

The Basic Income Grant Coalition

**Are universal cash transfers a feasible policy option for
South Africa?**

**A study of international examples of cash transfer
programmes with specific reference to issues of
targeting; grant administration; the financing of social
security and the potential developmental stimulus of
cash transfers.**

Address

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Abbreviations/ Acronyms

BIG	Basic Income Grant
CCT	Conditional Cash Transfer
COSATU	Congress of South African Trade Unions
EPRI	Economic Policy Research Institute
GDP	Gross Domestic Product
HSRC	Human Science Research Council
ILC	International Labour Conference
ILO	International Labour Organisation
ISSA	International Social Security Association
NALEDI	National Labour and Economic Development Institute
PROGRESA	Programa de Educacion, Salud Y Alimentacion
WDR	World Development Report

Contents

Executive Summary	5
Chapter One: Introduction.	9
Chapter Two. An overview of the development of social protection and its ability to support poverty eradication.	19
Section One. The development of the right to social provisioning.	19
Section Three. Understanding chronic and transient poverty.....	25
Chapter Three. Targeting and conditionalities of social policies and cash transfer systems.	29
Section One. Explanation of terms used.	29
Section Two. Universal and targeted social cash transfers.....	29
Section Three. Targeted social benefits.	30
Section Four. Conditional transfers.....	37
Section Five. Combining targeting and conditionalities.	40
Section Six. An examination of Conditional Cash Transfers in Latin America.	41
Chapter Four: Administrative payment systems.	48
Section One. Cash Versus In- Kind Benefits.....	48
Section Two. An overview of state institutions for the administration of cash transfer schemes.	50
Section Three. Payment systems of cash transfers.	52
Chapter Five - Financing Aspects	53
Section One. International overview of levels of Social Expenditure	53
Section Two. South Africa - how affordable is a universal BIG?	70
Section Three. Sources of financing of social spending.	71
Section Four. Social Protection Spending And Economic Growth.....	73
Chapter Six: Developmental stimulus of cash transfers into poor communities.	75
Section One. Can social protection, and specifically cash transfers, stimulate economic growth?	75
Section Two. The role of Social Protection in Human Capital Development.	83
Section Three. The impact of Social Protection on Labour Market participation.	85
Section Four. Inflationary concerns and Opportunity costs.	89
Chapter Seven. Conclusion.....	92
Areas for future research and advocacy by the BIG Coalition	94
References	96

Table One: Current values of and eligibility requirements for, social assistance grants in South Africa, 2006/07.

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Table Two. Taylor Committee's recommended comprehensive social protection package and components for South Africa.

Table Three: Benefits and Disadvantages of different types of targeting.

Table Four. Value of Transfers under the Nicaraguan *Red de Proteccion Social* in US Dollars per annum.

Table Five. Social security spending per country and percentage of people living in destitution (under US\$1 per day).

Executive Summary

This Review explores several aspects of cash transfers as an aspect of social policy aimed at poverty alleviation and development. While the Review examines existing literature on the emergent conditional cash transfer programmes in many Latin American countries, it is located within the context of South Africa.

South Africa is an upper middle income country, and yet the majority of the people experience high levels of poverty and unemployment, and the allocation of income within the country is one of the most unequal in the world. The advent of a democratic government in 1994 raised many people's hopes that poverty and unemployment would be reversed and would begin to diminish, but in fact for the majority of South Africans rates of unemployment and levels of poverty have both deepened over the past twelve years.

The African National Congress led government has frequently committed itself to eradicate poverty, and the country's Constitution contains justiciable socio-economic rights aimed at ending inequality and underdevelopment. Despite this developmental framework and stated political will, under the macro-economic policy known as GEAR (Growth, Employment and Redistribution) adopted and implemented between 1996 and 2000, resources and programmes adopted to effect major structural social and economic redistribution were insufficient to meet the enormity of the post Apartheid needs.

The evolution of state interventions to address people's needs from social security to a more developmental social protection is an increasingly important area of social policy internationally given the decline of decent jobs and rising vulnerability of workers. The role of state revenue funded policies in reducing inequality within countries informed the development of many universal social

security schemes in post-World War Two Europe as a way to reconstruct a devastated continent. Social security schemes have attracted criticism on all sides of the political spectrum. Many programmes today face constant threat of downsizing due to strong business lobbies seeking to keep down the costs of labour and taxation. Radical bodies have also over the years advocated against social security which they identify as constituting way of reducing popular opposition to governments and policies that support structural exploitation of the poor and the working class.

Many of the most vulnerable workers are situated in developing countries in complex global production chains which keep labour costs to a minimum due to very low wages and negligible benefits. Shifts in social policy from social security to social protection seek to address the needs of vulnerable workers who do not benefit from traditional, typical social security schemes, and further seek to effect human development as well as poverty eradication in their outcomes.

Studies in poverty are increasingly able to identify medium to long term dynamics of poverty as a result of longitudinal studies, and these have informed an appreciation of the need to develop social policies that address the needs of people caught in short term, cyclical and transitional poverty as distinct from interventions required to break poverty traps and enable people to move out of long term, structural and intergenerational chronic poverty. Social protection policies can be used to address both sets of needs successfully, and protect and develop people's human and productive assets which are vital in a successful transition out of poverty, as well as increase levels of productivity and output.

The role of social protection in successful poverty eradication policies or human development is acknowledged internationally, including by international financial institutions which in the past have advocated for a reduction on social

spending by developing countries. The potential of poverty to act as a brake in economic development has also been the subject of much study, and findings of these studies suggest that previously held orthodox economic views of the need for inequality to fuel economic growth are being revisited, or at least, tagged with caveats which warn that very high levels of inequality will invariably retard economic growth.

These findings should assist advocates of expanding social protection programmes. Current spending on social security and protection programmes however shows that those countries most in need of state interventions, namely developing countries, have very low levels of social spending. The average expenditure in African countries is 4.3% of GDP, compared to a global average of 14.5% and a European average of 24.8% of GDP.

Recent social policies in Latin America seek to combine short term poverty alleviation with longer term eradication through conditional social cash transfers. These social grants generally carry specific conditions that must be met on an ongoing basis in the realm of education health care. While the attachment of conditions satisfy more conservative critiques of social spending, the attachment of such conditions could be considered paternalistic, and their necessity has not been proved, nor have their costs on the beneficiaries been robustly quantified.

Cash transfers can be used very successfully to address poor people's needs, yet there is global concern amongst the middle classes and elites about giving money to people living in poverty. This has led to a general shift away from universal social security schemes to relief schemes targeted only at what are identified by policy makers as being the most vulnerable groups in a given society. Targeting fails to appreciate the interconnectedness of people living in poor communities, nor the structural way in which poverty is created and

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recreated. Targeting of assistance can also lead to the development of perverse incentives as people try to fit the eligibility requirements.

Increased social assistance and protection interventions could greatly assist in meeting people's daily needs in South Africa. There are a number of barriers that would need to be overcome before the introduction of a universal social assistance scheme however which are based on ideological objections rather than real questions of affordability.

In order to arm advocates of a universal basic income grant in South Africa to meet these objections, this review ends with a suggestion for further research areas.

Chapter One: Introduction.

South Africa is a country characterised by high levels of poverty, income inequality and unemployment. Poverty and unemployment have a structural nature, and are the result of hundreds of years of deliberate exploitation of the majority of people to support the racial colonial extractive process which developed into the legislated racial capitalism under apartheid. As a result, millions of people are marginalised from and by the mainstream economic and social institutions.

The post 1994 democratic government under the ruling African National Congress has committed itself to eradicating poverty and building bridges between the formal economy and those excluded from and by it. Section 27 of the Constitution of South Africa (1996) gives to everybody (i.e. not limited to citizens) the right of access to social security and to social assistance for those that are unable to provide for themselves and their dependents. The obligation on the state to fulfil this right was confirmed by the Constitutional Court in a number of socio-economic rights cases, including *Government of the Republic of South Africa v Grootboom Case no CCT11/00* *Minister of Health v Treatment Action Campaign (1) case no. CCT8/02*.

Full labour market participation is acknowledged as being the most sustainable way to eradicate poverty. However given unemployment levels of 40% in South Africa, it is trite that short term polices need to be developed to ensure that people currently living in poverty are able to provide for their immediate needs, and need to function alongside policies that seek to create a more labour absorptive industrial policy in the medium to long term. (EPRI, 2002a). For a number of years, government has hailed the existing system of social grants as representing their most direct and successful poverty alleviation programme. With effect from September 2005 over 10 million people now

access some form of social assistance grant (Department of Social Development, 2005). However, one of the results of the wide spread levels of poverty and unemployment in South Africa is that many millions of poor people remain dependent for their survival on their families and neighbours. This dynamic means that the working poor rather than the middle and upper income classes carry the burden of providing for the poor, which retards the ability of the working poor to move themselves out of poverty. This in turn perpetuates the patterns of structural poverty across generations of the poor.

