of self-selection; (b) generate productive assets; and (c) reduce the risks of dependency by introducing a labour requirement. However, there is a risk that public works schemes do all three of these things suboptimally: it may be better to prefer employment guarantee schemes, allowing beneficiaries themselves to decide whether, when, and for how long they benefit.

On the issue of **graduation**, some recipients of social transfers will go on receiving transfers indefinitely, until they die. Other recipients may have a distinct cut-off point, for example in the case of children who stop receiving a child benefit at a specific age, or mothers who receive benefits during pregnancy. But for many other transfer beneficiaries, the point at which they might graduate out of a particular scheme will be much less clear-cut, and will depend on a number of factors. Graduation is most likely where a full package of support is provided in an integrated manner, where social transfers are linked to mechanisms such as microcredit, microfinance, and (e.g. weather-indexed) micro-insurance, and where complementary social services are provided.

As discussed earlier, social transfers can take many **forms** — choosing the best is difficult, but essential to the success of the scheme. Generally speaking, it is now recognised that the default transfer should be in the form of cash (as it is in the majority of OECD countries), but recognising there may be particular circumstances in which other forms might be more suitable, or where there is potential for designing cash and food transfers as mutually reinforcing, complementary options.

Another key decision is setting the **value** of the transfer (or the wage rate in the case of public works). This is essentially a political decision, weighing the trade-offs between three potentially competing objectives: adequacy, affordability and acceptability. Then, there are questions around the scaling of the transfer (e.g. by individual or by household; varying the amount according to household size) and modifying its value in situations where prices of food are rising through some form of index-linking.

Delivery systems have a critical and sometimes underrated significance in social transfer schemes. The costs of establishing a cost-effective system at the outset (which could be shared by a donor) are often repaid many times over through improved efficiency during the lifetime of the scheme. Frequent, regular transfers are to be preferred; but there is a choice between using a ‘pull’ mechanism, where beneficiaries have to travel to a specific location at a specific time to collect their transfer, and a ‘push’ mechanism, where, for example, the amount of the transfer is automatically credited to the recipient. This will often be dictated by the chosen technology for delivery, with new information and communication technologies opening up the potential for dramatic improvements in the delivery of transfers, allowing local retailers or mobile phone companies to act as delivery agents.

The issue of whether attaching **conditions** to social transfers encourages a greater impact or not is important. Conditional cash transfers can be shown to have improved educational and health outcomes; but then so do unconditional schemes: to date there is no robust evidence on the incremental impact of the conditionality itself. The imposition of conditions certainly adds to the cost and complexity of a programme, both from the perspective of the provider, in terms of the need to monitor and enforce compliance, and from the perspective of the recipient, especially in cases where there is limited availability of services. But, it may also increase the political appeal of the scheme to non-recipients, by giving the impression that the needy are not 'getting something for nothing', which may, paradoxically, make the scheme more affordable.

Chapter 7

Managing social transfers

There are a number of key **management issues** associated with the effective operationalisation of social transfers: cost; affordability and sustainability; implementation; monitoring and evaluation.

The issue of the **affordability** of social transfers is a critical one. The starting point here should be the availability of government resources: the government may already be spending significant amounts on uncoordinated projects and measures that they consider as 'social support', but which may not be as effective as a coordinated national scheme targeted at the poorest. There is scope in many countries to generate more revenue through increased efficiency in tax collection. In addition, governments may have, or may be able to set up, social funds (e.g. through a tax on fuel or air tickets) that can be used to finance social schemes. And governments also need to consider the (often much higher) costs of *not* providing social transfers.

A key design issue for social transfer schemes is addressing fiduciary risk. Good systems help address fiduciary risk, and an appropriate monitoring and evaluation function also contributes. **Management information systems** (MIS) are a crucial component of any social transfer scheme, perhaps based on a consolidated single registry of social assistance beneficiaries. And this, in turn, can facilitate the implementation of systems of accountability such as grievance procedures, appeals processes and comprehensive communications campaigns.

