



A transfer out of poverty

Poverty, equality and growth: the role of social transfers

A handbook for parliamentarians

"It always seems impossible, until it's done."

Nelson Mandela

"No meaningful and sustained economic growth can be achieved in the absence of social protection."

Levi Mwanawasa

A collaboration with



Preface

This handbook has been designed as an aid to building greater awareness and understanding amongst parliamentarians in the Southern African Development Community (SADC) of the role of **social transfers** as a specific **social protection** policy instrument for reducing **chronic poverty** and **inequality** and for promoting **inclusive, or pro-poor, economic growth**.

It is not intended for planners or implementers who undertake the detailed design and execution of social transfer programmes (for a manual that does address these aspects see <http://www.epri.org.za/socialtransfersguide.pdf>).

It has been prepared specifically for a **southern African** audience and focuses on southern African experience. In particular, it is intended primarily for use in countries where the debate on **comprehensive** and **scaled-up** social transfers is ongoing and where political will remains uncertain.

In terms of content, the handbook provides an **overview of social transfers**; from explaining **what they are** (and what they are not) and **how they work**, to addressing a range of **common concerns** regarding their appropriateness and effectiveness.

It also provides parliamentarians with guidance on how they can use their positions and influence to promote the adoption and expansion of social transfer instruments.

The handbook is meant to be practical, pragmatic and easy to digest. To facilitate this, the use of technical jargon has been restricted as far as possible.

The handbook was prepared for the SADC Parliamentary Forum (SADC-PF) as a component of a cooperative agreement with the Regional Hunger & Vulnerability Programme (RHVP) to strengthen awareness and understanding within parliaments of policy issues related to poverty reduction and the role of social transfers.

Included with the handbook are two DVDs:

“A transfer out of poverty” is a short documentary prepared by RHVP in 2008 which highlights some southern African experiences with the provision of social transfers. It provides a useful discussion of a number of major issues in the current debate and also provides an evidence-based discussion on the impact of a range of social transfers implemented in southern Africa.

“Social transfers in practice” looks in more detail at several social transfer programmes which have been implemented in southern Africa and provides in-depth analysis of each.

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Readers are strongly urged to view both these DVDs in conjunction with reading this handbook.

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Abbreviations

BIG	Basic Income Grant
CSO	Civil Society Organisation
DECT	Dowa Emergency Cash Transfer Programme
DFID	UK Department for International Development
ESCR	Economic, social, and cultural rights
GDP	Gross Domestic Product
GHI	Global Hunger Index
HPI	Human Poverty Index
ICESCR	International Covenant on Economic, Social and Cultural Rights
ILO	International Labour Organisation
MDG	Millennium Development Goals
MP	Member of Parliament
NGO	Non-governmental Organisation
OAP	Old Age Pension
OECD	Organisation for Economic Cooperation and Development
RHVP	Regional Hunger & Vulnerability Programme
SADC	Southern African Development Community
SADC-PF	SADC Parliamentary Forum
SPF	Social Protection Floor
SPII	Studies in Poverty & Inequality Institute
UNDP	United Nations Development Programme
VAT	Value Added Tax
WFP	World Food Programme

1. Introduction

1.1 African origins

Social transfers are sometimes perceived by policy makers in Africa as the latest (but not the last) in a long line of western-inspired solutions to the continent’s problems; in this case, poverty. For this reason, there is frequently scepticism regarding their appropriateness for, and effectiveness in, an African environment.

While European countries do have a long history in the state provision of social transfers and other forms of social welfare, social transfers also enshrine many traditional African cultural values and principles, which pre-date colonisation and which emphasise the vital role of supportive community and kinship systems through which scarce resources are shared and the better-off care for the less fortunate.

However, under various pressures of modernisation, including the replacement of traditional leaderships with local government, trends towards smaller families, the increasing role of migrant labour and the impact of the AIDS pandemic, these community and family mechanisms have largely disintegrated.

While there is scope for resurrecting and modernising traditional support systems, much more of the burden of providing social support in modern society now has to rest with the state. Indeed, the provision of social transfers, as part of a wider social protection or social welfare system, should be recognised as a key indicator of a people-oriented, responsible and responsive government that respects fundamental human rights.

1.2 Why social transfers?

1.2.1 Poverty, inequality and growth in southern Africa

Poverty and income inequality are the primary economic, social and political challenges facing southern Africa today (see table 1.1):

- ▶ Over half the population in at least seven out of 12 continental southern African countries lives on less than \$1.25 a day;
- ▶ At least five of these countries fall in the worst 20 in terms of the Global Hunger Index (GHI) and at least three fall in the worst 20 in terms of the Human Poverty Index (HPI);
- ▶ In terms of income inequality, the richest 10 per cent of the population of southern African countries account for between 27 and 65 per cent of expenditure, while the poorest 10 per cent account for no more than 3 per cent.

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Table 1 Poverty, inequality and growth in southern Africa

	Angola	Botswana	D R Congo	Lesotho	Malawi	Mauritius	Mozambique	Namibia	Seychelles	South Africa	Swaziland	Tanzania	Zambia	Zimbabwe
Poverty														
Pop ⁿ living below national poverty line (%) [a]	..	..	..	68	65	..	54	..	..	..	69	36	68	35
Pop ⁿ living on less than \$1.25/day (%) [a]	54	31	59	43	74	..	75	49	..	26	63	88	64	..
Human Poverty Index ranking [b]	143	125	176	156	160	81	172	128	57	129	142	151	164	..
Global Hunger Index ranking [e]	79	48	88	36	62	..	72	36	..	14	47	68	78	67
Inequality														
Expenditure share of richest 10% [d]	45	51	35	39	32	..	39	65	..	45	41	27	39	40
Expenditure share of poorest 10% [d]	<1	1	3	1	3	..	2	<1	..	1	2	3	1	2
Gini index ranking [f]	143	125	176	156	160	81	172	128	57	129	142	151	164	..
Growth														
GDP growth (%) [g]	3/0	6/-6	-7/3	5/2	2/8	9/2	1/6	3/1	4/-8	4/-2	10/0	5/6	4/6	-8/..
Sources/explanatory notes:														
[a] UNDP, most recent year available between 2000 and 2007														
[b] UNDP, 2007 data, ranked out of 182 countries (1 = highest, 182 = lowest)														
[c] MDG Monitor, MDG1: “halve extreme poverty & hunger” by 2015 (Yes = “highly likely”, ? = “possible”, No = “off-track”)														
[d] UNDP, percentage of total expenditure attributed to the richest/poorest 10% of the population, most recent year available between 1992 and 2007														
[e] IFPRI, 2008, ranking of 88 developing countries, excludes Mauritius and Seychelles (1 = least hungry, 88 = most hungry)														
[f] UNDP, the Gini index measure income inequality, ranked out of 182 countries (1= least inequality, 182 = most inequality), most recent year available between 1992 and 2007														
[g] UNDP, 2000/2009 estimates of annual growth rates														

Although the **Millennium Development Goals** (MDGs) have been criticised for being unambitious overall and for lacking analytical rigour, the initiative has nevertheless been

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successful in highlighting the magnitude of the challenge to improve living conditions for the world poorest.

While a few southern African countries have made significant improvements in absolute terms with respect to certain goals, progress on the attainment of the MDG targets has been generally disappointing across the region (see table 1.2). In terms of poverty reduction, only two continental southern African countries (South Africa and Zambia) are expected to attain the principal MDG of halving extreme poverty by 2015.

Table 2 MDGs and southern African countries expected to achieve goals by 2015^[1]

 <p>Goal 1 Eradicate Extreme Hunger and Poverty</p>	Mauritius, South Africa, Zambia
 <p>Goal 2 Achieve Universal Primary Education</p>	Angola, Lesotho, Mauritius, South Africa, Zambia
 <p>Goal 3 Promote Gender Equality and Empower Women</p>	Angola, Botswana, Mauritius, South Africa, Zambia
 <p>Goal 4 Reduce Child Mortality</p>	Mozambique
 <p>Goal 5 Improve Maternal Health</p>	Mauritius, Mozambique
 <p>Goal 6 Combat HIV/AIDS, Malaria and other diseases</p>	Botswana, Tanzania
 <p>Goal 7 Ensure Environmental Sustainability</p>	Mauritius, South Africa
 <p>Goal 8 Develop a Global Partnership for Development</p>	Mauritius, South Africa

Source: MDG Monitor, UNDP (see www.mdgmonitor.org)

[1] Does not include data on Seychelles or Zimbabwe

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The inability of many of southern African countries to remain on track for attaining the MDG targets, especially those related to poverty reduction, has led to questions regarding the effectiveness of current strategic approaches.

When the MDGs were defined in the 1990s (the comparable range for assessing goal attainment is 1990 to 2015), the conventional “war on poverty” was fought on two fronts: **humanitarian assistance**, predominantly in the form of food aid, was seen as the best way to alleviate poverty and protect the poorest, while **economic growth** was seen as the engine for sustainable poverty reduction and improvements in living conditions through an increase in jobs that were expected to arise from the economic growth.

But this model has not worked.

On the one hand, there are widespread concerns about the negative impact of an over-reliance on reactive, short-term humanitarian interventions – particularly food aid. These concerns focus on the longer-term impact of such support on individuals’ ability to improve their livelihoods, as well as on the lack of incentive for governments to embrace difficult policy reforms.

On the other hand, while southern African countries have registered respectable economic growth rates over the past decade and more, poverty has remained stubbornly resistant. For economic growth to reduce poverty it has to be inclusive in the sense that it involves and benefits everyone, especially the poor. This has not been the case in southern Africa where income inequality is extreme (countries such as Namibia and South Africa have some of the higher rates of income inequality in the world) and where the benefits of growth remain with the rich elite and little trickles down to the impoverished masses.

While economic growth is clearly necessary to reduce poverty, it is not sufficient. In particular, economic growth needs to be accompanied by measures which address inequality, not just in terms of income but also in terms of access to health, education and work.

1.2.2 The need for a different approach

Confronted with this situation, attention is increasingly being given in southern Africa to the role of social protection and, in particular, to comprehensive and scaled-up social transfers, as a simple multi-functional instrument that has **preventive, protective** and **promotive** benefits for immediate beneficiary households and also has the ability, if implemented on a large enough scale, to reduce inequality and generate wider pro-poor or **inclusive** economic growth.

The trend towards the adoption of comprehensive and scaled-up social transfer systems is very positive and the question today is not **if** but **when** such instruments will be implemented across southern Africa.

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There already exists a substantial body of evidence to support these claims which has emerged from a large number of **pilot schemes** that have been implemented across the region and from, albeit fewer, **scaled-up on-budget programmes** in southern Africa and other parts of the world where governments are already committed to comprehensive social transfers. This information is available within the region in a readily accessible form thanks to initiatives such as the www.wahanga.net website.

The main focus now is to build **political will** and **meaningful commitments** amongst **national stakeholders**, not least parliamentarians and political parties, for comprehensive and scaled-up systems.

1.2.3 Comprehensive and scaled-up systems

The emphasis of this handbook is not just on the adoption of social transfers, but more specifically on the adoption and progressive development of **comprehensive** and **scaled-up** systems. These two qualifications are important.