Poverty, unemployment and macro-economic policies.

In 1996, government introduced a macro-economic policy known as the Growth, Employment and Redistribution policy (GEAR). The introduction of GEAR was controversial, with many progressive civil society organisations and progressive organised labour rejecting it out of hand for being built on neo-liberal tendencies. GEAR espoused the notion that development and poverty eradication had to be based on a stable economy, low inflation, a low budget deficit and high economic growth - in other words, poverty eradication was to be based on a trickle down effect rather than more active redistribution with a strong state directing reconstruction and development.

GEAR policies determined monetary and fiscal policies until 2000, when the first mildly expansionary national budget was passed for 5 years. On review, of the many indicators that GEAR sought to achieve in terms of economic growth, increased levels of domestic and foreign investment, job creation, human development and hence poverty eradication, the only indicators that were met were the reduction of the budget deficit (to levels below that prescribed by the European Union for its members, all of whom are developed countries) and the containment of inflation between 3 and 6%. Unemployment had risen significantly, as had poverty and inequality.

Social Security in South Africa

South Africa has a system of social security inherited from the Apartheid state which provided social security for whites based on the norms of industrialized countries, which included active labour market protection for whites. These systems were premised on an assumption of full employment, providing income replacement for short term periods of unemployment based on contributory schemes for working age people, old age pensions and child benefits to provide for people not of working age, and a variety of special needs support to provide for the needs of people living with disabilities etc.

The racial discrimination inherent in the social security system was done away with by the National Party in the year preceding the transition to a democratic dispensation in 1994. This was followed in 1996 by the introduction of a national white Paper on Social Welfare which introduced the concept of social protection as a developmental policy that moved beyond the traditional notions of a safety net as provided by social security. One of the policies included in the White Paper provided that *“(T)here will be universal access to an integrated and sustainable social security system. Every person should have a minimum income, sufficient to meet basic subsistence needs, and should not have to live below minimal acceptable standards”* (White Paper, Chapter 7, Paragraph 7).

There has been an ongoing contestation about the role of social protection within government. While many support the development potential of social protection, there is a conservative element that considers that social assistance to working age people can only develop notions of dependency amongst poor people and discourage people from seeking employment (BIG, 2004). This latter notion is more popular and more frequently repeated amongst civil servants, notwithstanding that this position has been rebutted by recent research commissioned by the Department of Social development itself (EPRI, 2004). This conservative school tends to favour the notion of spending

poverty eradication funds on short term (3 to 6 months) Public Works placements for poor people. These placements are used to build and maintain infrastructure, and are meant to contain a few days of life skill training. This placement is meant to act as a catalyst to enable participants to create their own businesses as a result of the work experience and training received.

There is an urgent need to gather research into the long terms potential of the various government poverty eradication programs in enabling people to move out of poverty in a sustainable and realistic manner.

The targeted non contributory old age pension in South Africa is a powerful tool for development. It supports economic activity for millions of households, and increases investment in both physical and human capital (Barrientos, 2002), and has been found to increase the median per capita monthly household income twofold (ibid).

The main social assistance grants that are available are as follows (values pertain with effect from 1 April 2006). The social assistance grants are administered under the Social Assistance Act, 13 of 2004.

Table One. Current values of and eligibility requirements for social assistance grants in South Africa, 2006/07.

Grant	Eligibility	Amount in Rands per month
Old Age Pension	Age requirement of 60 for women, and 65 for men, and a means test.	R820
Disability Grant	Means tested, between the ages of 18 and 59/64 (at which stage	R820.

	recipients instead receive a state old age pension), medical recommendation from a medical practitioner based on prescribed impairment testing. Not generally available for people with HIV/AIDS. Recipients often have to requalify on an annual basis.	
Care Dependency Grant.	Similar to the above, but for children aged 1 to 17.	R820.
Child Support Grant.	Means tested grant available to care givers of children up to 14 years.	R190.
Foster Child Grant.	Available where a child is not living with biological parents, need a court order appointing foster parent. Foster parents' income not taken into account.	R590.

In addition there is a small monthly amount available to assist persons who need full time care (Grant in Aid), and there is a special War Veterans Grant for veterans of the First and Second World Wars and the Korean War. Both of these are means tested.

Current state spending on social assistance amounts to R57.7 billion in the 2006/07 national budget, and this is predicted to rise to R68.3 billion by 2008/09.

Eligibility for the current social grants is targeted according to age and means, but it is an unconditional grant once eligibility has been established. However, for able bodied working age people between the years of 14 and 59 (or 64 for men) there is no social assistance available (Natrass and Seekings, 2002). Less than 2% of the unemployed are able to draw from the contributory social insurance Unemployment Insurance Fund (ibid). In terms of coverage of social assistance, before the extension of the Child Support Grant from poor children under 7 to poor children under 14 which was completed in 2005/06, , the Committee of Inquiry into a Comprehensive Social Security System in South Africa (the Taylor Committee) found that 11.8 million of the 23.8 million poor people living in South Africa lived in households that had no access to social assistance (Taylor, 2002).

Targeting social assistance raises the possibility of the development of a number of perverse incentives. The policy of targeting, including the potential perverse incentives as well as the high costs and questionable efficacy of current targeting practices needs to be re-examined, especially in a country where poverty levels are so pervasive.

The Taylor Committee, established in 2000, recommended that a comprehensive framework for social protection be adopted, replacing the concept of social security. They further recommended that this system of social protection be built on a platform of income security through the introduction of a universal cash transfer, a Basic Income Grant, paid to everybody in South Africa, of R100.00 per month (at 2000 value).

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This idea had originally been mooted by the Congress of South African Trade Unions (COSATU) at the 1998 national Presidential Jobs Summit, out of which Summit the process of the establishment of a Committee of Inquiry was borne.

Many progressive civil society organisations, including organised labour, came out in support of these recommendations, and formed a Basic Income Grant Coalition in 2001 to advocate for the implementation of a BIG. Government and the ruling party, the African National Congress, have not engaged with this as a plausible policy option without however providing compelling economic or social reasons for this failure (BIG, 2004). This unfortunately led to a very early polarization of support for the concept of expanded or universal social protection usually on ideological rather than any empirical grounds.

Research is a critical tool in any endeavour to advocate for the extension or deepening of programmes to realize people's rights.

The BIG Coalition as part of its advocacy and lobbying strategy to promote the adoption of a universal BIG commissioned this review to undertake a review of international literature on four main aspects of social protection, and more specifically on literature that considers certain aspects of cash transfer schemes. The aim of this review is to identify what information about existing cash transfer programmes exists in the literature, to identify what gaps exist in international research to inform the research agenda of the BIG Coalition in the medium to long terms, and to provide a source of information that can be used in the immediate term to drive the advocacy agenda of the Coalition.

The four sections that were commissioned for this review cover:

- **Targeting and conditionalities of these systems.** While the Coalition advocates for a universal basic income grant, it is essential to be aware of how other cash transfer systems are targeted to enable us to proactively formulate compelling reasons for a universal grant based on

the peculiar circumstances of levels of poverty and unemployment in South Africa.

- **Administrative payment systems.** There are a number of diverse systems in operation involving different levels of government, and different partners including banks. The review will consider the literature on the benefits and challenges of these.
- **Financing aspects.** The review will consider the percentage of GDP expenditure of governments on social spending, and the newly emerging debates about the benefit to growth and development of greater spending on social security by bodies such as the International Labour Organisation, the World Bank and the International Monetary Fund.
- **Developmental stimulus of cash transfers into poor communities.** Finally the review will consider what evidence exists around the local economic development potential for cash transfer systems in terms of supporting and sustaining small and micro enterprises at a local level, and the development of social capital.

This review begins with Chapter Two that explores both the history and current debates about social protection, as well as emergent development policy discussions on the nature and causes of poverty and the design of appropriate policies to move people out of both transitory and chronic poverty.

Chapter Three considers the theoretical constructs of notions of universal assistance, targeted assistance and conditional grants. The Chapter considers the benefits and disadvantages of the various types of targeting are examined and the emerging literature on the Latin American conditional cash transfers, with special reference to Mexico, Brazil and Nicaragua.

