

ROSA Focus

This Month's Highlight Implementing Social Transfers: Necessary Preconditions and Proper Sequencing

Higher food prices, driven up by a mix of short-term and structural factors on both the supply and demand sides, are likely to prevail for at least the next decade. Development institutions are advocating a range of policy responses to higher prices. In the short term, these mostly prescribe 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. Examples presented in Box No. 1 show the near-unanimity on the need to scale up, or to introduce, comprehensive social transfer programmes. Given the structural nature of the constraints on access to food, this represents an appropriate way to react, while paying proper attention to local conditions and to the sustainability of such social protection systems.

This is a particularly apposite time for the EC to be considering social transfers as a response to food insecurity. In April 2008, the unit AIDCO E6 organized a **seminar** to better understand the potential role of social protection in addressing food security and the logic behind the idea of social transfers within the access to food component¹.

At present, the unit AIDCO E6 is preparing a **concept note** that 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. It discusses two key issues: (i) the necessary pre-conditions to promote the use of social transfers and (ii) the sequential decisions that are needed to build comprehensive social transfer programmes. This article presents some of the main elements of the draft concept note².

¹ All the documents of the seminar "Entitlement and Access to Food: Systems of social transfers to fight extreme poverty" (position paper, agenda, minutes and presentations) are available on the ROSA's website.

² This is still a working paper discussion draft.

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Box No. 1: Social transfers as a response to the increase in food prices

"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

"improve access to safety net programs, such as cash transfers and risk management instruments to protect the poor" – World Bank

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

"move away from in-kind food aid and towards cash transfers or voucher systems" – Chatham House Food Supply Project

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

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A set of necessary pre-conditions for social transfer interventions

A number of pre-requisites exist as a condition for implementing social transfers. If these are not in place or are not properly understood, then the first area of intervention would be for the EC and other donors to assist with their establishment.

A clear understanding of the nature and extent of poverty

Of primary importance is an **understanding of vulnerability** (type of risk, source of vulnerability, location, characteristics of vulnerable groups). The design of social transfer programmes should be based on a vulnerability analysis. Most countries already have some kind of **vulnerability assessment and analysis (VAA)** systems in place to identify the vulnerable, and to assess the impact of different shocks on them. The information they collect (historically geared towards emergency responses) in conjunction with other information (such as market analysis and household economy data) may be useful in formulating policy responses over the longer term. The use of VAA tools allows an understanding of the **priority groups and areas** which dictates the nature of the possible response (geographical coverage, scope and scale of the response required). Finally, it is important to **consult the beneficiaries**. Such consultations are an important, but expensive, component in the design of social transfers – to which donors can contribute.

The importance of policy context

Political will is a crucial prerequisite for the implementation of social transfer programmes. A starting point for engagement is **existing constitutions, national development plans** and **PRSPs**. It is desirable for countries to have a national social protection policy or strategy, behind which different stakeholders can rally and which provides an agreed framework for interventions (particularly important for sectoral budget support). A further indicator of political will is the extent to which social protection is a part of the **political debate**. This is closely linked to the issue of **governance**: the success of social protection activities is largely determined by the quality of governance in a particular country.

The existence of an inventory or **stock-take of existing social protection programmes** can help to rationalize existing expenditure before new expenditure is sought. Finally, it is important to ensure full **development partner alignment** and **full consistency** between government policy and donor support.

The role of the 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. The **strength of the Ministry** in charge of social transfers is a key issue. This will determine the possibility to leverage linkages with other key sectors (health, education, trade and agriculture) and to extract the necessary financing for comprehensive social transfer responses. Similarly, a **strong coordinating agency** will facilitate bringing together stakeholders from a range of different ministries, international development partners, NGOs, private sector and civil society. It is also important to identify and clearly articulate the **roles of different stakeholders** in social transfers. This is closely linked to **capacity-building** not just in terms of the technical skills to design and implement social transfers, but also in financial management, M&E and impact evaluation. Finally, two additional aspects need to be taken into consideration in the design and implementation of social transfers: a country's position on the **relief-rehabilitation-development continuum** and any ongoing **processes of decentralisation**.