In order to have a meaningful impact on poverty and inequality, investments in social transfer systems need to be at-scale and have national coverage. A small investment in social transfers will help those who immediately benefit from the programme but will have little significance in terms of the overall fight against poverty. A meaningful investment is needed if one wants to make a meaningful difference.

Having a comprehensive approach is also important. A simple, unified system will not only be more effective in terms of impact, but should also be more efficient in terms of operation than an array of poorly coordinated piece-meal interventions with individual management systems.

1.3 Why parliamentarians?

The challenge to get social transfers adopted on a comprehensive and large enough scale to have a meaningful impact on national levels of poverty and inequality in southern Africa lies in creating the political will and national drive in lower income countries where fiscal resources are most constrained, but where poverty is worse and the need for social transfers is greatest.

Up to now, much of the impetus behind the promotion of social transfers in lower income countries has been externally driven, funded by a number of bilateral and international agencies and supported by a range of prominent international NGOs. While the social transfers debate is dynamic, national interest in widespread social protection in many lower income countries has not reached a critical mass and it remains difficult to identify champions amongst domestic stakeholders to drive the national agenda.

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As parliamentary democracy matures across southern Africa, parliamentarians' role in determining the future direction of public policy will continue to grow, and as parliamentarians' engagement in influencing and overseeing legislation and policy increases, so too will their responsibility to ensure that their engagement is both informed and considered.

2. Social transfers

2.1 Introduction

This chapter discusses the definition of social transfers and explains what distinguishes social transfers from other policy instruments. The chapter stresses that the terminology around social transfers is often imprecise and can vary between countries. The chapter discusses why social transfers have generated so much interest as poverty reduction instruments and explains why cash has significant advantages over other types of transfers. Finally, the chapter explains why, although social transfers have considerable potential as poverty reduction instruments, they cannot be implemented in isolation and that, despite all their potential, they need to be incorporated into wider macro-economic policies in order to be effective.

2.2 What are social transfers?

2.2.1 Terminology

The terminology around social transfers is confusing and can itself be an obstacle to building wider understanding of the issue. In some cases, the terminology is interchangeable (for example, social transfers and social assistance), in other cases however, terminology is incorrectly applied (for example social protection instead of social transfers) and, to add to this confusion, different countries often use different terminologies (for example social grants rather than social transfers).

Using a clear, correct and consistent terminology is important because it assists understanding of the individual and enables us to have meaningful and productive dialogue and engagement with each other when, for example, debating policy or budgetary allocations.

As a very minimum, each country should establish a consistent set of terms so that it can elaborate clear legislation, policies, budgets and programmes.

For the purpose of this handbook, we will use a minimum set of terms which are in common usage in southern Africa.

The focus of this handbook is on **social transfers**, which are a set of instruments that fall under the wider banner of **social protection**. Social protection consists of distinct sets of instruments:

- ▶ **Social transfers** are non-contributory and include a range of allowances and benefits aimed at specific vulnerable groups, such as the very poor, destitute, elderly and very young (which are collectively defined as **social grants** in South

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Africa or **social safety nets** in Botswana). They include **public works** and **employment guarantee** programmes for the poor and unemployed;

- ▶ **Social insurance/security** is a contributory scheme such as a retirement pension fund and medical aid scheme. The principal beneficiaries of these types of schemes are people in employment;
- ▶ **Social inclusion measures** are a broad range of measures to help ensure access of the poor and vulnerable to essential services, such as basic health and education, and to protect the well-being of the poor and vulnerable through appropriate rights and entitlement legislation.

The use of the term **social transfers** is generally restricted to Africa and other parts of the developing world. Social transfers are, however, by and large synonymous with **social assistance**, which is a more widely applied term in the developed world.

At this stage, it is important to introduce two other distinctions:

- ▶ The handbook focuses primarily on **state-funded** instruments. Social transfers are also provided within family and community contexts, but increasingly the emphasis is on state provision;
- ▶ The handbook focuses on **cash transfers**. Social transfers can be delivered in various forms (food, farm inputs and vouchers), but increasingly the preference is for cash-based instruments.

2.2.2 Why the interest in social transfers?

As social protection instruments, the primary function of social transfers is to **provide** welfare to those that are unable to support themselves and to safeguard the livelihood of the poor and vulnerable. In this sense, a key role of social transfers is to **protect** the lives of the poor and vulnerable and to **prevent** them from deteriorating even further. These functions are consistent with **poverty alleviation** in that they sustain lives and enable the poor and vulnerable to weather shocks, but poverty alleviation measures are limited in their impact and do not in themselves help people escape poverty and build more resilient or sustainable livelihoods.

Social transfers, however, have two other important proven functions, which explain why they are gaining widespread support in Africa today:

- ▶ First, social transfers can provide the means for people trapped in poverty to take advantage of opportunities to promote and build more resilient livelihoods;
- ▶ Second, social transfers can provide the means for wider inclusive growth, if they are delivered on a large enough scale.

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These two features of social transfers transform the instruments from purely social expenditures to **economic investments**, and help to explain why developed countries typically invest one third of their GDP in social protection, or social welfare, measures.

2.2.3 Distinguishing features of social transfers

Social transfers have a number of features which distinguish them from other policy instruments and which can be used to gauge or test for conformity. In essence, good social transfers should exhibit the following five features:

- ▶ **Non-contributory** – Social transfers are non-contributory in the sense that recipients do not have to make prior financial contributions to be eligible for support. This is a key distinguishing characteristic between social transfers (or social assistance) and social insurance;
- ▶ **Pro-poor** – Social transfers are first and foremost a welfare instrument and are designed to benefit those in need of assistance, and to exclude those who are not. But when poverty is pervasive, as it is in most southern African countries, it is difficult and expensive to directly target the poorest, even though these are the people that most need support. Nevertheless, all social transfers are intrinsically, and by intent, pro-poor;
- ▶ **Predictable** – An important feature of social transfers, and one which significantly increases their effectiveness in terms of reducing poverty, is their predictability and regularity, which enables recipients to plan how best to utilise them. These features are important as they endow social transfers with their promotive ability;
- ▶ **On-budget** – In order to ensure predictability, social transfers need to have a dependable funding source. The best way to secure this is to include a provision in the national budget. State funding also helps to ensure that social transfers are nationally owned and driven and that they are integrated and optimised with other instruments;
- ▶ **At-scale** – Social transfers should be national in their coverage rather than community or geographically specific. Initially, for practical reasons such as resource and/or capacity constraints, they may need to be rolled out gradually. Piloting is often undertaken when new instruments are implemented to test and refine the scheme before it is rolled out. However, true piloting should have a clear commitment to rolling out or scaling up. In reality, many pilots do not meet these standards.

2.2.4 Types of social transfer instruments

The key features discussed in the previous section can be used to assess how well commonly perceived social transfer instruments conform to the definition of social transfers. This is a pertinent issue since the terminology is sometimes loosely, and even incorrectly, applied. Part of the reason for this is a lack of awareness and understanding, but it also reflects the fact that social

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transfers have gained popularity and therefore can be marketed more successfully than other instruments.

The table below considers a number of instruments which are widely considered to be social transfers, and assesses how well each instrument adheres to the set of criteria described earlier that distinguishes social transfers from other types of instruments. The table illustrates that a number of instruments that are often described as social transfers do not fit well within the established criteria. For example, general **subsidies** are not pro-poor and usually benefit the rich more than the poor. Small-scale **pilot programmes** may produce the same impacts as social transfers for the duration of their life, but because they are not on-budget, they are not predictable. Good design is critical to good performance and while **public works** programmes have considerable potential, they are often poorly conceived and do not in reality perform well as social transfers.

It is important to stress here that social transfers are one set of policy instruments and that their appropriateness and suitability depends on the purpose for which they are intended. Just because an instrument does not meet the criteria for social transfers, does not mean it is inferior or in some way defective; what is important is how well it performs in terms of meeting its purpose. Take, for example, the case of a **fertiliser subsidy**, which may not be a good social transfer instrument but, if the intended purpose is to raise productivity, it could indeed be an appropriate and effective instrument.

Type of Social Transfer instrument	Social transfer criteria				
	Pro-poor	Predictable	On-budget	At-scale	Non-contributory
Social cash transfers (old age pension, child allowances, disability benefits, etc)	Yes – can be means tested or can apply simple conditions but usually universal	Yes – normally delivered monthly but sometimes quarterly to reduce administrative costs	Yes – typically one of the first comprehensive social transfer instruments to be adopted	Yes – normally provided nationally	Yes
Food-based programmes (school feeding, etc)	Yes – targets vulnerable groups (primary school children, infants, mothers, etc)	No	Mostly not (usually supported by WFP and NGOs)	Potentially yes – but often not due to funding constraints	Yes
Farm input programmes (crop/ starter packs, etc)	No – the better-off can benefit more than the poor	No – normally associated with drought recovery	Yes	Yes	Yes
Public works & employment guarantee schemes	Partially – targets the able-bodied poor by offering a basic wage, but excludes the very poorest who have no labour	Potentially yes – but in southern Africa public works schemes are often poorly managed	Yes – but there are few, if any, employment guarantee schemes in southern Africa	Potentially yes – but often not due to funding constraints	Yes – beneficiaries do not make any financial contribution but do need to provide their labour
Subsidies (input, consumer , etc)	No – the better-off can benefit more than the poor	Potentially yes – but do not tend to have long-term appeal	Yes	Yes	Yes
Pilots & emergency cash transfers	Yes – a variety of targeting mechanisms have been tried	No – limited duration without any firm commitment to scale up	No – usually funded directly by donors and implemented by NGOs	No – limited to specific localities	Yes

2.2.5 Why cash?

Social transfers can be delivered in a number of different forms, such as food, farm inputs, vouchers and cash. Increasingly however, cash is the preferred type of transfer because it has a number of distinct advantages over others. Why is this?

a. Cash

The principal reason why cash-based transfers are preferred is that only cash can enable social transfers to realise their full potential in terms of reducing poverty and inequality and promoting inclusive growth. Cash is flexible and liquid, and so can be used for multiple purposes, from the purchase of basic food items and medicine to the payment of school fees and the procurement of farm inputs. Cash can also be

saved and accumulated to finance important future expenditures. Last but not least, cash can be invested to generate future income. Evidence from southern Africa indicates that even small value cash transfers serve multiple consumption and investment purposes.

The flexibility of cash is important because the needs of the poor are not limited to food and basic provisions. Needs vary over time as well as between people and no two households have exactly the same needs at the same time. Cash provides the only realistic way to enable households to meet their varied needs and allow them to make their own decision as to which competing need is most immediate.

Cash is appropriate as long as markets are functioning and there are no dislocations in the delivery of basic commodities, including food. Where there are serious market shortages, cash transfers may encourage prices to rise, as more cash chases a limited supply of produce. Such situations are, however, normally acute rather than chronic and would be better addressed through interventions other than social transfers, such as humanitarian assistance. However, across most of southern Africa poverty is generally chronic and hunger is more a function of access, or lack of purchasing power, than of an actual shortage of commodities. In such circumstance, cash has widespread applicability.