Chapter Four considers what little literature has been written on administrative systems of cash transfers. This covers arguments in favour of cash grants as opposed to benefits, in kind, and then considers what literature exists on

government bureaucratic arrangements for the distribution of grants, and finally the actual ways in which payment can be received by recipients.

In Chapter Five, the available literature on the financing of social spending is examined. A comparison of social security spending between different countries and continents is tabulated, which also contains indicators of the number of people living in extreme poverty in those same countries. The affordability of a universal BIG in South Africa is considered, as are the available tax sources that can be used to finance social spending. The emergent discussion of the beneficial impact of social protection on economic growth is outlined at the end of this chapter, which is followed by specific recommendations for future research required in this area.

Chapter Six explores the developmental impact of social protection payments in more detail. The chapter explores the question of whether this theory that social protection can have a positive impact on economic growth is valid, and then considers the ways in which social protection is able to promote the development of human capital. The third section in Chapter Six considers whether social protection has a positive or negative impact on labour markets, and finally section four addresses some arguments on opportunity costs that have been raised against comprehensive social protection spending.

Following the Conclusion in Chapter Seven, we set out for the BIG Coalition areas for further research - either as a result of gaps in current research, or to test further assumptions arising out of the current research.

The emphasis in this review is on developing countries due to concerns of the lack of comparability between developing countries and developed countries. Where appropriate, reference is made in the Chapters to the situation and debates that exist in South Africa broadly about the role and potential for

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expansion of social protection and more particularly, about the potential for the introduction of a universal basic Income grant in South Africa.

Key Words:

Basic income; cash transfers; social security; social protection; universal benefits.

Chapter Two. An overview of the development of social protection and its ability to support poverty eradication.

In this Chapter we consider the concept of evolution of social security to social protection, and the conditions under which this evolution occurred. We then describe the emergent discourse on chronic and transient poverty and the necessity for the development of appropriate policy interventions to address both of these through the application of a broad understanding of social protection.

Section One. The development of the right to social provisioning.

The historical twin legs of formal social security as developed in Northern industrialized countries since the end of the nineteenth century are social insurance and social assistance. Social insurance consists of insurance schemes to which both a worker and his or her employer contribute premiums, and these social insurance schemes are premised on the principle of cross-subsidization from healthy, active and younger workers to workers who require assistance (Frye, 2005). The state either directly controls the scheme, or provides a regulatory framework which controls the interests of the contributors. The state may in certain cases also contribute to the fund, either as an underwriter, an employer, or as a social partner. Social assistance on the other hand is non contributory, and is funded through state revenue, raised through various taxes from the tax base of a country. Where funded by a progressive tax, social assistance thus has a redistributive element to it.

There exist both traditional and formal systems of social protection. Unfortunately, due to high levels of urbanization, traditional forms of familial and community support have been deeply eroded, which increasingly often leaves individuals without access to many of the support systems formerly available (Justino, 2003). In addition, many individuals in vulnerable communities face similar shocks which negatively affect their ability to support each other (ibid).

There are differing political economic theories regarding the involvement of the state in providing social security.

Chancellor Bismarck of Germany introduced the first state social insurance scheme in Germany at the end of the nineteenth century. While this laid the foundations for many progressive social security systems, one interpretation of the motivation for this apparently progressive reform is that it was within the context of growing worker's organisation and support for greater political power for the working class, this move sought to dilute the growing power of worker organisations that had begun to organize benefits through workers guilds or trade unions by ascribing this role solely to the state, thus crushing the strength of these organisations (Frye, 2005).

A more conventional current view is that social security must of necessity be regulated by the state to address "market failures" (i.e. the failure of the free market to provide for what are viewed as public goods, such as health care, and income replacement schemes), as well as to provide for failing traditional informal social security nets (Conning and Kevane, 2001). Hickey (2005) however highlights the role of social security systems under externally imposed structural adjustment schemes in Africa in attempting to smooth over the deleterious social impact of these schemes on the citizens of the country. By providing some palliative measures, the rulers were able to dilute popular support for opposition forces who otherwise have mobilized political support on the basis of opposing the adoption and implementation of the World Bank's Structural Adjustment Programmes (ibid). Social spending can thus be critically regarded as an attempt to dilute popular opposition to unpopular state policies.

International organisations such as the International Labour Organisation (ILO) and the International Social Security Association (ISSA) actively support the

strengthening and extension of social security provision as a way of promoting social justice and social solidarity through providing for the needs of those who are marginalized socially and economically from mainstream society, through a redistributive flow of support (Reynaud, 2002). The 1944 ILO Declaration of Philadelphia provided for the extension of social security measures “to provide a basic income to all in need of such protection and comprehensive medical care” (International Labour Conference, 2001). As a result of such pressure, access to social security has been accepted as constituting an international human right through, for instance, Article 22 of the 1948 Universal Declaration of Human Rights and Article 9 of the 1966 International Covenant on Economic, Social and Cultural Rights (ibid).

In addition to the universal rights based arguments in favour of social security, Suplicy (2002) argues that everyone in a country should be entitled to a basic income as a way of sharing in the “wealth of the nation” to which all people and their predecessors have contributed. A concrete example of this division of the wealth of a nation amongst its people is to be found in Alaska. An annual dividend has been paid to all residents by the Alaskan Permanent Fund since 1976. The Fund is made up of proceeds from the exploitation of the country’s natural resources such as oil. Annual payments are calculated as a percentage of the Fund (Suplicy, 2002 a).

A further conceptual argument in favour of state provided assistance and benefits to people living in a country is that such public goods should be decommodified, and the right of access to such goods depends on a person’s right of citizenship (or residence) rather based on prior contributions (Seekings, 2004).

It was initially assumed that the extension of social security from minimal provision to full universal rights would occur as a factor of economic growth and development (Reynaud, 2002). However the erosion of decent work inter

alia as a result of globalization has instead brought with it an increase in income insecurity for many workers (ibid) (Van Ginneken, 2003) (Barrientos, 2002) as countries seek to reduce taxes and employers' contributions to workers benefits in attempts to woo global investors (Taylor, 2001). Increased vulnerability in developing countries is caused not only by this informalisation and casualisation of employment, but has been exacerbated in developing countries by a number of factors, including the feminization of poverty, rural exclusion and the impact of HIV/AIDS (Taylor, 2001).

Section Two. From social security to social protection.

The traditional view of social security was that it was necessary to prevent an erosion of people's standards of living by providing for insurance replacement on the basis of full employment. Thus the incidents that were identified that threatened a constant level of earnings were sickness, maternity, employment injury, invalidity (disability) and death. In addition, assistance for medical care and subsidies for families with children were deemed to be desirable for any social security system in the North (Justino, 2003). Long term assistance for unemployment and poverty was not part of the conception of social security. South Africa's social security system was also premised on this assumption (Natrass and Seekings, 2002). However this narrow notion of social security has since been expanded under theories of social protection.

While social security seeks to protect entrenched rights of people, social protection seeks in addition to promote people's livelihoods and opportunities. A broad definition of social protection includes the provision of social services as well as labour protection and the adoption of favorable labour market policies (Van Ginneken, 2003). Social protection seeks to promote people's advancement, including moves out of poverty, by providing assistance to smooth over adverse shocks to prevent the depletion of resources, and by providing opportunities for people to accumulate their resources and their human capital (Van Ginneken, 2003) (Taylor, 2001) (Justino, 2003).

Comparison between social needs and social protection policies to address those needs in the South versus the North is not that valuable given the very different realities facing these countries (Seekings, 2004). It is clear that there is no “one size fits all” policy framework that should be imposed for the design and development of social protection policies in any given country (Commission for Africa, 2005). To be most effective, an appropriate social protection policy instrument has to take into account the realities of the given society, as well as the aims and aspirations of the country as a whole. Social protection should be integrated into the overall development strategies of a country, and not be implemented as isolated programmes (Justino, 2003). Many economically active people in developing countries are involved in the informal sector; self employed and developing survivalist income streams. It is not possible for millions of such people to contribute to social insurance schemes from their earned income (Barrientos, 2002) (Justino, 2003). This has led to clear obvious decreases in contributions to social insurance schemes in Latin America (ibid).

However, despite this acknowledgement of the need to have tailor made policies, according to Shepherd, Marcus and Barrientos (2004), little attention has been paid to necessary process involved in the selection of appropriate social protection public policy instruments for particular national social protection packages.

Developing countries have particular needs with regard to both economic and social development. Many developing countries have high levels of poverty, formal unemployment and wide income disparities. Many countries also lack sound administrative systems or bureaucracies that are necessary for the collection of revenue and the distribution of benefits (Justino, 2003).