The existence of a legal framework

Social transfers have their basis in human rights and citizens' entitlements, and must in turn be underpinned by appropriate legislation (national laws over transfer amounts, targeting mechanism, rules for inclusion/exclusion, grievance procedures, etc.).

The availability of resources in terms of capacity and finances

The issue of the affordability of social transfer programmes is a critical one. The starting point should be the availability of **government resources** and their capacity to implement coordinated national programmes targeted at the poorest. This is important to assure sustainability and long-term commitment. National social protection programmes require significant additional resources, and it is here that the use of **donor funding** may be particularly apt (capacity-building, necessary infrastructure, financial and management information systems, monitoring and evaluation, impact assessments). Where appropriate, such assistance can be provided through **budget support**, either sectoral or general. Donors may also be able to provide additional **contingency funding** to increase the value or scope of social transfers in times of emergency. This could be a more effective, far cheaper, more sustainable, and better developmental response to particular crises than the reactive provision of emergency humanitarian aid – reinforcing and strengthening as it does the government's own systems.

The sequence of decisions around implementation

Only after the necessary pre-conditions have been met should governments – and their international development partners – start to make the necessary decisions on the design, implementation and monitoring of social transfers. Here, proper sequencing is a crucial issue to successfully support social transfer interventions.

Designing social transfer programmes

Social transfers can take many forms. Choosing the best one is difficult, but essential to the success of the programme. One key issue is **setting the value of the transfer**. This is essentially a political decision, weighing the trade-offs between effectiveness and affordability. The transfer should not be too small to have any real impact on poverty; on the other hand, the optimal amount could be unaffordable in low income countries. **Modifying the value** of the transfer could be necessary in situations where prices of food are rising, particularly in the case of cash transfers. Ideally, the value would be tied to the cost of a typical food-basket of the recipients, and adjusted accordingly for each transfer, perhaps with an insurance mechanism of a donor (or the private sector) kicking in if prices rose above a certain threshold. Another key decision is the **form of the transfer** (cash, food, inputs, vouchers or subsidies). It is now recognised that the default transfer should be in the form of cash, but there may be particular circumstances in which other forms might be more suitable. In addition, cash transfers are much more effective when they are delivered together with other services (the so-called “cash-plus” approach), such as health, education, public awareness, training. Then there is the question of the **scaling of the transfer** (individual or household level), which will depend on the extent of the problem and the characteristics of poverty. It will also be important to determine who will be the **recipient** (which may be different from the person targeted for the transfer).

Targeting social transfers

Targeting is one of the most complex challenges facing social protection programmes. The first question is to **establish the criteria** to be used to decide who is entitled. Agreeing on **robust indicators of poverty** is a challenge in itself, while proxy indicators, such as having a disability or being a female-headed household, are often very inaccurate. It will be better to err on the side of inclusion errors (i.e. including some people in the programme who should not be benefiting), rather than of exclusion errors (i.e. leaving people out of the programme who really need

the support it provides). The simpler the targeting the more transparent and comprehensible it is, and therefore the more likely to be socially and politically acceptable. The question of **retargeting** is an important consideration in the design. It is to be expected that beneficiaries will essentially graduate out of poverty and will exit the programme. At the same time, others may fall into a position where they meet the criteria, and should be added to the programme.

Another key issue is **beneficiary selection**. In cases of “simple” categorical targeting (e.g. by geographic area, or by age) this can be done relatively objectively. In more “complex” cases, either more sophisticated assessments will be required, or the communities themselves will be asked to decide who should benefit. In both cases, triangulation will improve accuracy. After selecting the beneficiaries, the next stage is **registration**. Many countries do not have national registration systems, so the social protection programme may need to provide such identification. This can be expensive and require sophisticated equipment and materials. Thus this is an area where donors may be able to provide funding and technical assistance, and to ensure that links are made with other possible applications of the technology (e.g. voter registration, health records, etc.) which may defray the initial start-up costs).