While in normal conditions cash is unlikely to create inflation, the value of cash transfers can be undermined by price increases and as a result lead to a decline in their effectiveness as well as their popularity. To safeguard against this, cash transfer should be **indexed** to prevailing price levels, as reflected, for example, in the consumer price index, and their value reviewed and adjusted, as necessary, on a regular basis.

"In every country, the most commonly reported shortage was cash, followed by shortages of medical care, food, clean water and cooking oil, in that order."

2008 Living Poverty Survey
Afrobarometer

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A final but important advantage that cash has over other forms of benefits is that it is far less expensive to deliver. Today, this is not simply because cash is much less bulky, and therefore cheaper to transport than, for example, maize or fertiliser, but also because new electronic banking and transaction technology, which is being rapidly adopted across Africa, enables cash to be delivered cheaply, rapidly and securely.

b. Food

Whereas cash is flexible and multi-functional, food transfers have a more limited, but nevertheless important, role in alleviating or lessening the effects of poverty. Food-based transfers do not have strong long-term impacts in terms of reducing poverty and inequality or stimulating inclusive growth and, while locally purchased (rather than imported) food transfers may support domestic producers, they do not address the underlying issue of the weak purchasing power of the poor. Food transfers are often used in the context of **school feeding** programmes. Proponents argue that such programmes are social transfers and that they have long-term impacts on health and nutrition status as well as school attendance and performance. However, even if school feeding meets the criteria set out in the previous section, it may not address all the reasons for low school attendance, for example, and inability to pay school fees.

c. Vouchers

Until recently, vouchers were seen as a more secure and more prudent alternative to delivering cash. Commodity-based vouchers sought to restrict beneficiaries to certain commodities, typically staple foods and basic farm inputs. But such schemes limited beneficiaries' choice to specified items, such as maize meal, and could not be used, for example, to purchase a cheaper alternative. Similarly, vouchers for farm inputs specified seed varieties, usually hybrid or improved maize, and inorganic fertilisers. They left no room for individual choice and did not encourage crop diversification or the use of more sustainable farming practices.

As with food- and input-based transfers, commodity-based vouchers ignore the fact that household needs are multiple and varied. For this reason, as evidence from southern Africa shows, the poor often exchange vouchers for cash, but at a considerable discount, and the vouchers accumulate in the hands of the better-off. This can have serious negative consequences for poverty reduction when the vouchers entitle individuals to subsidised or discounted commodities, such as fertiliser.

Another form of voucher that has been piloted in southern Africa is the value-based voucher. While these are less restrictive and allow beneficiaries to purchase goods up to the indicated value of the voucher, their utility has been significantly undermined by the introduction of more

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efficient new technology for transferring cash. In a real sense, today’s “smartcard” is rapidly replacing the role and need for yesterday’s voucher.

d. Farm inputs

Farm input programmes, as opposed to input subsidies, have been implemented in a number of southern African countries under the guise of social transfers. Such programmes, however, suffer from many of the same faults as commodity-based vouchers and tend to favour the better-off, not only because they target households with land and labour, but also because there is a tendency amongst poorer farmers to sell on their “crop packs” to richer neighbours.

3. The case for social transfers

3.1 Introduction

This chapter considers the reasons why governments should invest scarce public resources in comprehensive and scaled-up social transfer systems. It defines a number of central arguments, explains the rationale behind each, and puts forward appropriate supporting evidence, primarily from southern Africa. These reasons, outlined below, underline the appeal of social transfers as a **simple instrument** with the ability to serve **multiple objectives**:

- ▶ Social transfers are a **right**
- ▶ Social transfers reduce **poverty and hunger**
- ▶ Social transfers promote **human development** through improved nutrition, health, education and gender equality
- ▶ Social transfers promote **inclusive growth** and reduce **income inequality**
- ▶ Social transfers build **social cohesion**, increase self-respect and build dignity

"There are significant shifts in the thinking within Africa.... on how social protection is understood, its link to sustainable economic development and its relevance as a comprehensive response to poverty and deprivation. Such shifts are a move away from a piecemeal safety net or welfare approach to poverty towards social protection as a necessary component of growth and human development.

"Recent studies in Africa have demonstrated that government led social protection is both necessary for sustained economic growth and affordable in low income countries.

"The lesson from these studies confirms that social protection.... has the potential to address multiple dimensions of poverty, to reduce inequities and inequalities and to play a role in national economic growth. The key consideration.... is not whether countries should have social protection but rather how to promote social protection to ensure it generates pro-poor human development and pro-poor economic growth."

Prof Vivienne Taylor, University of Cape Town, 2008

3.2 Social transfers as a right

The first and foremost reason why governments should invest in comprehensive and scale-up social transfers is that they are, as part of the broader package of social protection, an essential right of all citizens, to which most national governments have committed under internationally ratified agreements. They are a particularly important right (if one can qualify rights) since they enable citizens to access a range of other basic entitlements such as health, education, housing

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and work. The rights-based argument underlies and reinforces all other justifications for social transfers.

Citizens' rights to social security, social welfare or social protection, depending upon the terminology, are set out in a number of international declarations, including **Article 22** of the **Universal Declaration of Human Rights**, which states that "*everyone, as a member of society, has the right to social security*", and the **International Covenant of Economic, Social and Cultural Rights**.

International Covenant on Economic, Social and Cultural Rights

The International Covenant on Economic, Social and Cultural Rights (ICESCR) is a multilateral treaty adopted by the United Nations General Assembly on December 16, 1966, and in force from January 3, 1976. It commits its parties to work toward the granting of economic, social, and cultural rights (ESCR) to individuals, including labour rights and rights to health, education, and an adequate standard of living. As of December, 2008, the Covenant had 160 parties. Within southern Africa, Botswana and Mozambique are currently not signatories and South Africa is still to ratify the Covenant. Two articles have particular relevance to the provision of social transfer:

Article 2 - The principle of progressive realisation – This article acknowledges that some of the rights may be difficult in practice to achieve in a short period of time, and that states may be subject to resource constraints, but requires them to act as best they can within their means.

Article 9 - The right to social security – This article recognises "the right of everyone to social security, including social insurance." It requires parties to provide some form of social insurance scheme to protect people against the risks of sickness, disability, maternity, employment injury, unemployment or old age; to provide for survivors, orphans, and those who cannot afford health care; and to ensure that families are adequately supported. Benefits from such a scheme must be adequate, accessible to all, and provided without discrimination. The Covenant does not restrict the form of the scheme, and both contributory and non-contributory schemes are permissible (as are community-based and mutual schemes).

Other important international and regional covenants acceded to by most SADC governments include:

- ▶ International Labour Organisation's (ILO) Minimum Standards Convention
- ▶ UN International Covenant on Economic, Social and Cultural Rights (ICESCR)
- ▶ African (Banjul) Charter on Human and People's Rights
- ▶ Charter of Fundamental Social Rights in SADC

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International Labour Organisation’s Minimum Standards Convention

The International Labour Organisation’s Minimum Standards convention, ratified in 1952, set out minimum standards which form the traditional ‘pillars’ of social security provisioning, including:

- ▶ Medical care
- ▶ Sickness benefit
- ▶ Unemployment benefit
- ▶ Old age benefit
- ▶ Employment injury benefit
- ▶ Family benefit
- ▶ Maternity benefit
- ▶ Invalidity benefit
- ▶ Survivor’s benefit

UN International Covenant on Economic, Social and Cultural Rights

The UN International Covenant on Economic, Social and Cultural Rights (ICESCR), which was adopted 1966 but came into effect in 1976, is seen as one of the most important ones in respect of socio-economic rights. Countries that have ratified the covenant are expected to report on their progress in respect of rolling out socio-economic rights to a standing Committee of the United Nations every five years.

African (Banjul) Charter on Human and People’s Rights

Article 22 states:

1. All peoples shall have the right to their economic, social and cultural development with due regard to their freedom and identity and in the equal enjoyment of the common heritage of mankind.
2. States shall have the duty, individually or collectively, to ensure the exercise of the right to development.

In furtherance of the attainment of these human rights, the member states adopted a resolution in Banjul, Gambia, in 1998 that promoted the establishment and recognition of independent national institutions to promote and advance human rights. Signatories are also obliged to report regularly on the steps that they have undertaken to advance access to these rights.

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Charter of Fundamental Social Rights in SADC

Article 3 of the Charter affirms the recognition of ‘Basic Human Rights and Organisational Rights’ as set out in the above instruments as follows:

1. This Charter embodies the recognition by governments, employers and workers in the region of the universality and indivisibility of basic human rights proclaimed in instruments such as the United Nations Universal Declaration of Human Rights, the African Charter on Human and Peoples’ Rights, the Constitution of the ILO, the Philadelphia Declaration and other relevant international instruments.
2. Member states undertake to observe the basic rights referred to in this Charter.

Article 10 sets out the principles around social protection:

1. Member states shall create an enabling environment so that every worker in the region shall have a right to adequate social protection and shall, regardless of status and the type of employment, enjoy adequate social security benefits.
2. Persons who have been unable to either enter or re-enter the labour market and have no means of subsistence shall be entitled to receive sufficient resources and social assistance.

Once a state ratifies international treaties affirming a right, an individual is entitled to claim this right from the state, and the state agrees to be accountable to the international community for realising this right. While human rights place obligations and duties on all in society, the state is responsible for the necessary regulation to guarantee that those rights are respected.

From a rights perspective, the state has the duty to respect, protect and fulfil the right to social protection and, more specifically, social transfers. The obligations to respect and protect have immediate effect. The obligation to fulfil (meaning in this case that the state must positively facilitate, provide and promote the right to social protection) can be met **progressively** according to resources and capabilities. But even here, the state must clearly describe how it intends to achieve this; what legal, administrative and budgetary steps it will take towards full realisation. This transparency of planning and strategy is essential to avoid policy fragmentation and piecemeal initiatives.

However, while they define a broad range of civil rights, few **national constitutions** in southern Africa elaborate on citizens’ rights to social protection or social transfers. One country that does expound these entitlements is South Africa (which ironically has yet to ratify the International Covenant of Economic, Social and Cultural Rights), where **Section 27** of the Constitution states that:

“Everyone has the right to have access to... social security, including, if they are unable to support themselves..., appropriate social assistance (and that) the state must take reasonable legislative and

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other measures, within its available resources, to achieve the progressive realisation of each of these rights.”

The obligations to respect, protect, and fulfil all require an effective **regulatory system** which includes **participation, legislation, oversight** and **enforcement**. Violations of a right occur when the state can be shown to be unwilling, negligent or discriminatory, but a state cannot be said to have violated a right if it can show that there are genuine resource constraints, that it has sought additional resources where feasible, for example, aid, or that there are circumstances beyond its control.