The rapid rate of globalization in international production chains throws up further challenges, both in terms of the movement of people beyond their

national borders, and in regard to the degree of outsourcing of production that occurs to areas that can guarantee the cheapest production (which in turn usually means the existence of fewest costly social protection benefits) which leaves poor workers more vulnerable.

The report of the Taylor Committee (Department of Social Development, 2002) set out at length the particular challenges facing policy makers in South Africa with respect to developing an appropriate comprehensive social protection framework. The report studied the instances and causes of poverty, unemployment and income inequality in South Africa. The Committee recommended the adoption of a Social Protection framework that sought to address income poverty, asset poverty, capabilities poverty, social insurance interventions and the provision for special needs.

Table Two sets out the various components of this framework.

Table Two. Taylor Committee’s recommended comprehensive social protection package and components for South Africa.

	Application	Key components
Income poverty	Universal (a)	Basic Income Grant Child support grant Maintained state Old Age grant
Capability poverty	Universal/ Eligibility criteria (b)	Free and adequate publicly-provided healthcare Free primary and secondary education Free water and sanitation (lifeline) Free electricity (lifeline) Accessible and affordable public transport Access to affordable and adequate housing Access to jobs and skills training
Asset poverty	Universal/ Eligibility criteria (c)	Access to productive and income- generating assets such as land and credit Access to social assets such as community infrastructure
Special needs	Eligibility (d) criteria	Reformed disability grant, foster care grant, child dependence grant
Social insurance	Eligibility (e)	Cover for old age, survivors', disability,

		unemployment, and health needs
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Source: Taylor Report, page 42.

This definition of social protection incorporates the promotional aspect of social policy beyond the more static preventative aims of social security. It moves from the palliative to a developmental aim. Rather than just trying to ensure the bare survival of people, social protection seeks to promote social inclusion and the preservation of human dignity (ILC, 2001).

Section Three. Understanding chronic and transient poverty.

Much attention has recently been brought to bear on the need to address poverty internationally (Commission for Africa, 2005). Specific focus on poverty alleviation and eradication was brought to bear through the United Nations Copenhagen Declaration on Social Development of 1995. This was a precursor to the United Nations Millennium Development Goals in terms of which member countries of the United Nations have committed to halving poverty and the rate of unemployment by 2015 (Commission for Africa, 2005). For policies to be successful in achieving these goals, it is imperative that the true nature of both the symptoms of poverty and its causes is understood.

There is a growing body of writing and research on the nature of poverty internationally which have highlighted the distinctions between chronic and transient poverty and the different interventions required to eradicate both.

Chronic poverty refers to the state of sustained, inter-generational poverty that is caused by a low asset base, while transient poverty occurs when households living above the poverty line fall into poverty as a result of the impact of unexpected happenings that affect the household, such as the death of a bread winner, or a fire, or funeral expenses (“exogenous shocks”) (Coady, 2004).

Assets enable people to produce income. Thus a cow can enable its owner to plough a field and so benefit from the harvest, to collect milk every day and to produce off spring. These benefits can be obtained from the asset on an ongoing basis. When the cow is no longer useful in this way, she can be consumed or sold, and a new cow can be bought. This cycle is known as an income stream. Likewise, if someone has a good education, they are better able to find secure employment. The asset there is their ability to work well and so earn a regular income. This is known as “human capital”.

When vulnerable people who live close to the poverty line experience an exogenous shock, the available methods of dealing with the impact of these shocks invariably threatens the continued ownership or existing assets, or the investment in future assets. For example, the most common way of dealing with, or “smoothing over” the impact of the shock is to sell available productive assets of the household, such as livestock, land or tools used in income productive activities, or by threatening the production of future human asset development by removing children from school in order to provide more labour (World Bank 2005a).

The two forms of poverty require different approaches to assist in its alleviation. Households in chronic poverty require supporting interventions to assist them to move out of poverty, while households that are vulnerable to transient poverty require preventative safety nets that assist in insuring against the impact of asset threatening shocks which could result in them depleting their asset base and falling into poverty (Shepherd, Marcus and Barrientos 2004) (Coady 2004).

From the 1990s, attention shifted thus from safety net interventions, which were seen as paternalistic and short term, to focusing on the protection and promotion of livelihoods and diluting the negative impact of risks to those

livelihoods, as a way to support long term, sustainable poverty eradication (Devereux, and Sabates- Wheeler, 2004).

There is clear evidence through the literature of the need to develop both an asset base for the chronically poor and the need to protect income security for both the chronically and transient poor, and unfortunately this is reduced to and either/ or situation, which fails to address the more complex dynamics inherent in poverty. Chronically poor people lack assets, but are more vulnerable too to the shocks that can push the transient poor into poverty. Growing appreciation of the need for policies to address both needs has informed the development of conditional cash transfers which have emerged mainly in Latin America, that provide a cash transfer linked to conditionalities that seek to strengthen human capital development through demanding enrollment of children in school, adequate nutritional intake of children and/ or regular visits of household members to health care institutions.

Understanding that investing in human development constitutes building up of human capital or human asset development, especially through spending on healthcare, education and nutrition has brought a new dimension to calls for an increase in social spending. Previously social spending was dismissed as being “soft” consumptive spending. Spending on hard assets which could give returns was seen as preferable to soft spending. However the emerging evidence of the developmental potential of social protection and its link to increased productivity has called into question many governments reluctance to expand their social protection policies. It has also called into question the conservative objection that social protection promotes dependency (Hickey, 2005). Hickey identifies that this is important for advocates of expanded social protection politically, since in most countries, finance ministries have more political influence than social sector ministries (ibid).

Finally, with regard to the prospects for the expansion of social protection, much literature points to the importance of political voice. Politically the middle classes carry much sway, and are able to articulate their demands and criticisms of government priorities and policies, while the poor tend to lack access to the ears of politicians and are less organized around their needs (Hickey, 2005) (Van Ginneken, 2003). If the national discourse portrays poverty as being the result of exogenous factors beyond the control of the poor, there will be more support for using state revenue to address the causes and effects of poverty (Pritchett, 2005). This reflects the long standing distinction between the “deserving” and the “non-deserving” poor.

This has led to a number of diverse conclusions. Some authors conclude that this lack of voice should support the roll out of universal social protection schemes, so that the middle class believe that they too are benefiting from the state assistance. Others conclude that as the middle class is always anxious to avoid supporting the “undeserving poor”, they would prefer the introduction of narrowly targeted schemes to prevent “free riders” from benefiting. Ultimately, the choice of universal versus targeted schemes has been shown to be influenced by the political considerations of the prevailing ideologies (Hickey, 2005).

Hickey (2005) also suggests that a useful tactic in terms of gaining political support for programmes to address the needs of the chronically poor is to develop support for these programmes amongst the “middle to upper poor”, i.e. those people who have a stronger political voice than the chronic poor, and are able to appreciate that imminence of poverty poses a sufficient threat to them and to their households which encourages them to use this voice to call for assistance programmes and pro poor expenditure.

Chapter Three. Targeting and conditionalities of social policies and cash transfer systems.

This chapter distinguishes between universal and targeted social policies and considers the efficiencies of both of these approaches in the delivery of cash transfer programmes. The various types of targeting are then set out, and the chapter concludes by considering in detail the lessons to be learnt from the conditional targeted cash transfer systems in Latin America.

Section One. Explanation of terms used.

A pure universal policy includes everyone who falls within a specific groups within a country - such as every resident, every citizen, every person above or below a certain age etc. Everyone who falls into that category is eligible for assistance in terms of the policy, what ever their own resources are. The broadest type of universal cash transfer is captured by the concept of a citizen's income which is also referred to as a basic income grant (ILC, 2001)¹. Targeted schemes on the other hand provide benefits to a selected group of people whose income and or assets fall below a certain threshold level or means test. Conditional schemes impose ongoing conditions to beneficiaries to ensure continued eligibility (ILC, 2001).

Section Two. Universal and targeted social cash transfers.

Universal cash transfer schemes exist in a number of industrialized countries, but the only developing country to have introduced such a scheme is Mauritius (ILC, 2001). The main advantage from the perspective of efficiency is that universal schemes have a far better take up rate by eligible potential

¹ Interestingly, the concept of a citizens' income attracts support from both conservatives and liberals. The former see it as a way of reducing state involvement/ interference in both markets and in people's lives, while the latter see it as a way to address the failings of the market, ensuring a better life for all (Shafarman, 2002).

beneficiaries, and thus have a far greater beneficial impact on achieving policy objectives (Garfinkel, Huang and Naidich, 2002).