Systems for the **monitoring and evaluation** (M&E) of social transfers are closely linked to information systems for management. Such systems should measure not only operational efficiency and effectiveness, but also capture evidence of impact through a more comprehensive, usually one-off, **impact evaluation** using experimental or quasi-experimental quantitative surveys to allow comparison of the treatment group with a control group.

Chapter 8

Supporting social transfers

There are four main potential **intervention areas** for the European Commission in engaging with social transfers: contributing to the policy dialogue around social transfers; supporting the development of national capacity to consider, design, implement and evaluate social transfer schemes; providing additional financial resources to the state for social transfer schemes; and/or supporting non-state actors in delivering social transfers.

In terms of **policy dialogue**, instead of financial leverage and pilot projects, which have often proved ineffective, development partners may adopt soft influencing strategies to encourage countries to institutionalise permanent social protection policies, such as: awareness-raising and evidence-based advocacy to seek to distil attitudes and perceptions; training courses and study tours to disseminate scientific evidence and build the capacity of the ministry in charge of social affairs to advocate for social transfers in a credible way; external expertise to conduct feasibility studies; etc.

The European Commission can play a critical role in supporting the development of the partner country's **capacity** around social transfers. This should be based on systematic assessments of national institutions' existing capacities, procedures and capacity gaps; and on the development of generic training materials and courses that could be adapted for the training of national staff of social protection/food security institutions.

There are occasions when **donor resources** might be used to help fund social transfers. More often, there is a role for donors in supporting the one-off investment costs of establishing a national-scale social transfer programme. This might include capacity-building, but also national identification systems (e.g. using smartcards); delivery systems (e.g. through the retail sector using point-of-sale devices, or through telecommunications providers using mobile phones); financial services (e.g. through banks, automated teller machines and post offices); and independent monitoring and evaluation.

Finally, in situations where the state lacks the will or the capacity to deliver assistance to its needy citizens, the European Commission may decide to directly support the implementation of social transfers through **non-state actors** (NGOs, companies, UN agencies).

Chapter 9

Financing social transfers

There are a number of different **aid delivery methods** available to the European Commission, comprising three main approaches: the project approach, the sector approach and the macro (or global) approach. Similarly, social transfers can be funded through each of the European Commission's three associated **financing modalities**: the use of European Commission procurement and grant award procedures; the use of common pool funds; and the use of budget support — either sector-based or general.

In terms of social transfers, the literature largely leads to the conclusion that the traditional **project approach** is not appropriate for implementing social transfer schemes themselves, though it may play a role in supporting very specific actions in the planning, design and start-up phases. The **macro/global approach** supports domestic ownership but, in reality, presents some clear limitations linked to its sensitivity to political influences and the difficulty of selling it to donors' home constituencies. On this basis, the **sector approach**, linked to a specific social transfer scheme or to a wider social protection or food security strategy could be the best option to facilitate a more long-term and predictable approach that is acceptable to donors' home constituencies.

Annexes

The Reference Document also includes two annexes and bibliographic references.

■ Annex 1 — Glossary of terms

This annex provides the definitions of key terms used in the food security, nutrition and social protection fields as adopted in the Reference Document.

■ Annex 2 — Further information and guidance

This annex refers readers willing to deepen their knowledge to a few short training courses available to date and to a series of reference websites dealing with issues related to social transfers, food security or social protection.

This document belongs to the “**Tools and Methods series**” launched by EuropeAid in 2007. This collection aims to structure the presentation of the methodological documents produced by Directorate on “Quality of Operations”. The collection includes three sub-collections: Guidelines, Reference Documents and Concept papers. Other titles in this collection include:

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- Reference document (n°14) – “Social transfers in the fight against hunger: A resource for development practitioners” – 2012
- Reference document (n°15) – “Support for Justice and the Rule of Law – Review – Review of past experience and guidance for future EU development cooperation programmes” – 2012

Concept papers

- Concept paper (n°1) – “Public Sector Reform: An Introduction” – 2009
- Concept paper (n°2) – “Supporting Anti-Corruption Reform in Partner Countries – Concepts, Tools and Areas for Action” – 2011

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