It is also important to bear in mind that the international treaties on human rights not only establish the entitlement of citizens, but also provide a set of principles for the provision of such entitlements, which clearly have practical implications for the design of appropriate social transfer instruments. These general principles include:

- ▶ Universality
- ▶ Indivisibility
- ▶ Equality and non-discriminatory
- ▶ Participatory and inclusivity
- ▶ Accountability and the rule of law
- ▶ Availability, adequacy & accessibility

A few examples as to how these principles influence the provision of social transfer instruments are as follows:

- ▶ **The form of transfer** – giving food or in-kind benefits may deprive people of choice and prevent them doing what is in their or their family’s best interest;
- ▶ **Selecting beneficiaries** – targeted programmes, while satisfying the pressure to keep costs down, may exclude those in most need;
- ▶ **Coverage of programmes** – pilot programmes, which restrict the scale of provision, limit access;
- ▶ **Conditionality** – conditions, such as work requirements, may undermine people’s ability to care for dependents or to provide for subsistence needs, or deny them the choice to do what they know is best for their welfare.

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Rights-based arguments for social transfers and wider social protection have led the United Nations to establish the **Social Protection Floor (SPF)** Initiative.

The SPF corresponds to a set of basic social rights, services and facilities that the global citizen should enjoy. It can be seen as a core obligation of ensuring the realisation of minimum essential levels of rights embodied in human rights treaties. It could consist of two main elements that help to realise these human rights:

1. **Ensuring the availability, continuity and geographical and financial access to essential services**, such as water and sanitation, food and adequate nutrition, health, education, housing and other social services such as life and asset saving information.
2. **Realising access by ensuring a basic set of essential social transfers**, in cash and in-kind, to provide a minimum income and livelihood security for poor and vulnerable populations and to facilitate access to essential services. It includes social transfers (but also information, entitlements and policies) to children, people in active age groups with insufficient income and older persons

The SPF promotes a holistic and coherent vision of national social protection systems as a key component of national development strategies. It seeks to support countries in identifying and closing crucial protection gaps through coherent and efficient measures that maximise the effects of scarce resources on the reduction of poverty and insecurity, to ensure “guaranteed access” to essential services and social transfers.

For more information see <http://www.ilo.org/gimi/gess/RessFileDownload.do?ressourceId=17466>

From a legislature perspective, advocating to have social protection and the provision of specific social transfer instruments recognised as an entitlement in national constitutions, bills of rights, policies, laws and national poverty reduction programmes can be a useful strategy and provides the foundation for rights to be legally enforceable.

However, no matter how compelling the rights-based justification for the provision of social transfers is, it is rarely sufficient to convince fiscally constrained governments, and especially their Minister of Finance, to commit scarce resources to the provision of comprehensive and scaled-up systems. For this reason, it is important to provide more pragmatic and tangible justifications which show that social transfers are an essential and productive public investment. The remainder of this chapter considers these arguments.

3.3 Social transfers reduce poverty and hunger

The primary function of social transfers is to **protect** people living in poverty and **prevent** them from deteriorating further but, importantly, they also have a **promotive** function and enable some households to escape poverty and build more sustainable and resilient livelihoods. Findings from pilot schemes and on-budget national programmes provide ample evidence that social transfers effectively reduce poverty and hunger.

Impact on poverty and hunger

High income countries – High income countries spend between 10 and 30% of GDP, or between a third and half of total public expenditure, on a broad range of social protection measures. The ILO estimates that social protection has halved poverty and income inequality rates in OECD countries.

Lesotho – The number of elderly people never going hungry increased from 19% to 48% after the introduction of the Old Age Pension (OAP). 80% of Lesotho pensioners said their lives were “better” or “much better” due to the OAP.

Namibia – only 28% of the OAP is spent on the pensioner themselves, the rest contributes to the entire household or individual members, especially grandchildren.

Mauritius – The OAP reduced the proportion of households, not just the pensioners, living below the poverty line from 30% to 6%.

Mozambique – The GAPVU cash transfer programme reduced the poverty gap, the extent to which poor people fall below the national poverty line, by 27% and reduced poverty severity by 44%.

South Africa – Social grants reduced the poverty gap by 47%. The OAP increased the income of the poorest 5 per cent of the population by 50%.

Tanzania – The ILO estimates that a universal benefit for school age children (between 7 and 14 years) would reduce the number of people living below the poverty line by one third.

Since in most southern African countries the poverty line is measured in terms of just a dollar or two per day, even small amounts of cash, if provided on a **predictable** and **regular** basis, can have a significant impact on poverty levels. In this context, it is important to recognise that a social transfer benefits the entire household and not just the immediate beneficiary. Therefore, whether the state provides an old age pension or a child allowance, it is the household as a whole that benefits from the transfer.

Regular and predictable social transfers provide more than simple welfare to the poor; beneficiaries use social transfers for a range of purposes beyond meeting their immediate consumption needs. Thus, social transfers can do more than fill protective and preventive roles; they can enable households to build a more resilient and sustainable **livelihood**, in turn enabling them to wholly or partially **graduate** out of the social transfer system. Social transfers have promotive benefits not just for the able-bodied or those within the working age groups; they provide a means of livelihood promotion for a much wider group of beneficiaries including the

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young, the elderly and the disabled. Even when the transfers are small, beneficiaries are able to save and accumulate enough to purchase goods to resell, and thereby generate additional income, or to invest in improving livelihoods. Social transfers provided on a regular and predictable basis also allow beneficiaries to manage risk better and reduce their vulnerability to shocks as well as avoiding the need to resort to the sale of assets.

Impact on promoting livelihoods

Zambia – Under the Kalomo social cash transfer scheme, 29% of income transferred was invested, either in purchases of livestock, farming inputs, or informal enterprises. 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. Overall, the number of beneficiary households making investments quadrupled from roughly 14% to 50% and the average amount invested doubled. 71% of all households indicated that they had invested part of the social cash transfer and 52% of them even stated that they had generated some extra income.

South Africa – *“I sell sweets and biscuits so that I don’t run out of paraffin. I buy them from the child support grant money. I do this so that when the child support grant runs out, we are not in darkness.”* Mother and Child Support Grant beneficiary

Swaziland – The guaranteed income provided through the Old Age Grant provides access to farm inputs on concessionary terms and particularly through cooperatives and credit unions.

3.4 Social transfers and human development

Social transfers provide the poor with the means to better access human development resources such as health and education and so help to maximise the development potential of individuals and, if provided on a large enough scale, the nation as a whole. By making health and education resources more accessible to those who would otherwise not be able to use them, social transfers help to ensure that such publicly funded resources are more fully and effectively utilised.

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Impact on health and nutrition

Lesotho – Half of pension recipients spend more on health services since the implementation of the Old Age Pension.

South Africa – The Child Support Grant increased the height of its beneficiaries by 3.5cm if it was paid for the first year of life and for one of the subsequent two years of life.

South Africa – As a result of the Child Support Grant, the number of children whose parents reported that they have gone hungry in the previous year declined from 31% in 2002 to 23% in 2005.

Swaziland – The elderly are major carers for orphans and, apart from helping to feed the household, the old age grant is used for a range of other purposes including helping children to access health and education services.

Zambia – The Social Cash Transfer pilot reduced the incidence of partial sightedness amongst beneficiary households from 7.3% to 3.3%.

Zambia – As a result of receiving a cash transfer, 12% more households consumed proteins every day and 35% more households consumed oil every day.

Impact on education

Malawi – Schools in the Mchinji pilot cash transfer programme’s catchment area reported a decrease in average absentee days by 40%.

Namibia – A study at one school indicated that 14 out of the 16 pupils in grade 12 were financially supported by a grandparent.

South Africa – Receipt of the Old Age Pension was associated with a 20% to 25% reduction in the school non-attendance gap, and receipt of the Child Support Grant was associated with a 25% reduction in the non-attendance gap.

Lesotho – 50% of the pensioners spend some of their pension on educating grandchildren. A significant number of these dependent children have been orphaned by HIV/AIDS. Pensioners are buying uniforms, books and stationery. Approximately 10 000 school children nationally are getting some educational support from the Old Age Pension.

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Social transfers also play an important role in promoting gender equality, especially with respect to education. They do so by increasing household income available for education, thus improving the chances of girls going to school, and by improving girls nutritional and health status so that more girls complete their primary and secondary education.

Impact on gender equality

Malawi – *“I am the one who keeps the money. I am a mother and usually stay at home. I am also the one who decides on how the money is spent.”* 61-year-old married mother of 6 and DECT programme beneficiary.

South Africa – There are gendered differences in the sharing of pension by pensioners, with a greater proportion of women’s pensions being spent on food and women’s pensions showing particularly redistributive effects with significant improvement in anthropometric status of girls and greater investment in health care.

3.5 Social transfers and inclusive growth

As discussed at the beginning of this handbook, although many southern African countries have experienced respectable economic growth in recent years, this has not translated into meaningful reductions in poverty because the benefits of growth have largely accrued to those who are already wealthy. As a result, growth has increased the divide between the rich and the poor and measures of income distribution have worsened rather than improved.

Equitable growth is desirable not only because it helps to reduce poverty and improve the livelihoods of the poor, but because equitable growth itself is more sustainable. As mentioned earlier, OECD countries spend a significant amount of their fiscal resources on a broad range of social security or social protection instruments. A key reason for this is that there is a strong positive correlation between government expenditure on social security and economic performance as measured in terms of labour productivity and per capita GDP growth.

Social transfers in particular enable the poor to better participate in the growth process and to benefit from it. Social transfers increase the purchasing power of the poor so that they stimulate market activity, increasing demand for goods and services and giving the necessary incentive to producers and service providers to increase production and employ more people. All this creates a virtuous cycle of poverty reduction.

Importantly, when one increases the purchasing power of the poorest, they spend their increased income on locally produced goods and services. This means that social transfers have a strong

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market multiplier effect and can revitalise local economies, even in remote rural areas. It also means that the benefits and benefactors of social transfers are much broader than the direct benefits accruing to the immediate recipients of the transfers.

If a small-scale initiative, such as the DECT programme (see box), can generate an impact on the local market, a scaled-up national programme should achieve much wider demand driven by pro-poor economic growth.

While such an extrapolation may seem obvious, there is little evidence so far from southern Africa of the national impact of scaled-up social transfer systems on economic growth. The reason for this is not that the impact does not exist, but rather that scaled-up national programmes need to be of a meaningful scale before a measurable impact on national economic growth rates is realised.

It is, however, possible to look to higher income countries to see how they stimulate economic growth by encouraging consumer spending. European economies have a number of fiscal instruments that they can use to stimulate consumer spending, which increase demand for goods and services and thus stimulate employment and economic growth. These fiscal instruments include interest rates and taxation. But, while lowering interest rates and reducing income and VAT tax levels can be effective in stimulating economic growth in European economies, these types of fiscal instruments have far less influence on consumer spending in most of southern Africa. The policy options to stimulate consumer spending in countries where most of the population live below the poverty line are much more limited. But increasing the purchasing power of the poor through social transfers is one clear policy option which does exist to stimulate more sustainable growth.

Income inequality is not only an obstacle to sustainable economic growth; it can also give rise to political and socio-economic instability. Properly designed social transfer programmes redistribute wealth in a highly efficient manner, thus promoting a more equitable distribution of income, especially when they are linked to progressive taxation policies. Predictable social transfers not only shift spending power from upper income groups to the poor, but also from richer urban centres to poorer and more remote rural areas.