The two most prevalent objections to introducing a universal cash benefit are its cost and its impact on the labour market (Van Ginneken, 2003²). Both of these are addressed more fully in chapters Five and Six respectively.

Section Three. Targeted social benefits.

Targeted policies have been criticised on the grounds that they often exclude the most vulnerable groups from accessing benefits, that they are expensive and difficult to administer well, and targeting is seen to reduce social solidarity and support for social protection spending amongst the middle class and elites. However, many policy makers see targeting policies as a sure way to reduce the cost of social security provisioning by preventing the “leakage” of resources to the non-poor and maximizing the distribution of resources to the poorest groups (Shepherd, Marcus and Barrientos, 2004) (Ravallion, 2003) (World Bank 2005) (Suplicy, 2003). Standing (2002) suggests that the effect of reducing the uptake of grants by eligible people as a result of targeting may not always be unanticipated, but may be a deliberate method of reducing public spending.

There are a number of reasons why targeted systems fail those most in need of assistance, including the social stigma that receiving targeted assistance often produces, ignorance of the requirements of eligibility; the fact that application procedures are often complicated and time consuming, and that the wide discretion that often exists in these schemes can open the door for prejudice, corruption and fraud amongst officials (ILC, 2001) (EPRI, 2002).

Shepherd, Marcus and Barrientos (2005) argue that instead of limiting a costing exercise to the input costs of the state, the costs to the very poor who fail to

² These two aspects will be considered in chapters 4 and 5 respectively.

receive benefits as a result of not being able to negotiate the often complex eligibility processes are extremely high and this cost must always be included in any cost evaluation of targeting. The literature reviewed concluded that no work has been done to date on the attitude of the beneficiaries to the existence and the resulting demands of conditional cash transfers.

In practice, once the decision has been taken that a programme should be targeted, the actual setting of the means test threshold is often arbitrary, lending no independent value to the design or planned outcomes of the programme, and once set, requires a large and expensive bureaucracy to enforce (Shafarman, 2002).

In addition, imposing a financial means test can have the perverse effect of encouraging dissaving or contribution to social insurance schemes (ILC, 2001) (Bryan, 2005).

Politically, when social assistance programmes are targeted at the very poor and marginalised, the sustainability of social protection may be threatened as in most cases the poor and very poor have weak political and economic voice and limited power to bring pressure to bear for the survival of assistance schemes, let alone an expansion of the benefit (Pritchett, 2005, Schwarzer and Querion, 2002, Van Ginneken, 2003).

There is a contradiction inherent in targeting certain groups to the exclusion of others within the same household, as this will invariably result in the income being shared amongst all members of the household, especially where it is the only income. Woolard in a SARPN lecture (Gertler and Woolard, 2005) states that for 18% of households that receive the Child Support Grant, this income represents the only income coming into the household. This reality should be openly acknowledged by policy makers when their concerns about dependency

and the lack of dignity of handouts are presented as reasons not to exclude social assistance to people of working age.

Table Three: Benefits and Disadvantages of different types of targeting

Type of targeting	Characteristics	Benefits	Disadvantages
Individual assessment	Means testing, based on income or asset threshold against some target, such as a poverty datum line. Can be an arbitrary threshold based on trying to accommodate anticipated beneficiary numbers within available budget. Also includes proxy means testing that approximates income based on a number of indicators, such as level of education, type of dwelling etc.	Most accurate form of targeting.	Most expensive form of means testing. Needs well functioning administrative capacity. Relies on accurate information. Can be linked to stigmatization of beneficiary. Can exclude the most vulnerable who are not able to negotiate complicated application process. Subject to corruption by officials. Highly technical eligibility requirements obscures people's awareness of whether they meet the requirements. Income means test can discourage poor people from undertaking poorly paid employment, both due to the small differential in income

			<p>received, as well as due to threat that they may lose the benefit from earning other income.</p> <p>Can support dissaving - asset-based tests discourage the accumulation of assets by poor people who fear that they would as a result be disqualified for necessary income related assistance. This undermines poor people's incentive to accumulate assets, leaving poor people with no income stream or insurance against risk.</p>
	<p>Self selection. Through the design of the scheme you ensure only the poor access the benefits, e.g. through unattractive benefits (low transfers, poor food parcels), unattractive conditions (such as</p>	<p>Cheaper to administer than a means test.</p>	<p>The benefit has to be extremely low to exclude the non poor from accessing the scheme, or the conditions attached onerous, such as public works schemes.</p> <p>Costs have to be higher than benefits for non-poor, thus many participants still fall below the poverty line.</p> <p>Not very developmental.</p> <p>Short term nature of many public works schemes reduce</p>

	workfare conditions or long queues to access benefits).		the ability of the intervention to enable people to permanently move out of poverty. Public works also found to have high non-transfer costs, including the cost of foregone income which can represent between 25% to 50% of public works programme wage
Indicator targeting	Using predictable indicators for poverty, such as age category (young and old), geographical area where levels of poverty are high.		
Community targeting	Committees or appointed agents in a community will identify the most vulnerable to access benefits.	People in communities should be more aware of the conditions under which people live. It is cheaper than trying to access information through the national government. Quality of statistical information on	Enforces community power dynamics of marginalization - which is why the poor fell through informal social safety nets to begin with. Can undermine community cohesion, especially in areas of high poverty. Possibility that selection will not be pro-poor. Promotes rent seeking

		<p>household income levels poor in many developing countries. Good for community level benefits, such as the community identifying that it requires a community hall rather than a clinic.</p>	<p>political entrepreneurs and capture by political elites. Entrenches power dynamics when community agents required to enforce compliance with conditionalities. Can be seen as an attempt to politically co-opt community leaders. Can impose high opportunity costs for leaders where community leaders are appointed agents. Little way for external monitoring or verification.</p>
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Progressive targeting is when the greatest portion of the available benefit paid goes to the poor and is regressive when this does not occur. In a survey undertaken of 253 different targeting methods found in 122 targeted programmes in 48 countries, it was found that on median, the programmes were progressive in targeting the poorest. However when the results were disaggregated, it was found that of the 122 programmes, a worrying 25% were found to be regressive (World Bank, 2005) (Coady, Grosh and Hoddinott, 2003).

Of the targeted schemes evaluated (which included conditional cash transfers), the most progressive schemes included those based on individual means testing, geographic selection and self selection with a component of work requirement. Schemes that were successful overall, but with a fair degree of variance included proxy means tested schemes, and community targeting, while schemes that had overall regressive results included those that used self

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selection based on consumption (such as food parcels), demographic targeting to the elderly and community bidding (Coady et al, 2003).

Targeting was found to be more successful in countries that had a greater degree of democratization, as the marginalized could raise their exclusion within accessible structures (Coady et al, 2003). Targeting is also seen as being more successful in countries that have high levels of income inequality (World Bank 2005) and good administrative institutions (Coady et al, 2003).

Those most frequently excluded from targeted schemes usually are already the most marginalized, such as women and agricultural workers (Schwarzer and Querino, 2001).

Finally, targeting must take into account the realities of people's existence, thus in areas of high illiteracy, a complicated application form will act as an obstacle to people who need the assistance and who are eligible for it, successfully being able to apply for it (Coady, Grosh and Hoddinott, 2003).

Conservative groups (both within governments and within society more broadly) however often believe that distributing cash to poor households will result in the poor wasting and squandering the money, beyond the control of the state (Gertler and Woolard, 2005). This view has its origins in the still pervasive Victorian belief in the "undeserving poor", which is informed by the view that if people are living in poverty then it must be due to some flaw or laziness of their own (Britto, 2005). This is consistent with the paternalistic belief that if given grants, poor people would squander the money on drink and drugs, or "sub-optimal behaviour" than use the additional resources to augment their scant income sources to providing for the priority needs of the households, (De Janvry and Sadoulet, 2004).

Thus prevailing social attitudes are very influential in determining whether a policy should be targeted or universal. According to Hickey (2005), the determining factor depends on whether poverty in a particular country is prepared to be due to the “fault” of the person living in poverty, or to an exogenous factor, such as a natural disaster (Shepherd, Marcus and Barrientos, 2004) (Devereux and Sabates-Wheeler, 2004). The ability of social protection programmes to reach the very poor can thus at times be determined primarily as a function of political expediency (Ravallion 2003).

Britto (2005) states that in Brazil the Minister of Social Development initially emphasized the right to universal protection as a right of citizenship when developing the *Bolsa Familia* policy, but found that public opinion from both the left and the right demanded narrow targeting over universal cover. Universal cover will thus now be achieved progressively through an incremental build up of targeted conditional cash transfers.