Designing and implementing delivery systems

Delivery systems have a critical and sometimes under-rated significance in social transfer programmes. One key decision is over the **frequency of delivery** of the transfer (e.g. once a year for agricultural inputs or vouchers for inputs; or daily for school feeding). What is important is that delivery should take place regularly, at a known place and time, so that recipients can organise themselves properly. Then there is the question of the **mechanism for the transfer**, which is closely linked to the **technology** used. Traditionally, social transfers (and especially food aid) have been delivered using a “pull” mechanism, where beneficiaries have to travel to a specific location at a specific time to collect their transfer. But, increasingly with cash transfers and with new technologies available, it is also possible to use a “push” mechanism, where the transfer comes to the recipient, rather than vice versa. New technologies are opening up the potential for improvements in the delivery of transfers, reducing the cost and simplifying their delivery. The introduction of such technologies allows the private sector to play a significant role as **agents** in the delivery of social transfers, effectively outsourcing such systems to independent agencies. Even where more traditional agents are used, this further stimulates the local and national economy. Finally, in the context of delivery systems, it is important to

leverage the opportunities presented. Cash transfers are more effective when they are linked to other services (the “cash plus” approach). In the case of pull mechanisms (specific location and time), it is possible to provide training, health services and so on. For push mechanisms, there are considerable opportunities for providing additional financial services (such as micro-credit or small savings schemes).

Attaching conditionalities to social transfers

An important decision is around the issue of whether attaching conditionalities to social transfers encourages a greater impact. Traditionally “**conditional cash transfers**” refer either to public works programmes (which have a labour “condition”) or to programmes that have a “human capital conditionality”, linking payment of the transfer to the attendance of members of the recipient household at school or health clinics. Such programmes can be shown to have improved educational and health outcomes; but it is difficult to unpick the various factors that contribute to create improved outcomes. One key decision therefore is on the **availability of services**. It is unfair to make transfers conditional on school or clinic attendance or on participation in a public works scheme, when such services do not exist in the locality: the burden of compliance will then exclude those who should most be benefiting. Closely linked to this is the question of the **cost of compliance**. In general, poor people necessarily have to give up some other form of income in order, for example, to join a public works programme, which reduces the net value of the transfer. Then there is the question of **enforcement** of the conditionality and the consequences of non-compliance. The imposition of conditions necessarily makes a programme more **expensive**, because monitoring compliance adds to the administrative burden. But it may also increase the political appeal of the programme to non-recipients, by giving the impression that the poor are not “getting something for nothing”, which might paradoxically make the programme more affordable.

Additional considerations to manage and add value to a social transfer programme

An alternative to the imposition of conditionalities is to improve the **supply side** – i.e. to use State (and donor) resources to ensure that training, education, health, micro-credit and employment are available to beneficiaries, in order that they can capitalise on the value of their cash transfer. The EC already supports numerous programmes in such areas, and it is essential to ensure synergy and complementarity between them and the government’s and the EC’s own social protection support.

Management information systems (MIS) are a crucial component of any social protection programme. This links back to the requirements for targeting; and it links forward to delivering social transfers. Proprietary MIS are available from the private sector, but can be prohibitively expensive for a low income country: one option that the EC might explore is support to the development of a generic open-source software package for the management of social protection programmes.

Closely linked to MIS, are systems for the **monitoring and evaluation** of social protection. Such systems should measure not just operational efficiency and effectiveness, but should also capture evidence of impact. The EC has extensive experience of designing and implementing M&E systems, which suggests another area of comparative advantage for effective EC intervention. The impact of the programme can also be assessed retrospectively through a more comprehensive, usually one-off, **impact evaluation**. This is an area where a donor (or multiple donors) can usefully contribute in support of a nationally-owned social protection programme.

The introduction of new social transfers needs to be accompanied by a comprehensive **communication campaign**. This needs to target both potential recipients and non-recipients.