3.6 Social transfers and the MDGs

It should be readily apparent from the discussion so far that social transfers complement other efforts to attain the MDGs and can indeed significantly affect the rate of progress in reaching the targets. Social transfers have direct relevance to the MDGs on eradicating extreme poverty and hunger (Goal 1), achieving universal primary education (Goal 2), promoting gender equality and

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empowering women (Goal 3), reducing child mortality and improving maternal health (Goals 4 and 5) and, combating AIDS, malaria and TB (Goal 6).

3.7 Social transfers are not enough on their own

Social transfers, and social protection more generally, can have a significant impact on reducing chronic poverty, improving equality and stimulating inclusive growth, but they are not sufficient on their own. There are three aspects to this issue:

3.7.1 Social transfers and development

Social transfers are not a substitute for development. In this context, social transfers should be more properly viewed as a component of a wider poverty reduction and growth strategy which, to be successful, requires a comprehensive and integrated set of economic and social policy measures. While social transfers are an important component in this mix, they are not the only one.

3.7.2 Social transfers and humanitarian assistance

While the adoption of comprehensive scaled-up social transfers systems will significantly reduce the demands on scarce humanitarian resources, it will not completely mitigate the need for such measures. Instead, it will enable scarce food aid and other humanitarian support to be used more prudently and more effectively in response to acute emergency situations, where they perform best, and not as an ineffective tool to address chronic poverty.

3.7.3 Social transfers and an enabling environment

To work, social transfers need to be embedded in a supportive policy and legislative environment. In a policy context, this means ensuring that poverty reduction, equitable income redistribution and inclusive growth are paramount objectives and that policies are supportive of a market-based economy with effective safeguards for the underprivileged. In a legislative context, this means that rights and entitlements to social protection and, more specifically, social transfer measures, are clearly and adequately enshrined in the national constitution and bill of rights.

3.8 Conclusion

We have seen that at the **household** level, predictable social transfers provide more than just welfare and can positively improve the livelihoods of the poor. They can also increase access of household members to education and health facilities, which have long-term benefits. At **community** level, predictable social transfers generate demand for goods and services, stimulate markets, create employment and foster growth. At **national** level, broad-based, comprehensive social transfers reduce poverty and inequality, create growth, support social and political

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stability, and directly address a range of MDG indicators. Their fiscal impact, in generating economic growth, means that they are ultimately more affordable than a continuous series of short-term ad hoc transfers. However, there are four important caveats which need to be borne in mind:

- ▶ Meaningful impacts require **meaningful investments**;
- ▶ The transfers need to be both **regular and predictable**; social transfers are **not a quick fix**;
- ▶ **Good programme design** means the difference between social transfers being a fiscal drain and an economic and social investment;
- ▶ Social transfers are **not the whole solution** but they are a **vital element** of that solution.

4. Social transfers provision

4.1 Introduction

There are four basic approaches to providing social transfers. Each has its own strengths and weaknesses. This chapter reviews these approaches and discusses the main issues associated with them.

Once again, it is strongly recommended that readers also view the two DVDs included with this handbook which provide more insight into different types of social transfers provision.

4.2 Poverty-based provision

Focusing the provision of social transfers on people who are poorest would appear to be the most obvious and direct method for ensuring that scarce resources are most efficiently and effectively utilised. After all, the primary purpose for the provision of such instruments is poverty reduction. But what at first sight seems obvious is, on further reflection, plagued with obstacles when it is put into practice.

Poverty is a complex multi-dimensional concept which is not easy to define, let alone measure, in a simple way to enable social transfers to be delivered cheaply, fairly and transparently.

In practice, poverty-based programmes usually resort to approximating poverty using criteria which are easier, quicker and cheaper to assess. As in the case of poverty-based pilot cash transfer programmes in Malawi and Zambia, these indicators are invariably based on categorical considerations (see following section) and such programmes tend to resort to prioritising the elderly, the very young, orphans, people living with disabilities and those suffering from chronic illnesses, because these groups are over-represented in poverty assessments.

However, some form of means testing still has to be applied, if not to ensure the efficient and effective allocation of scarce resources, then at least to ensure that numbers do not exceed the availability of funds. This ultimately means that poverty-based provision remains subject to concerns regarding fairness, transparency and popularity.

Where poverty is pervasive and deep-rooted, as it is in most southern African countries, differentiating the poorest from the slightly less poor is not only difficult but is also unjust and unpopular.

In many countries, even a small cash transfer can make the difference between being in the poorest 10% of the population and being in the poorest 30%. In such a situation, providing social transfers to the poorest 10% immediately makes them no longer the poorest 10%, since another

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group of citizens, those that were slightly less poor and were therefore not given the transfer, will have taken their place. Clearly this creates not just an administrative dilemma, but also a moral one.

It is relevant to note that most of the regional experience with poverty-based social transfer provision has been in small-scale pilot contexts, primarily funded by donor agencies and implemented by international NGOs. Few, if any, social transfer programmes directly funded from government budgets have adopted a poverty-based approach to provision.

If there are conditions in which poverty-based provision would be a desirable or preferred option, they would be characterised by a narrow and well defined band of poverty and a wealth of household level income data. These conditions are not typical of the prevailing situation in southern Africa.

4.3 Categorical provision

While poverty-based provision may be limited to a few donor sponsored initiatives, categorical (in the sense of categories, or groups) provision could be said to be the normative approach to social transfers provision in southern Africa, with almost all large-scale, government funded programmes in the region adopting this method of provision.

Categorical provision focuses on specific types of people who are known to be particularly vulnerable to poverty and who are over-represented in poverty head counts. These categories are determined on the basis of age (the elderly and the very young) or circumstance (orphaned, widowed, disabled and chronically ill).

There are good reasons why categorical provision has been widely adopted by governments in southern Africa:

- ▶ It is not data demanding and is **cheap** and easy to administrate;
- ▶ It is **pragmatic** and the eligibility criteria (for example, age) and the value of the transfer can easily be adjusted, so it is straightforward to design a programme to fit the resource envelope and to extend it as resources increase;
- ▶ It is **popular with citizens** and the electorate because the criteria are transparent and simple to understand and the groups typically prioritised for assistance (for example, the elderly) are widely considered deserving;
- ▶ It is **popular with governments** because it is usually applied universally within the parameters of eligibility.

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While most categorical provisions do not apply means testing (for the reasons already given), simple exclusion criteria (such as the receipt of another pension) and progressive taxation (whereby the cost of the transfer is recouped through the income tax system to ensure a neutral effect for better-off citizens) can help to address concerns about benefiting the non-poor. In addition, the relatively small size of the transfer, registration requirements and a media campaign promoting responsibility can introduce an element of self-selection by discouraging better-off, but nevertheless eligible, citizens from applying.

Categorical provision works best when poverty is pervasive and large sections of the population live below the poverty line. In such circumstances, means testing is generally more costly than any saving that could be made in restricting access to the better-off.

A difficult policy decision, however, lies in determining which competing categories of citizens are most deserving; the old or the young, the disabled or the orphaned, etc. While clinical economic criteria could be applied, such as the projected future benefit to the nation of the various categories, these decisions are largely made on political and more compassionate grounds. Looking across the region, most governments that have adopted national categorically-based social transfer programmes have started with pensions for the elderly and disabled and have then expanded coverage to the young and especially the orphaned.

Pensions for the elderly are a popular starting point with many governments since the beneficiaries are easy to identify, are a concise and manageable group, and are widely considered to be deserving of the social transfer. In addition, evidence from the region has shown that old age pensions are an effective way of reaching a wider beneficiary group, not least orphans. In Lesotho, old age pensioners make up just 6% of the population but the pensions themselves benefit 25% of households. Reducing the pensionable age by five years would ensure that 50% of all households were covered.

4.4 Universal provision

Universal coverage is the most ambitious and most costly approach to the provision of social transfers. Universal provision implies that all citizens, irrespective of their social or economic circumstance, are entitled to receive the transfer. This approach to provision has a number of attractions:

- ▶ It is **non-discriminatory**;
- ▶ It is simple and **cheap to administer**;
- ▶ It has none of the **technical and moral issues** involved in having to choose who should benefit and who should not;
- ▶ The scale of provision ensures a **significant impact** on poverty, employment and growth;

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- ▶ There can still be income **redistribution effects** when income tax regimes are adjusted to ensure a neutral or cross subsidisation effect with regards to better-off recipients.

Despite these advantages, there are few examples of universal provision in southern Africa, however, a small-scale programme has been piloted in Namibia and the Basic Income Grant (BIG) Coalition has been lobbying for a basic income grant in South Africa.

Universal provision, in the form of basic income grants, have the most appeal when the social transfers objectives are oriented towards economic growth as well as poverty reduction. In reality, however, the high level of public expenditure needed to finance such initiatives means that they require far more political commitment than other types of provision and are probably realistically envisioned as the ultimate goal of a progressive development of a policy to deliver comprehensive and scaled-up social transfers.

4.5 Self-selecting provision

Concerns regarding the dependency risk associated with the provision of social transfers, especially to the impoverished but able-bodied, have led government to establish **public works** programmes which self-target participants/beneficiaries by offering work at a low wage rate.

The wage rate is set at a level to ensure that such programmes attract people who are not already employed. The fact that participants have to contribute labour to receive a benefit in return does not, of course, reduce dependency but it does address the concern of many that the able-bodied poor should not receive “something for nothing”. As attention in many southern Africa countries focuses on rising levels of unemployment and a growing population of disillusioned young people, interest in public works is increasing.

Public works are seen primarily as a vehicle for delivering social transfers to the poor who fall outside the eligible age for child benefits and old age pensions. These are individuals of working age who have little or no economic activity.

Apart from providing them with a social transfer, which in itself has a direct benefit for the recipient household and wider social benefit for the community, properly designed public works can both stimulate growth, for example, by improving rural infrastructure, and can promote more sustainable and resilient livelihoods by, for example, improving the productivity of agricultural land through the construction of soil conservation measures. However, in order to have these impacts, the nature of the work undertaken needs to be carefully considered. If not, public works programmes simply become expensive delivery mechanisms for the provision of social transfers: a public works programme that does not produce an economic investment is an extremely expensive way to try and ensure that the able-bodied poor do not get something for nothing.

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Public works have often been used as part of humanitarian assistance programmes in the form of food or cash for work projects. But these initiatives cannot be classified as social transfers as they are short-lived and do not provide a regular and predictable transfer. Even some more established long-term public works programmes are questionable in terms of their social transfer credentials: a national programme that only visits a community for a couple of weeks a year hardly provides a regular or predictable transfer.

Another concern with public works is that the line between them and employment creation can become unclear. Poverty amongst the working age population is clearly a sign that the economy is not creating enough jobs. The best solution to this is job creation, not public works. The question then arises as to whether to spend limited resources on creating new jobs or on funding public works programmes. Initiatives that provide incentives to employers in both the private and public sectors to take on and train more people is preferable to engaging the unemployed in public works, especially if the works being undertaken have little economic benefit to the individual, community or the country. In many cases, the type of activity undertaken by public works programmes is not a unique, one-off task, but rather regular and routine work that should normally be undertaken by the public sector using regularly employed staff. Examples of this include rural road maintenance, urban street cleaning and agricultural conservation. These are necessary tasks that need to be undertaken on a regular basis to, amongst other things, foster economic growth and maintain public health.