Section Four. Conditional transfers

From the perspective of social policy designers, the use of conditionalities in the design of cash transfers seeks to attach a developmental element to cash transfers by ensuring that the cash is used to invest in the human capital of the recipients through improved school attendance, nutritional intake and health care (Britto, 2005)³.

This is seen as a way of addressing both transient poverty through short term poverty alleviation and combating the asset poverty of the chronically poor by investing in human capital development which will also have the potential to increase economic growth through more skilled and more productive workers

³ The educational aspect of the *Bolsa Escola* was introduced as a result of the political elite’s desire to draw them into the economic mainstream as a result of the increased levels of education to address concerns of growing levels of crime (Britto, 2005).

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(Britto, 2004) (Rawlings, 2004) (Mallucio and Flores, 2004) (Schwarzer and Querino, 2002) (Ravallion 2003).

Politically this has appeal for policy makers as it emphasizes co-responsibility for investment in human capital and it can be used to counter the argument that cash transfers represent handouts to the poor (Britto, 2004). According to Drummond (2002), *“where conservative or right wing ideologies prevail, then the only social assistance policies likely to be supported are those which include a self-help or work requirement”*. As a tactic for use by advocates of social assistance in countries with a prevailing conservative tendency, promoting conditional schemes may be the most feasible way of ensuring the adoption of cash transfer schemes, but the longer term limitations of this choice must be understood (Drummond, 2002).

In this vein, Standing (2004) cautions against developing paternalistic social protection policies. Social security and protection must be seen as a right and not as a charitable discretionary handout which can be withdrawn at whim. The test that he provides for paternalism is that a policy is only just *“if it does not impose controls on some groups that are not imposed on the most free group in society”*.

Conservatives also voice concern about the poor receiving “unearned” benefits for fear that this will discourage initiative and promote dependency amongst the recipients. Suplicy (2002) argues that this is a nonsense, as many rich people earn “rentier income” whether through interest or dividends on investments or rental from property, without doing any work for the rewards, or use inherited assets to produce income without any direct labour or intervention of their own. No direction is given to middle class or elites about how to spend their money nor are they required to attend a set number of educational workshops on how to raise their children. According to Standing’s

test (above), these conditionalities attached to cash transfers must then be inherently paternalistic.

The assumption that poor people need to be told how best to spend their money is a dangerous one, and more work should be spent in exposing the paternalistic undertones of such policies. In a recent Zambian pilot of an unconditional, targeted cash transfer scheme, the inverse of this assumption was put to the test, articulated as follows:

“Poor people are not stupid or irresponsible. They know best how precarious their situation is and what they need most in order to survive”.

According to the evaluation report of the Zambian project, the inverse of the paternalistic assumption proved to be correct. The cash transfers were used to buy necessities, and small amounts were saved and used to buy or update agricultural assets (Schubert, 2004). Importantly, that school attendance for children in these households also increased although there was no specific education- related condition attached. Households now had money for fees, transport where applicable, and decent clothes for the scholars to wear to school(ibid).

None of the literature reviewed suggested that poor people would not use the extra income beneficially in the absence of specific targets. Britto (2005), in an article assessing the effectiveness of the Brazilian conditional grants makes the obvious point that it is not possible to make assumptions about how poor beneficiaries would use transfers in the absence of the attached conditionalities. Work in South Africa by EPRI among others has analyzed quantitative surveys to identify how poor people spend their existing income. Most income in poor households is spent on food and transport. In the absence of controlled qualitative research projects, this type of analysis appears to be the best available information to inform social policy design, rather than basing the design on non articulated paternalistic and moralistic concerns.

Section Five. Combining targeting and conditionalities..

Social cash transfers can be both targeted at certain groups of people through targeting, and simultaneously impose conditions on beneficiaries who must comply with certain requirements through the attachment of certain resolute conditions (usually to improve school attendance, nutrition). As mentioned above, the attachment of conditions to social cash transfers is seen as being a way to transform pure cash transfers into human capital subsidies (Caldes and Maluccion, 2004) (Britto, 2005).

Due to the costs involved with the administration of the conditional programmes (such as educational workshops on health and nutrition) and the costs of ongoing assessment of compliance with the conditions, targeted conditional cash transfer programmes is far more costly than universal provisioning would be per unit of cash received by the recipient (Britto, 2005). In addition it is important to quantify the cost of compliance from the perspective of the beneficiary household both in terms of actual cash outlaid for, for instance, travel to a health workshop, and in terms of time spent on these activities which could instead have been used on some income generating activity (Caldes and Maluccio, 2004). According to Caldes and Maluccio (Ibid) about 40 % of the total budget allocated for the *Red de Proteccion Social* (the Nicaraguan targeted cash transfer) is spent on the targeting and conditionalities of the grant, rather than as money received into poor households. This is very costly, considering that according to the World Bank (2005a), administration costs in excess of between 10 and 15% of the total cost of the programme indicate inefficiency of a programme. A further World Bank social policy measure is that between 60% and 80% of programme benefits should reach the poorest 40% of the population (ibid).

Section Six. An examination of Conditional Cash Transfers in Latin America.

There is a wide variance on the role and benefits of conditional cash transfers amongst development and policy commentators. The introduction of such schemes in Latin America has been hailed by some (such as Nancy Birdsall, the President of the Centre for Global Development) as a silver bullet for development (De Janvry and Sadoulet, 2004), while at the same time many emphasize it is not a magic bullet for poverty eradication, but can be one of a number of interventions to achieve this end (Rawlings, 2004).

Conditions most frequently attached to conditional cash transfers are linked to health, nutrition and education interventions and programmes.

One of the justifications for the introduction of conditional cash transfers programmes is that by adding in conditionalities pertaining to education and health, one is able to negotiate national budget tensions between the departments of social development, health and education (Britto, 2005). According to Coady (2004), evaluations of these programmes show very beneficial results, with over 70 % of the transfers going to the poorest 40% of people in the country.

Targeting women as recipients of the cash transfers is a principle of many of the schemes, on the assumption that women tend to direct more of the income to the household in general rather than on themselves (Maluccio and Flores, 2004). In many societies women direct a significant portion of their productive time and energy towards non-remunerated domestic tasks, including housework and caring work. Cash transfers for many women may form the only source of economic independence, no matter how small the amount is. Rawlings (2004) notes however that this practice has attracted quite a lot of criticism in the evaluation of schemes as it is seen as a divisive practice in communities that adhere to far more collective and consensus style of social interactions.

Targeting education as a condition could be an effective way of ensuring that the education of poor girl children is not compromised as a result of poverty or exogenous shocks.

The following Latin American and Caribbean countries all have introduced some form of conditional cash transfers: Mexico, Columbia, Honduras, Jamaica, Nicaragua, Bolivia, Ecuador and Chile (Rawlings, 2004). From a study of these programmes, the value of the cash transfer ranges, but is generally quite small. The PROGRESA on average represents one third of household income to those households that receive it, the Nicaraguan Red scheme 125 of household income, and the Honduras Conditional Cash Transfer, 4% of household income (Gertler and Boyce, 2001) (Gertler and Woolard, 2005). The Mexican PROGRESA and Jamaican PATH programmes both represent 0.32% of GDP, while the Colombian scheme represents 0.12% of GDP (Reynaud, 2002).

PROGRESA - MEXICO

The PROGRESA was introduced in 1997 amongst poor rural families. In 2002 this was increased to include urban households, and renamed the OPURTUNIDADES (Britto, 2005) (Gertler and Boyce, 2001). Between 1997 and 2000, 2.6 million families had been enrolled in rural areas. Participation in the programme is initially for three years but can be extended afterwards (Britto, 2005). By 2002, the PROGRESA had been extended to more than 4 million families, which represents 20% of the population and three quarters of all poor families (Reynaud, 2002). An additional 2 million urban households were added between 2001 and 2003, amounting to annual costs of \$US 2.5 billion (Gertler and Woolard, 2005).

The grant is both targeted and conditional. There are three tiers of targeting, namely geographical, household income compared to a national poverty line, and this selection is then approved of by the local community (Britto, 2005) (De

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Leon and Parker, 1999). The cash is paid only to women in the household. There are different components to the transfer, and eligible households can receive up to \$US 70 per month, although the average receipt is \$US 25 per household per month (De Leon and Parker, 1999). This average receipt is equal to one third of the average household income of participating households. Seventy percent of the additional income has been found to have been spent on buying more and better food (Gertler and Woolard, 2005).