Social transfer programmes should include an **exit strategy**. There is an expectation that social transfers will break the cycle of inter-generational poverty. And the more developmental objectives of some such programmes are underpinned by the assumption that beneficiaries will graduate out of poverty. In such cases, it is essential that withdrawal from a social transfer will be replaced by access to other supplementary support. Otherwise there is a danger that the gains will not be lasting and that the ex-beneficiary will revert to needing the transfer. Donors can support such ancillary services through their developmental agendas.

The role of EC support

As discussed in the text above, the EC could play a significant role in supporting social transfer interventions. Further work and discussion are currently underway to identify potential alternatives open to the EC to incorporate social transfers into its programming, and the best instruments for their implementation through a sound programme or budgetary based approach. This will be developed on the concept note that is being prepared by AIDCO E6.

This article is largely based on the draft concept note prepared by Nicholas Freeland (RHVP) and Philippe Bertrand (AIDCO E6). Thanks to them.

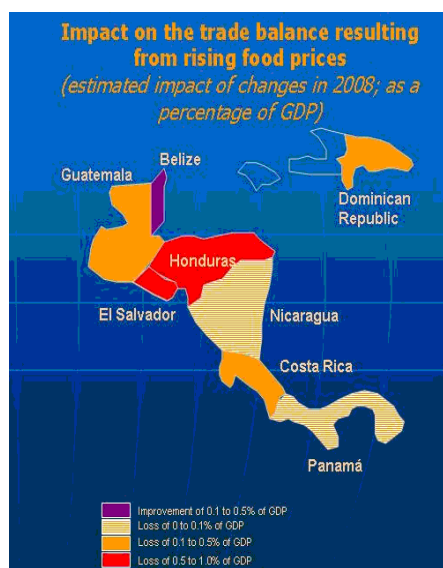
Current food security situation

Regional Overview Central America

Food security and the increase in food prices in Central America

The rapid increase in food and fuel prices in recent months has become a major challenge for countries in Central America.

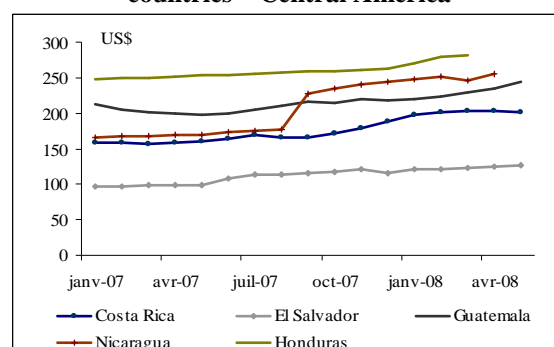
The region is an important exporter of commodities but a net importer of fuel and some basic foodstuffs such as cereals, dairy and meat. The combined price shocks have led to higher import bills and strained the balance of payments position of many countries, although the effect will vary across the region. The illustration shows the estimated impact on the trade balance resulting from rising food prices in 2008 (IMF, 2008).



Honduras, which experienced an increase in the food trade surplus in recent years, is more exposed to the recent spike in cereals prices because cereals accounted for more than 30% of its food imports. Local grain production (rice, maize, beans and sorghum) has declined over the last ten years, while production of export crops (coffee, bananas, sugarcane) has risen. This has led largely to an increased food-import dependency ratio in basic foodstuffs such as maize, especially in El Salvador, Guatemala and Honduras. In the whole region, imports of wheat have been growing steadily. This product has substituted maize in many urban areas.

The cost of the basic food basket has risen significantly during the last period, as shown in Figure 1. According to available data (SIRSAN, June 2008), it has increased by almost 50% over the last year in Nicaragua (March 2007-2008) and by around 25% in Guatemala, El Salvador and Costa Rica (May 2007-2008).