African experience with the implementation of public works has been mixed; South Africa has a national programme under the management of a separate ministry while other countries, such as Malawi, have small-scale initiatives which are poorly managed and poorly resourced.

4.6 Conclusion

The type of social protection provision adopted by a government will depend on a number of considerations including the ultimate aim of the provision; the desired scope of provision; the intended beneficiaries of the provision; and the extent of resources available. Each type of provision has its own merits and concerns. The appropriate type of provision for an individual country will depend on the national priorities and should be determined through a process of national dialogue in which all stakeholders are made aware of the full range of options available, as well as the advantages and disadvantages of each.

5. Concerns

5.1 Introduction

The evidence in support of social protection, and especially social transfers, is overwhelmingly positive. Nevertheless, in order to gain the magnitude of political will and commitment needed for the adoption of comprehensive and scaled-up social transfer systems, a number of legitimate and reasonable concerns need to be acknowledged and addressed using evidence from existing implementation and findings from empirical studies. These concerns revolve around the two key issues of affordability and dependency, but bring in other related concerns regarding opportunities, graduation and conditionality.

5.2 Affordability

Unfortunately, the countries that most need social transfer are those that can least afford them.

A common perception within governments of low income countries is that social transfers and, more generally, welfare systems are only affordable by richer countries. As if to validate this perception, it is indeed easy to show that the amount spent on social transfers is directly correlated with a country's GDP, not only in absolute but also percentage terms.

5.2.1 How much will it cost?

Social transfers are not a cheap or a quick fix. To have a meaningful impact on poverty, inequality and growth at a national level, they need to be of sufficient scale. OECD countries on average spend the equivalent of 12% of their gross domestic product (GDP) on social transfers. In South Africa, the Social Assistance Scheme cost approximately \$9bn a year, which is equivalent to 3.5% of GDP and 12% of annual budget expenditure. Lesotho's Old Age Pension is estimated to cost the equivalent of 1.4% of GDP and the ILO has calculated that providing a universal child benefit programme in African countries would cost the equivalent of 1.5% to 3.5% of GDP. These various examples give an indication of the magnitude of expenditure that is needed in order to have a meaningful impact.

Table 5.1 considers what various resource commitments to social transfers will buy. The table looks at three scenarios; devoting 1% of GDP, devoting 3.5% of GDP (the relative level of commitment in South Africa) and devoting 12% of GDP (the relative level of commitment in OECD countries). Under each of these three scenarios, the table assesses how many people and what proportion of the overall population could be covered by a basic social transfer of \$10 per month, which costs an additional 15% to manage and deliver. The table also tries to put the various scales of provision into perspective by comparing them with the cost of public

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expenditure on health and education. The final column of the table is included by way of making a statement on the magnitude of the level of losses of scarce resources to corruption.

The table provides some sobering insight:

- ▶ Meaningful scale social transfers require meaningful resources;
- ▶ The affordability of providing social transfers varies significantly from one country to another, even in southern Africa;
- ▶ In most countries, committing the same level of public resources to social transfers as currently committed to health and education would provide the means to deliver a significant scale of social transfers provision.

Table 3: Cost and affordability of social transfers in selected southern Africa countries

Country	GDP (\$mn) [1]	1 per cent of GDP to social transfers [2]			South Africa level of provision: 3-5 per cent of GDP to social transfers [2]			OECD level of provision: 12 per cent of GDP to social transfers [2]			By comparison - as % of GDP			
		Pop (mn) [1]	Budget envelope (\$mn)	# pers covered (mn)	% pop covered	Budget envelope (\$mn)	# pers covered (mn)	% pop covered	Budget envelope (\$mn)	# pers covered (mn)	% pop covered	Public spend on health [1]	Public spend on education [1]	Cost to corruption [3]
Angola	69,067	19	691	5.00	27	2,417	18	95	8288	60	+100	2	3	
Botswana	11,630	2	116	0.84	43	407	3	+100				4	8	
Malawi	4,975	15	50	0.36	2	174	1	8	597	4	28	9	4	20 to 30
Tanzania	21,623	44	216	1.57	4	757	5	13	2595	19	43	4	7	
Zambia	12,747	13	127	0.92	7	446	3	25	1530	11	86	4	2	

[1] source: www.data.worldbank.org

[2] based on a transfer of \$10 per month and a delivery/admin cost of 15%

[3] UN Economic Commission for Africa; average for Africa, not specific to any country included in this table

5.2.2 Is it value for money?

An assessment of the economic worth, or value for money, of social transfers should involve two stages:

- ▶ An assessment of the net worth of the expenditure, which would compare the benefit, for example, in terms of a given percentage reduction in the poverty head count, against the cost;
- ▶ A comparison of the net worth of alternative investment aimed at achieving the same objective.

There is ample evidence, which has already been highlighted, to indicate that investments in social transfers have a strong positive net worth, for example:

- ▶ Evidence from the DECT programme in Malawi showed that every \$1 of transfer generated more than \$2 of income within the local community;
- ▶ Evidence from richer OECD countries which on average spend 12% of their GDP on social transfers and have achieved a 60% reduction in poverty.

However, most estimates of the value of social transfer seriously **underestimate the true magnitude as well as the range benefits**. Many aspects of their worth – from longer, more productive lives of citizens and improved gender equality, to greater social cohesion and political security – are difficult to place a value on. Therefore, when assessing the true value of social transfers, one should also ask **what costs are associated with not providing them**, not least in terms of social, economic and political security and progress.

5.2.3 How to pay for social transfers?

Most countries have started small and then expanded their social transfer programmes as they prove effective and thus garner greater political commitment and justify investing more public resources in them.

Categorical-based provisions such as old age pensions and child benefits are simple to modify in this way, as evidence from Lesotho, South Africa and elsewhere in southern Africa has shown. A child benefit programme could, for example, start out by limiting eligibility to children under the age of two and limiting benefits to a maximum of two children per household. It would be a simple matter to, in the following year, raise the eligibility age by a year or two or increase the value of the transfer. This has been the normative way that countries in southern Africa have initiated and subsequently expanded social transfers.

Investing in a comprehensive, scaled-up social transfer programme does not necessarily imply that it will have to be financed completely out of additional or new resources. As a **first step**, any

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government that is seriously considering investing in a comprehensive, scaled-up social transfer programme should critically review **current expenditure** on poverty reduction and assess the performance and worth of existing expenditure. An analysis of this sort, undertaken in Malawi, indicated that some \$350 million had been committed to poverty reduction (much of it for ineffective food aid) over the three years from 2004 to 2006. This equates to a resource of over \$100 million, or roughly 2% of GDP. In a wider budgetary perspective, however, reallocating resources from other expenditure lines may not be politically acceptable.

In terms of securing increased budget resources for social transfers, a major constraint facing many low income countries is their narrow tax base and the relatively small contribution that tax revenue plays in funding the national budget. In Malawi, for example, only about 5% of the population pay regular **income tax**. In countries where income tax revenue is low, more scope exists in increasing revenue from other forms of taxation, such as **Value Added Tax (VAT)**, on goods and services.

A number of countries in southern Africa, including Malawi and Zimbabwe, have used special **levies**, for example on fuel, to finance specific priority expenditures. However, these can suffer from a lack of transparency and, unless extra measures are taken, such as opening dedicated accounts, the revenue from them can be difficult to trace and therefore use for the intended purpose.

When deciding how to raise tax revenue to pay for increased public expenditure on poverty reduction instruments such as social transfers, care needs to be given to ensuring that the way the additional revenue is raised does not itself exacerbate poverty. For example, an increase in the rate of VAT that affects the price of basic foods, or the introduction of a levy on diesel fuel, may be attractive because of their broad base but may not be particularly pro-poor. On the other hand, increasing VAT rates on selective high value goods that have a relatively inelastic demand, such as aviation fuel, airline passenger tickets or imported luxury items, may be more pro-poor in their application but may not generate as much revenue. Ultimately, a decision needs to be made based on the net impact on poverty. In Namibia, the BIG Coalition has proposed that the grant should be financed by a 2 percentage point increase in the VAT rate. The Coalition argues that the overall net impact on the poor would still be significantly positive and justifies this approach to funding the social transfer.

Other domestic sources of funding exist outside the public revenue system. One of these is **private sector** engagement in the provision and delivery of social transfers as part of their social responsibility agenda. In Zimbabwe, for example, a major mobile phone service provider is funding children’s school fees in certain parts of the country. Private sector sponsoring of social

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transfer programmes, perhaps in exchange for advertising rights on “smartcards”, could even produce some commercial benefits for the private sector sponsor.

For many governments, however, **development partners** will be the most important source of additional financial resources to pay for the adoption and expansion of comprehensive and scaled-up social transfer systems. A number of international donors are strongly supportive of social transfers. Well defined and designed programmes which have strong national support are likely to secure financial backing. It is important, however, that donor support is channelled through budget lines to ensure sustainability and ownership. While concerns about the inability of donors to make long-term commitments in view of their funding cycles and changing development agenda have some validity, it should be remembered that these caveats have not presented serious obstacles to the provision of sustained support to other important social sectors, such as health and education. Therefore, these issues should not be viewed by either the donor or the recipient as insurmountable obstacles.

It is difficult to separate the question of funding social transfers, as an important instrument in terms of poverty, equality and growth, from the issue of entrenched **corruption** and the abuse of public funds. As referred to earlier, the United Nations Economic Commission for Africa (UNECA) estimates that corruption in Africa is equivalent to between 20 and 30% of its GDP. This represents a massive drain of public resources that could be put to good use, but it also directly contributes to chronic poverty and inequality and undermines economic growth.

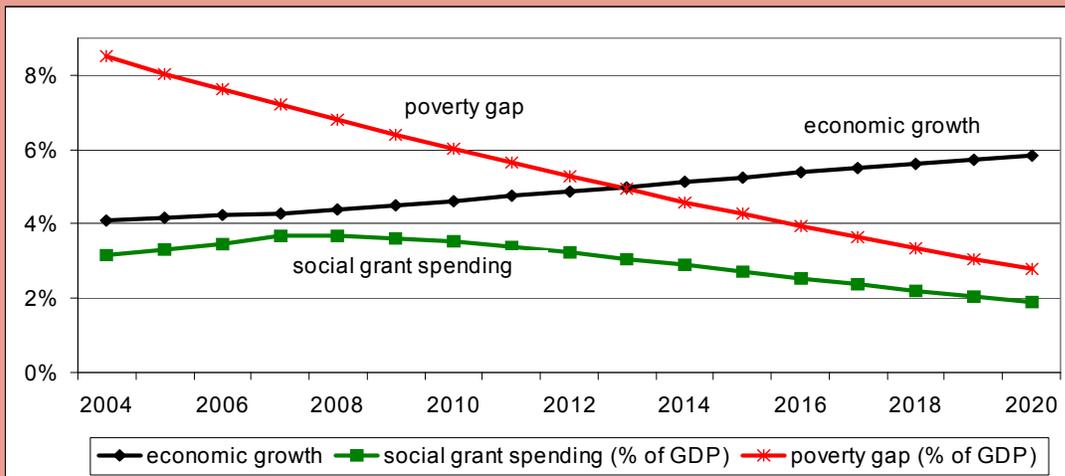
While social transfers may appear expensive to initiate, an investment in social transfers today will conserve fiscal resources in the medium- to long-term. This is evident from the perspective of an individual citizen as well as from the wider perspective of the national economy.