The costs of targeting and conditionality of the PROGRESA are high. 8.2 of every 100 pesos provided to the scheme is spent on administrative or programmatic costs. Of this, 30 % is used to pay for the targeting aspects of the programme, and 26% in monitoring and enforcing compliance with the conditional elements of the programme (IFPRI, 2002) (Shepherd, Marcus and Barrientos, 2004). It is important to note that the full cost: benefit ratio rises by 27% when the additional costs to the household of compliance with the conditions is added (IFPRI, 2002).

The PROGRESA has been subjected to much rigorous analysis which has shown it to be a very effective programme (Coady, 2004). This is however not uncontested. De Janvry and Sadoulet (2004) question the effectiveness of the education conditionality to the PROGRESA, as according to them there was already a 97% school enrollment. However, De Janvry and Sadoulet's criteria for effectiveness do not concern the ability of the transfer to alleviate poverty, but rather is focused on the *raison d'état* of the conditionalities and compliance with them.

RED DE PROTECCION SOCIAL - NICARAGUA

A three year pilot project of this conditional cash transfer scheme which is based on the Mexican PROGRESA was introduced in 2000 (Caldes and Maluccio, 2004). Its targeting is done both according to municipality capacity to administer the scheme, and through a household poverty assessment process

(Maluccio and Flores, 2004). The programme has two main components, namely food security (Bono alimentario) and school attendance (bono escolar). There is also an annual payment towards the cost of school books and uniforms. The conditions for receipt of the Bono alimentario is the attendance of health workshops by the recipient households and a mandatory set number of visits to health clinics by the children living in these households (Caldes and Maluccio, 2004). It is important to note that poor households that do not have school going children can qualify for the bono alimentario on its own. The values of the transfers are as follows:

Table Four. Value of Transfers under the Nicaraguan *Red de Proteccion Social* in US Dollars per annum.

Type of Transfer	Bono alimentario (food security)	Bono escolar (school attendance)	Mochilar escolar (annual provision per school going child.)
Amount in US dollars per annum per household	\$224	\$112	\$21

(Maluccio and Flores, 2004).

Payment of the cash transfer is made bimonthly (Caldes and Maluccio, 2004). In assessing the programme, Maluccio and Flores (2004) admit that the costs of targeting and implementing/ complying with the conditionalities increases the costs of the programme⁴ both to the state and to participants in the programme, but question whether the removal of these would not reduce the effectiveness of the programme in terms of its social achievements.

THE BOLSA FAMILIA - BRAZIL.

⁴Caldes and Maluccio (2004) estimate that the costs of targeting and conditionalities for the Red amount to 40% of the total programme costs.

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Brazil has a number of income transfers aimed at addressing a range of social ills that are administered variously by national government, federal governments and local municipalities (Suplicy, 2004). Under President Lula da Silva there has been concerted effort to consolidate the effect of income transfers (ibid). These disparate programmes are small, and have had a number of very different goals.

This began as a targeted conditional cash transfer aimed at keeping children in school by providing a cash transfer to substitute for income earned by child labour (the *Bolsa Escola*). This was introduced progressively in the late 1990's, and in 2003 was extended by the addition of the *Bolsa Familia*, a cash transfer to the family to improve household consumption (Britto, 2005). On evaluation it has been found that these schemes have ensured an increase in school evaluation, a reduction in child labour and an increase in the physical size of children in participating households (Britto, 2005).

This payment is also only paid to women. The *Bolsa Escola* component of the *Bolsa Familia* amounts to \$US 15 per month, which is half the Brazilian minimum wage (Britto, 2005).

In 2004, President Lula da Silver signed a law to incrementally, through these different schemes, introduce a universal basic income grant - the *renda basica* (Seekings, 2004).

Targeting is left to each municipality to decide on. The unguided discretion in this process has drawn much criticism, and is a clear danger of highly decentralized processes. The monitoring of compliance with conditionalities is delegated to a community council (ibid).

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According to Coady (2004), evaluations of conditional cash transfers programmes show very beneficial results, with over 70 % of the transfers going to the poorest 40% of people in the country.

Despite this optimism, other literature reviewed suggests that there is a clear need to explore these programmes and their assumptions far more deeply, given the high administrations costs involved, as well as the disturbing paternalistic assumptions underlying the policies and their effects on beneficiaries, and the large scope for corruption that the exercise of discretion on behalf of the administrators of such schemes, creates.

Universal schemes have fallen out of favour internationally with the demise of the concept of the welfare state and the rise of the concept of market driven, small state provisioning.

Targeting is often popular with political elites and the middle classes, but can have perverse costs for beneficiaries and unintended consequences, including the exclusion of the most vulnerable, and the erosion of the concept of social solidarity.

Latin America has recently seen a blossoming of Conditional Cash Transfers which provide cash relief to beneficiaries and at the same time seek to address paternalistic concerns about handing out money to poor people. Costs of compliance with the conditionalities need to be further quantified and researched.

South Africa currently has a slew of targeted cash transfers. In order to address concerns about targeting and the exclusion of needy people from the targeted coverage, case studies could be collected to document the effects of exclusion. Further work could also be done into how conditionalities could be

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progressively developed as points of access or entry into other social policies, such as free education or health care, or access to anti-retroviral treatment.

Chapter Four: Administrative payment systems.

This chapter seeks to explore international lessons in effective administrative systems for the administration and payment of cash transfers. There is unfortunately very little literature that refers to administration of transfers and specifically, to administration costs (Coady, Grosh and Hoddinott, 2003). This chapter will consider in general the relative costs and efficiencies of cash transfers as opposed to benefits in kind, and appropriate government arrangements for transfer administration and payment.

Section One. Cash Versus In- Kind Benefits

An alternative to payment of benefits in cash is to make available benefits in kind to beneficiaries, such as food parcels or food vouchers/ stamps that are redeemable at certain shops. Rawlings (2004) states that in Mexico it has been found that cash payments are more direct and far less costly in administering than benefits in kind. This is confirmed by Britto (2005).

A pilot study was done in Mexico to compare the benefits of a cash transfer system over food parcels. The study found that food had no benefits over cash, and was more expensive to administer (Gertler and Woolard, 2005). Cash transfers enable recipients to make choices on how to spend the money according to their needs and demands, what to save etc (Shepherd, Marcus and Barrientos, 2004). This is surely the best targeting of poverty alleviation spending.

From the findings of a pilot of a targeted cash transfer programme in Zambia, the following should be noted regarding the preference of targeted beneficiaries for cash benefits rather than benefits in kind.

“(T)he critically poor households pleaded for transfers in cash, which they can use flexibly according to their own priorities. Research further revealed that the administrative and logistical costs of cash transfers would be substantively lower compared to transfers in kind. Considering also that additional purchasing power of poor households would result in economic multiplier effects for the local economy, it was concluded that social cash transfers would be the most effective tool to reduce the suffering and to ensure the survival of the most needy and incapacitated households”.

(Schubert, 2004).

A similar idea to that of a cash transfer is the idea of a negative income tax. This has had some support in the United States for a number of years. In 1962 the economist Milton Friedman in his book Capitalism and Freedom argued in favour of cash payments to poor people through a negative income tax as being the most useful form of assistance for poor people, which he set out as follows:

“(I)t is directed specifically at the problem of poverty. It gives help in the form most useful to the individual, namely cash. It is general and could be substituted for the host of special measures now in effect. It makes explicit the cost borne by society. It operates outside the market”. (Quoted in Shafarman, 2002).

The replacement of a cash transfer for education with a benefit in kind in Brazil attracted widespread criticism (Suplicy, 2003). As a result, in 2001, President Lula announced that all social assistance benefits would in future be paid in cash, through a magnetic card. The motivation for this was that *“each family would then choose how to spend the money and this would stimulate the local commercial and economic activities, which could otherwise stagnate by virtue of just any phenomenon”.*

Section Two. An overview of state institutions for the administration of cash transfer schemes.

According to the General Report tabled at the 2002 Conference on the ISSA Initiative, where within a state bureaucracy, social protection programmes are located can determine their success (Drummond, 2002). Political support is essential.

Shepherd, Marcus and Barrientos (2005) caution against the prescription of an international norm for the administration and distribution of cash transfers and their programmes, noting that each country has very diverse realities and state institutions. They do note however that Social Welfare Ministries internationally have comparatively weaker political influence than other ministries and for this reason they advocate that it is critical that social protection programmes have the support of leading politicians.

Funding should be mainly provided from national budgets to ensure parity amongst provinces or local governments which may have very different revenue or tax bases (Van Ginneken, 2003).