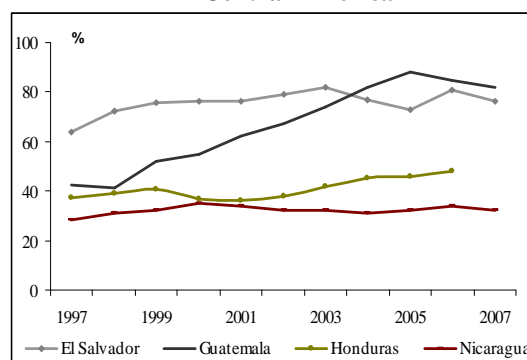
Figure 1: Cost of basic food basket for selected countries – Central America



Source: SIRSAN³

Furthermore, the tendency toward a fall in food purchasing power for the agricultural minimum wage would be exacerbated by the increase in food prices. In countries like Nicaragua and Honduras, the agricultural minimum wage covers less than 40% of the basic food basket. Apart from Guatemala, the food purchasing power has stagnated or fallen over the last ten years.

Figure 2: Food purchasing power for the agricultural minimum wage for selected countries – Central America



Source: SIRSAN

³ SIRSAN: Sistema Integrado de Indicadores Regionales en Seguridad Alimentaria y Nutricional en América Central INCAP; PRESANCA

Poverty and extreme poverty levels are likely to increase as higher food prices persist. A recent analysis conducted by the Institute of Nutrition for Central America and Panama (INCAP) and PRESANCA (Regional Programme for the Food and Nutritional Security in Central America) estimates the impacts on poverty. A rise in food prices by 15% has been simulated under two scenarios: 1) any increase in household income and 2) an increase of 5% in household incomes.

The results show that impacts are particularly relevant in Honduras that has one of the highest incidences of poverty and inequality in the region: around 72% of the population lives are poor and almost 50% are extremely poor. Poverty level could increase by 15% (scenario 2) or 22% (scenario 1). The most affected countries are Honduras, Nicaragua, El Salvador and Guatemala.

Table 1: Estimated impacts on extreme poverty in Central American countries

Country	2006		Scenario 1		Scenario 2	
	%	Million people	%	Million people	%	Million people
Costa Rica	7.2	0.32	8.8	0.39	8.3	0.37
El Salvador	19.0	1.33	23.3	1.63	22	1.54
Guatemala	15.2	1.98	18.7	2.43	17.6	2.29
Honduras	49.3	3.71	60.6	4.55	57.1	4.29
Nicaragua	17.2	0.96	21.1	1.18	19.9	1.11
Panama	15.2	0.5	18.7	0.61	17.6	0.58

Table 2: Estimated impacts on poverty in Central American countries

Country	2006		Scenario 1		Scenario 2	
	%	Million people	%	Million people	%	Million people
Costa Rica	19	0.84	23.2	1.02	21.8	0.96
El Salvador	47.5	3.32	58	4.05	54.6	3.82
Guatemala	51.0	6.64	62.2	8.10	58.6	7.63
Honduras	71.5	5.38	87.3	6.56	82.2	6.18
Nicaragua	48.3	2.70	58.9	3.30	55.5	3.11
Panama	30.8	1.01	37.6	1.23	35.4	1.16

Source: PRESANCA/INCAP

Measures taken by governments in response to increase in food prices

Some countries in this region have taken such measures, including improvement of basic foodstuff and grain production in rural areas, supplementary income to the elderly poor, and food and cash transfers to poor families. El Salvador, Honduras, Panama, Costa Rica have expanded their cash transfer programs, and Guatemala is starting implementation. Panama, El Salvador, Guatemala and Nicaragua have reduced or eliminated tariff on key food items. All countries have prepared National Plans to address the effects of the price crisis, and three Central American Councils of Ministers (Agriculture, Environment and Health) have come together to put in place a comprehensive intersectoral plan that is targeted to the most impoverished population groups in the region. The recent, XXXII Central American

Presidential Summit, commands the conduction of short, medium and long term measures related to social protection, health, nutrition, agriculture, finance, economic, environmental and political related actions, as well as define some of financial mechanisms for the implementation, requesting from the international cooperation an harmonized and aligned cooperation to the regional and national initiatives.