From an individual’s perspective, an infant who received better nutrition because of a child allowance, will grow into a school-age child better able to learn and more likely to succeed in school, so fewer fiscal resources will be wasted on children who have to repeat grades they otherwise would have passed. Moreover, the same child will grow into an adult who is better educated and more likely to find work, and so also more likely to pay taxes. That child will grow older with a lower chance of contracting a chronic debilitating illness, thus being able to contribute more to the national economy and being less of a burden on the public health care system.

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From a macro-economic perspective, investing in social transfers produces long-term developmental effects by improving nutrition, health, education, labour productivity and social stability. These long-term effects are cumulative and they stimulate growth and reduce poverty.

This chart illustrates a macro-economic simulation model of the South African economy and shows the inter-relationship between social transfers expenditure, economic growth and poverty reduction. Note how poverty declines as expenditure on social transfers improves economic growth and ultimately reduces the need for social transfers in the longer-term.



As poverty reduces in the future as a result of investment in social transfers today, future needs for social transfers decline. At the same time, as economic growth increases, so does government revenue and thus future social transfers expenditure becomes more affordable. But, this outcome can only happen if governments start investing in social transfers today.

5.3 Dependency

Across the globe, one of the greatest concerns related to the adoption of comprehensive social transfers is the risk, indeed the expectation, that cash transfers will create dependency and reliance, and will discourage beneficiaries from seeking more productive livelihoods. This objection is just a common today in countries that adopted comprehensive social transfers more than a century ago as it is in southern African countries which are still to embrace scaled-up systems. This tells us that:

- ▶ The concern is - historically - a valid one;
- ▶ It is widespread and persistent;

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- ▶ But it can be addressed to the point of assuring full political support.

In southern Africa, such concerns can in part be traced back to the effects of long term, even inter-generational, provision of food aid. In particular, in low rainfall areas across the region, maize based food aid distributions in times of crop failure discouraged small farmers from planting more drought-tolerant but also less preferred staples. The predictability of food aid, or at least a fair degree of confidence on the part of the rural population that it would be delivered in times of need, was a critical consideration in the decision of small farmers to continue to plant maize, rather than sorghums, millets and cassava, even though they would only receive a reasonable harvest once every five years.

In many ways, cash is no different from food and we need to be fully aware of this in order to ensure that social transfers do not succumb to the same failings as the widespread food distributions that characterised much of the 1980s and 1990s.

But, before discussing how to ensure that social transfers do not create dependency, it is first necessary to distinguish between two types of dependency:

- ▶ **Latent dependency** concerns beneficiaries whom society widely accepts to be deserving of social assistance, because they have no other means of support. In this category one would place the elderly, the orphaned, the chronically ill, the severely disabled and the very young. With the exception of the very young, people who fall in this category have little prospect of improving their livelihoods and would therefore likely be condemned to a life of destitution if not supported by the state¹. Creating dependency is not an issue within these groups. They are dependent on support from outside their immediate family of care institution and to deny them social transfers on the basis of concerns over dependency would be unethical.
- ▶ **Dynamic dependency** concerns people who are impoverished but who possess the capacity to be self-reliant. This group typically consists of what has been termed the “able-bodied poor” or “the missing middle” (in the sense that they are ineligible for either child benefits or old age pensions). While the first group of beneficiaries is relatively discrete and contained, this group of beneficiaries is far more diverse and considerable larger in size. It is with this group that the real challenge of reducing

¹ Of course, not all those that are elderly, chronically ill or severely handicapped are impoverished. Some will be supported by their families or by specialist institutions. For this reason, some policy makers argue that provision of support to these categories of people should be means tested. But, as was discussed in section 4.4, means testing can be expensive as well as divisive and, especially where poverty is pervasive, it may be both economically and ethically preferable to deliver universal provision.

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chronic poverty lies and it is with this group that real concerns over creating dependency exist.

It is also important to recognise that it is also with this group where the greatest potential and the greatest risks coexist: success in addressing poverty amongst the able-bodied poor offers the potential for increased and more inclusive growth as well as greater equality. Failure to do so represents a major threat to economic, social and political stability.

Being clear on where the real issue of dependency lies enables us to better address this concern and to design social transfer instruments which minimise the risk of creating dependency.

One of the most obvious and common ways to address this concern is to only make social transfers available to those that really need them. Individually means testing each applicant is clearly impractical as well as being too expensive. A simple way round this problem is to design transfer programmes that only attract those in need of support.

As discussed in the previous chapter, the most common form of self-targeting are public works programmes which offer participants a payment in exchange for their labour. The wage rate offered by such scheme is set sufficiently low to only attract those who have no other employment or income generation opportunity.

5.4 Opportunity

As discussed earlier in this handbook, one of the most important features of social transfers is that they can be promotive and can enable household to escape the poverty trap and build better livelihoods. In this sense, social transfers reduce dependency and thus by providing social transfers today, a nation can expect to reduce the need for social transfers in the future.

But whether social transfers are promotive and successful in reducing dependency is contingent on there being opportunities for livelihood improvement. If such opportunities do not exist, even self-targeted social transfer systems, such as public works, can create dependency.

As already discussed, well designed public works can help to create opportunities for improved livelihoods but even the best designed public works are unlikely to create sufficient opportunities within themselves to enable all participants to graduate to more resilient livelihoods and thus no longer require assistance.

The wider economic impact created when cash transfers inject cash into markets (also already discussed) can help to create wider opportunities.

Ultimately, however, the generation of opportunities which will take people out of poverty and out of social transfers depends on building a pragmatic and comprehensive strategy for inclusive growth and poverty reduction. In this sense, social protection policy needs to be integrated into a much wider policy context in order to realise the full potential of social transfers (again, already discussed).

5.5 Graduation

Graduation happens when a beneficiary no longer needs the support provided by social transfers. It is not an automatic outcome and it is not something that can be pre-determined in terms of defining a limited duration of eligibility.

Some categories of beneficiaries, especially those who fall within the latent dependency group will not graduate and will require support for life. Others, such as children and orphans receiving child benefits will hopefully graduate by finding productive employment after completing their studies. But, whether or not beneficiaries who fall into the dynamic dependency group will graduate depends on whether or not opportunities exist as well as on whether they are able to grasp such opportunities.

The main determinant of the rate of graduation for this category of beneficiaries is the rate of economic growth and the employment that it creates. As we have already discussed, the provision of social transfers on a large enough scale can stimulate employment creation through more inclusive or pro-poor growth.

5.6 Conditionality

Conditionality is the practice of establishing qualifying criteria for eligibility to a social transfer. In one sense, almost all social transfer systems have conditions attached regarding eligibility; entitlement to an old age pension, for example, is conditional on the age of the applicant.

However, there is another aspect of conditionality that has been the subject of considerable debate and investigation. This centres on the issue of applying additional conditions. For example, should a child benefit be given to all children of school going age or just to those who actually attend school?

Proponents argue that, if conditionality is applied – that is, in the above example, the benefits are only given to children who attend school – the benefits will have a bigger impact in terms of meeting some of their objectives; in the above case in the form of increases in school enrolment and educational performance.

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Opponents of conditionality have ethical objections to the application of such restrictions and argue that they do not take into account the individual circumstances of beneficiary households and in fact prevent them from taking decisions for themselves. They also argue that evidence indicates there is no advantage in terms of the performance of the programme.

5.7 Conclusion

There are a number of valid concerns regarding the adoption of social transfers which need to be carefully evaluated by any government prior to making the substantial budget commitment needed to implement comprehensive and scaled-up programmes. These same concerns have been evaluated by every government that has taken the decision to adopt social transfers (as well, of course, as those that have deferred the decision). However, by the time a government has reached the stage of giving careful consideration to these issues, it has probably gained sufficient political will to proceed with the necessary financial commitment. These concerns then become considered in the selection and design of the most appropriate form of provision, rather than a “make or break” issue in terms of whether or not to embrace comprehensive scaled-up social transfers.

6. Lessons from social transfers in southern Africa

6.1 Introduction

This section discusses a number of lessons identified from social transfers experience in southern Africa. The lessons highlight the importance of national drive and ownership and the need for building inclusive national awareness and understanding of social transfers; the range of options available; the relative merits and suitability of each; the general popularity of social transfers; and the importance of initiating social transfers will available resources, which can be subsequently scaled up as the fiscal space and political will increases.

6.2 The importance of national ownership and political will

Evidence from southern Africa clearly shows that social transfers have rooted themselves most firmly in countries where there is national drive and ownership. It is also significant that these countries have progressed largely without the intervention or support of external donors or NGOs. Indeed, in at least one case, the Lesotho Old Age Pension, the scheme was adopted and financed by the Government against the advice of international financial institutions. Southern Africa’s experience with the adoption of social transfers illustrates that donor engagement is not a pre-requisite for the successful adoption of social transfers and that learning from the experiences of neighbouring countries may be far more influential, thus highlighting the importance of regional cooperation, especially in terms of awareness and knowledge building and lesson learning.

6.3 Types of provision

Another key message from southern Africa is that when countries are left to develop their own social transfer systems they have overwhelmingly opted for categorical based provision which prioritises specific vulnerable groups, such as the elderly, the very young and orphaned, people with disabilities and the chronically ill. Not only are these groups easy and therefore cheap to identify but the selection criteria are readily understood and widely endorsed by the public; partly because they enshrine traditional cultural norms. By contrast, in countries where external donors and agencies have been more influential there has been a protracted process of evaluating a range of alternative provision mechanisms, which in a number of cases has led to the strong endorsement of and lobbying for poverty-based provision, but which has not resulted ultimately in scaled-up national government-owned programmes.

6.4 Popularity

Social transfers are, not surprisingly, widely popular with citizens and the electorate and therefore are a potentially powerful rallying point for political agenda. The 2007 General Election in Lesotho, for example, was fought and won on the issue of the Old Age Pension. As democracy and good governance have grown across the region, so too has the potential for political parties to embrace social transfers in considered, prudent and deliverable manifestos.

This trend will undoubtedly continue and strengthen as the electorate becomes more sophisticated and traditional patronage style political systems weaken and increasing emphasis is placed on delivery performance.

6.5 Balancing aspirations and resources

Considering how social transfers have grown and evolved across the globe, the long term future for social transfers, and subsequently the eradication of extreme poverty, in southern Africa is encouraging.

Hopefully even before the end of the MDG cycle in 2015 social grants and other social transfer instruments will have taken root across the sub continent. However, it will take further decades of investment before all countries have comprehensive scaled up social protection systems.

The key to this is to have a strong and clear long term vision in the form of a social protection policy framework, which is pragmatic as well as being integrated into the wider macro-economic policy context.

As with any ambitious endeavour, taking the first step on the path to attainment is often the most difficult. In this respect, it is worth considering:

- ▶ **Resources, not needs** – Even in the richest countries, where social transfers systems are well established, the scale of provision is determined not by what is needed but rather by what is available. The attainment of a comprehensive scaled-up social transfer system may be the end objective for a country but it will only be attained progressively as the benefits of the existing provision are better recognised and as the resource base increases.
- ▶ **Political will, not evidence alone** – Unless the first step is taken, there is nothing to build on or to improve. There may be a temptation to wait before embarking on building a comprehensive scaled-up social transfer system; to do further tests on alternative beneficiary selection approaches or to better determine the most appropriate value of the transfer, for example, but ultimately there comes a time when a decision has to be

made to make a commitment. This point in time is more determined by political will than having the answers to all the questions.

- ▶ **Learning through implementation, not experimentation** – The current experiences of European countries, which are having to adjust their social welfare systems in the light of increasing national debt and growing public concerns about their effectiveness, illustrates that once implemented systems can and will be continually reviewed and adjusted.

6.6 Inclusive national dialogue

Decisions regarding the future direction for social transfers are ultimately national concerns involving national stakeholders. Such decisions should be inclusive in two aspects; firstly, they should engage all national stakeholders and secondly, they should consider all feasible options. In many instances, however, national dialogue on social transfers is restricted in the sense that there is little engagement with the population and it is limited to a consideration of a limited range of approaches. Where national ownership is weak, the dialogue is often driven by external partners promoting specific approaches.

6.7 Conclusion

There is a wealth of experience within southern Africa to assist national governments in the development and expansion of social protection in general, and social transfer instruments in particular. This experience emphasises the paramount importance of national ownership and drive in terms of promoting a national agenda and the value of inclusive national dialogue to determine the appropriate combination of instruments to suit specific national situations.

7. The roles and responsibilities of parliamentarians

7.1 Introduction

This section discusses ways in which parliamentarians can work within their different roles to support the institutionalisation of social protection, particularly social transfers. While the different SADC member countries’ constitutional designs may vary, their parliamentarians’ responsibilities all include:

- ▶ Legislature, that is ensuring the implementation of policy;
- ▶ Oversight, that is overseeing the executive’s activities in terms of developing policies and implementing laws and programmes;
- ▶ Representing the needs and interests of their voters, many of whom in the sub-region struggle daily with the challenges of poverty.

7.1.1 The importance of coherent policy development

As discussed in section 3.2, the various international declarations, of which many SADC countries are signatories, state that social protection is a right, and place a legal obligation on those countries to implement and roll out social transfer instruments. To successfully meet these obligations, clear policy frameworks must be put in place. Policy development is the prerogative of the state or the executive and is often done through a Green Paper process that calls for submissions and comments in order to aid transparency and participative democratic norms. Government can then proceed to draft a White Paper that sets out the policy, which would then be ratified in an act and passed by parliament.

The White Paper can be used to set out the principles that inform the social protection strategies and identify the vulnerable groups that need to be covered. From here, roll-out plans can be tied to GDP growth to reduce fears of unaffordable commitments in times of recessions.

Well constructed policy frameworks can enable linkages to be made to other government undertakings, such as Poverty Reduction Strategy Papers (PRSPs) or commitments made under the MDGs. They also make it easier to request International Development Agency (IDA) support at a technical or financial level. This could in turn facilitate the design and adoption of more appropriate social transfer systems.

The development of a comprehensive policy for social transfer programmes would allow for inter-policy multipliers to be developed and identified. For example, a commitment by the state

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to develop better educated youth to, in turn, provide a well-educated workforce could be encouraged through the introduction of a school feeding scheme to attract children to school. This would also be linked to better health care and nutrition levels. In addition, the Department of Trade could support the development of co-operatives to provide the food locally rather than buy it from urban centres.

Coherent policy development is also important in that it allows the Department of Finance to work out in advance revenue commitments that will be required and it can inform fiscal policy in terms of how much money the state would have to raise from the population.

By making the policy development process as transparent as possible, any constraints and concerns that a state has can be raised and debated in an inclusive manner which would lead to maximum support for the subsequent implementation of the policies.

The South African government established a Committee of Inquiry into a Comprehensive Social Security System in 2000 to assist in developing options for rolling out social security policies. The Committee was made up of government officials, academics, experts and labour and civil society representatives. The final report contained very clear recommendations, many of which have been implemented by the state over time. The recommendation of the implementation of a universal Basic Income Grant of R100 per person per month has, however, not yet been adopted. This shows that states should be free to examine options without fearing that they will be bound by the findings.

7.2 Legislature

Where the right to social protection has been written into a country's national constitution, the role of the legislature is to call on the executive to introduce bills to implement these rights, and, if acts have already been passed, to monitor, review and oversee the implementation and expansion of these acts in a progressive manner. Legislation can also direct whether the implementation of the laws best happens at national, provincial or local government level.

Legislation sets out the grounds of eligibility and regulations set out the steps for accessing benefits. These details should be contained in transparent and publically accessible documents to:

- ▶ Ensure that the values informing the social transfer systems are widely shared;
- ▶ Ensure that the targeted groups are not disproportionately aligned to the ruling party or other interests;
- ▶ Limit the discretion of ruling parties to extend cover arbitrarily to further electoral support;
- ▶ Limit the discretion of implementing officials to arbitrarily deliver benefits;

- ▶ Ensure that citizens are aware of their eligibility, limiting the potential for corruption.

7.3 Oversight

Parliamentarians have an obligation to oversee the activities of the executive to ensure it fulfils its role of developing and implementing clear policies. Making sure information is available regarding the implementation of those policies at a national, regional and local level is a critical element of effective legislative oversight as well.

Clear policy and legislative architecture make oversight functions easier for parliamentarians, as does working with civic groups, which often have the clearest sense of what is actually happening on the ground and can therefore provide valuable information, such as issues related to implementation, for example corruption or lack of service delivery and other obstacles to optimal take-up and enjoyment.

Parliamentarians also play a vital role in overseeing the budget for social protection programmes and making sure sufficient resources are allocated towards them.

While the executive is responsible for developing fiscal, monetary and other macro-economic policies, the Parliamentary Committee on Finances is responsible for making sure that sufficient resources are made available for the rolling out of these policies. The vast majority of democratic constitutions require appropriations and taxation measures, such as the Apportionment of Revenue and Appropriation bills that make up the budget, to be approved by parliament in order to become effective. It is therefore very important that parliament ensures that the revenue and spending measures it authorises are fiscally sound, match the needs of the population with available resources and are implemented properly and efficiently.

One of the reasons governments often give for failing to scale up social transfer programmes is budgetary constraints, however, parliament’s “power of the purse”, which is a fundamental feature of democracy, can be used effectively to scrutinise and follow-up on government’s use of public finances and resources. In fact, this is among the most important duties of parliamentarians; through this role they can ensure that national resources are used productively for the benefit of the general population as well as influence the priority areas of spending.

7.4 Representing the needs of the people

A key function of parliamentarians is to provide a link between the electorate from their constituencies and government; the main aim of this role being to present the needs of the people, enhance their welfare and protect their interests.

7.4.1 The role of civil society

Members of parliament are usually regarded as the “voice of the poor” whose main mandate is to gather the views of their constituents and present them to parliament for deliberation and incorporation into policies and laws. However, MPs often lack the resources to gather and analyse information from the ground to formulate into policy-relevant issues. It is in these situations that MPs can benefit from partnering with Civil Society Organisations (CSOs); in addition to providing key, or complementary, information regarding pending reforms, CSOs often have strong connections to issues at a grassroots level and with citizens who have specific poverty concerns. This connection can make CSOs an effective partner for gathering information about the needs of a community or district, as well as communicating with citizens on national issues.

In countries where democratic transition is still in its initial stages and citizens are yet to overcome their fear of the previous regime, legislative cooperation with a trusted CSO may help build public trust in legislators as representative officials. Moreover, visible cooperation between MPs and CSOs can help to set a public precedent of working together to address public concerns.

Many CSOs have research capacity that can be useful to parliamentarians seeking new information and data. For example, in the recent participative Poverty Reduction Strategy Policies/ Papers developed in many countries in the region, many CSOs have been able to work as partners alongside government delegates, providing information about what people on the ground need and want. This example of cooperation between CSOs and government can be used to demonstrate that rather than CSOs trying to influence government, a common concern, they should be seen as necessary partners in a truly participative democracy.

7.4.2 Delivering on election commitments

Parliamentarians, except in the case of an independent candidate, belong to one party or another – be it the ruling party, the opposition, or any other party that has assumed a form of acceptable allegiance by the electorate – and it is their duty to monitor and carry forward the mandate of the electorate as enshrined in their party election manifesto. If a party promised to create jobs, build a million houses and introduce fee-free schooling within the five-year term of office, then citizens have a right to hold that party to account. This can be done through petitions to people’s own Member of Parliament, as well as through the Parliamentary Question Time process, in which case such progress questions will tend to be asked by the opposition. CSOs also tend to track the delivery in terms of these questions, especially in the run-up to the next election, and sometimes draft media articles about their assessments of delivery.

“A transfer out of poverty”
Poverty, equality & growth: the role of social transfers

Social protection schemes, although not a panacea for all needs, are good foundations and are visible indications of advancing people’s needs for any ruling party.

7.4.3 The role of political parties

In Africa, poverty is almost always the central theme on political party agendas and election platforms, and there is general agreement that political parties are key institutions in poverty reduction by mediating between the citizenry and the state. What is required, therefore, is for political parties, and the party system, to capably embrace social transfers as one of the best options for poverty reduction. Parties can recognise social transfers as an incentive to rise to the challenge of reforming the state and promoting fast, equitable economic growth. MPs can therefore play a very important role by advocating for a fairly radical shift in the thinking of their political parties. Opposition political parties also have a vital role to play in promoting social transfers: in instances in which the ruling party has not introduced legislation to entrench social transfers, or only at a bare minimum, opposition parties can raise questions in parliament about the extent to which the commitments to social protection declarations have been adopted and entrenched. In addition, questions about the efficient roll-out of the social transfer programmes can be used to monitor and safeguard the effective implementation of social protection. Opposition parties can also ensure that the “public purse” is not used to fund “vote buying”, that is, extending social transfer programmes specifically in the run-up to an election to drum up support for the incumbent party.

7.5 Conclusion

Members of Parliament are voted in to represent the interests of their constituencies. It is a complex reality in which MPs are accountable to their constituencies, but are also, in most cases, members of political parties whose policies they need to advance.

This section sets out the various stages of policy- and law-making to highlight the interventions necessary and possible at various stages should people wish to institutionalise and advance access to social protection within a domestic setting. Potential allies outside of the state who also often seek to advance the livelihoods of poor people have also been identified.

Most governments within SADC grapple with how to address people’s needs in a developmental manner. Social protection systems provide a very transparent mechanism by which basic needs may be met and people supported to improve their own human capital for greater productivity and economic returns. Social protection also promotes social justice and assists countries to meet their regional and international commitments.