With the contribution of Patricia Palma (PRESANCA)

For more information:

PRESANCA/INCAP, Informacion de Coyuntura sobre el alza del precio de los alimentos, Boletín No. 1, Observatorio Regional de Seguridad Alimentaria y Nutricional, June 2008. www.sica.int/presanca

Mark Plant, Food Security and the Increase in Global Food Prices, IMF, June 2008

Brèves internationales

Sommet bi-régional Afrique - Amérique Latine: Renforcer les échanges Sud-Sud

Les Ministres du Commerce d'Afrique et d'Amérique Latine se sont réunis à Marrakech du 17 au 19 juin avec la participation de 65 pays. Cette conférence visait deux objectifs : coordonner les actions des pays lors des négociations commerciales internationales, et développer les échanges commerciaux entre les deux régions. Elle s'inscrit dans le cadre de la mise en œuvre du plan d'action d'Abuja adopté lors du premier sommet bi-régional en novembre 2006. A l'issue de la conférence, les Ministres ont publié la « Déclaration de Marrakech » et un nouveau plan d'action.

Pour développer les échanges, les participants se sont déclarés « résolus à soutenir et à promouvoir les mécanismes destinés à accroître le commerce inter-régional entre l'Afrique et l'Amérique du Sud, y compris les accords commerciaux préférentiels entre les pays des deux régions ».

Les pays ont également confirmé leur engagement en faveur d'un système commercial multilatéral, tout en faisant part de leurs inquiétudes quant au manque de progrès enregistrés dans les négociations à l'OMC.

La hausse des prix des produits alimentaires et du pétrole a été très débattue lors de cette conférence. Les Ministres du Commerce se sont déclarés « profondément préoccupés par les effets dévastateurs de la récente flambée des prix des denrées alimentaires qui représente une menace réelle pour la sécurité alimentaire, la stabilité et le développement durable, particulièrement de nos deux régions ». Ils se sont engagés « à faire preuve de solidarité avec les pays d'Afrique et d'Amérique du Sud les plus touchés ». Certains participants ont appelé les pays producteurs de pétrole de deux régions à approvisionner ceux qui n'en produisent pas à des conditions préférentielles.

Retour sur le Sommet de la FAO sur la sécurité alimentaire

La Conférence de haut niveau sur la sécurité alimentaire mondiale s'est tenue à Rome du 3 au 5 juin. Elle avait comme objectif de mobiliser la communauté internationale pour faire face aux défis de la hausse des prix alimentaires, du changement climatique et les biocarburants.

Dans son discours d'ouverture, le secrétaire général de l'ONU, Ban Ki-moon, a présenté les grandes lignes d'un « plan d'action » contre la flambée des prix. Ce plan prévoit de débloquer entre 15 et 20 milliards de dollars (de 9 à 13 millions d'euros) pour relancer la production alimentaire mondiale.

Dans la Déclaration finale, les pays se sont engagés à court terme à *accroître l'aide aux pays en développement, en particulier les PMA et ceux qui sont les plus touchés par la hausse des prix des denrées alimentaires*. A moyen et long terme, les pays ont insisté sur l'importance d'augmenter la production agricole et vivrière et de renforcer les investissements dans l'agriculture.

Plusieurs questions sont restées en suspens. Le sujet des biocarburants, qui a dominé les trois jours de débats, a été défendu par les Etats-Unis et le Brésil. La déclaration ne mentionne pas d'engagement concret. Elle appelle à la réalisation *des études approfondies pour faire en sorte que la production et l'utilisation des biocarburants soient durables*.

Ce bulletin a été rédigé par l'équipe du GRET chargée de l'animation du ROSA (Réseau opérationnel de sécurité alimentaire). C'est une initiative de EuropeAid E6 (appui thématique sécurité alimentaire, développement rural et environnement) en collaboration avec EuropeAid G4 (formation et gestion des connaissances). Les points de vue exposés ne représentent en aucun cas le point de vue officiel de la Commission européenne.