The PROGRESA is administered under the auspices of the national Minister of Social Development in Mexico (Britto, 2005). Both Mexico and Brazil have incorporated these programmes under existing line ministries. Certain other countries in Latin America have situated Conditional Cash Transfer programmes high up in the Office of the Executive (Britto, 2005).

Administration may however be broken down into a number of components. In Nicaragua the *Red De Proteccion Social* is administered nationally, but the targeting and compliance with conditionalities is administered at a municipal level through committees that comprise of delegates from the health and education ministries, *Red* Agency employees and civil society representatives.

In Brazil, different income programmes are administered at all three levels of government (federal, state and municipal) (Suplicy, 2002). The municipality is responsible for designing and implementing the programme⁵, which is then directly paid by the federal government to the recipient through a magnetic card. There has been a suggestion that all these funds should be unified into one, with an accompanying Unified Register for all Social Programmes (Suplicy, 2003).

In South Africa, the political responsibility for payment of social grants has been located within the national Department of Social Development, while the responsibility for the administration of grants was a function of provincial governments. In the past this meant that there was no mechanism for the enforcement of the adoption of national norms and standards regarding the administration of grants. As a result of an executive decision however, with effect from 1 April 2006, the administration of social grants will be located to a newly established National Social Security Agency which will account directly to the national Minister of Social Development.

There has been no clear call in South Africa to date for the involvement of local government in the actual distribution of grants. There is great scope to consider positive interplay between local government indigence assessments and social assistance schemes, but this has not been addressed by any formal policy intervention to date, nor has it been picked up by civil society activists.

Payment of social grants is either made through recipients' bank accounts, or through the Post Office, or recipients collect their grants at physical pay points. Historically few of the majority of poor people in South Africa had access to bank accounts. In 2005 however as part of a national policy intervention to extend access to affordable banking to all South Africans, a uniform basic bank

⁵ By 2002, 5 536 out of 5 561 municipalities were either implementing a programme, or had completed the design for one (Suplicy, 2002a).

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account was introduced by all banks (the Mzansi account), which should make it easier for recipients to access grant payments through bank accounts.

Section Three. Payment systems of cash transfers.

The PROGRESA is paid to recipients through private banks or the Post Office (Britto, 2005).

In Brazil, payments are made into bank accounts of female caregivers by the state owned Federal Bank (Suplicy, 2003). Care givers can access the money through magnetic cards either at any ATM, or it can be used at supermarkets (Suplicy, 2002a). The idea is to ultimately introduce a “citizen’s card” which will combine payments for all the different income programmes.

In the Zambian pilot study, payments were made to recipients through bank accounts at the Finance Bank where people live within 15 km of a branch, and for people in outlying areas, through pay points. The first has proved to be far more successful and less onerous for people close to banks than the latter (Schubert, 2004).

Van Ginneken (2003) notes that South Africa has developed an innovative automotive ATM like machine for grant disbursements.

There is little existing literature on the question of administration systems. Over time this will no doubt be remedied, and it would be worthwhile to monitor any reviews of the developing Brazilian system with its complex mix of tiers of government providers.

In terms of revenue for social policies, it is clear that with regard to South Africa, financing of systems could not be a local government function given the very diverse revenue bases within the different local government areas.

Chapter Five – Financing Aspects

This chapter both examines the percentage of GDP expenditure diverse governments spend on social security, and reviews the emerging debates on the positive correlation between higher expenditure on social security and increased levels of economic growth and development, as articulated inter alia, by international organisations such as the ILO, and international financial institutions such as the World Bank.

Section One. International overview of levels of Social Expenditure

As an initial caution, Coady, Grosh and Hoddinott (2003) warn that comparison of inter country social expenditure is not a very rewarding process, given that programmes and definitions differ very broadly, with the result that it is never absolutely certain that one is comparing like with like.

The following table represents the most recent figures readily available. They are useful to provide comparisons on spending, but as the ILO figures are only available up to 1996, the table has limited value for recent analysis and trends.

Table Five. Social security spending per country and percentage of people living in destitution (under US\$1 per day).

Public Social Security Expenditure

Total social security expenditure (percentage of GDP)
Percentage of
population living below US\$1 per day

Country

1985
1990
1996

All countries (*)

14.5

Africa

4.3

Asia

6.4

Europe

24.8

Latin America and Caribbean

8.8

Northern America

16.6

Oceania

16.1

Africa

Algeria (4)

..
7.6
..
Less than 2

Benin

0.7
1.3
2.2
-

Botswana (3) (6)

4.0
2.5
2.7
n/a

Burundi

..

1.8
2.2
54.6

Cameroon (7)

..

1.7
2.2
17.1

Cape Verde

..

..

5.0
n/a

Central African Republic

..

1.9

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..	66.6
Congo (3)	
..	2.2
	4.2
	-
Egypt (2) (7)	
	4.8
	4.8
	5.4
	3.1
Ethiopia (7)	
	3.4
	3.2
	3.7
	23.0
Ghana	
..	2.2
	3.1
	44.8
Guinea	
..	
..	
..	-
Kenya	
..	2.6
	2.0
	22.8
Madagascar	
	2.2
	1.6
	1.3
	61.0
Mali	
	1.6
	3.1
..	72.3
Mauritania	
..	1.0
	0.8

	25.9
Mauritius	
	3.4
	4.8
	6.0
	n/a
Morocco (2)	
	1.7
	2.4
	3.4
	Less than 2
Mozambique	
..	
..	
	4.7
	37.9
Namibia	
..	
..	
	3.9
	34.9
Niger	
..	
	1.9
..	
	60.6
Nigeria	
..	
	1.0
..	
	70.8
Senegal (4)	
..	
	4.3
..	
	22.3
Seychelles	
..	
..	
	11.6
	n/a
Togo	
	1.2
..	
	2.8
	-

Tunisia	6.0
	7.0
	7.7
	Less than 2
Zambia	0.8
..	2.5
	63.7
Asia	
Azerbaijan	
..	9.5
	8.4
	3.7
Bahrain (2)	
..	3.4
	4.2
	n/a
Bangladesh	
..	
..	
..	36.0
China (2)	
..	5.2
	3.6
	16.6
Cyprus (7)	
	8.0
	8.1
	10.3
	n/a

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India			
..			1.7
			2.6
			35.3
Indonesia			
..			
..			1.7
			7.5
Iran			
..			4.7
			6.1
			Less than 2
Israel			
			15.2
			14.2
			24.1
			-
Japan (2)			
			11.4
			11.3
			14.1
			-
Jordan			
..			6.8
			8.9
			Less than 2
Kazakhstan (1)			
..			
..			13.6
			Less than 2
Korea			
..			4.1
			5.6
			Less than 2
Kuwait			
..			9.4
			9.6
			-
Malaysia			

	2.0
	2.7
	2.9
	Less than 2
Mongolia (3)	
..	
..	
	8.8
	27.0
Myanmar	
..	
..	
	0.7
	n/a
Pakistan	
..	
..	
	1.1
	17.0
Philippines	
..	
..	
	1.7
	15.5
Singapore	
..	
..	
	3.3
	-
Sri Lanka	
..	
..	
	2.5
	4.7
	5.6
Thailand	
..	
	1.5
	1.9
	Less than 2
Turkey (2)	
	3.9
	5.9
	7.1
	4.8

Europe

Albania (2)

..
..

10.9
Less than 2

Austria (2)

24.4
24.2
26.2
-

Belarus

..

15.1
17.4
Less than 2

Belgium (2)

27.5
25.6
27.1
-

Bulgaria

..

16.5
13.2
Less than 2

Croatia

..
..

22.3
Less than 2

Czech Republic

..

16.0
18.8
Less than 2

Denmark

25.9
28.7

	33.0
	-
Estonia (5)	
..	13.1
	17.1
	n/a
Finland	
	23.4
	25.2
	32.3
	-
France (2)	
	27.0
	26.7
	30.1
	-
Germany	
	26.3
	25.5
	29.7
	-
Greece (2)	
	19.5
	19.8
	22.7
	-
Hungary	
..	18.4
	22.3
	Less than 2
Iceland	
	7.3
	15.7
	18.6
	-
Ireland	
	22.9
	19.2
	17.8
	-
Italy (2)	
	21.6
	23.1
	23.7

	-
Latvia	
..	
..	
	19.2
	Less than 2
Lithuania	
..	
..	
	14.7
	Less than 2
Luxembourg (2)	
	24.0
	23.4
	25.2
	n/a
Malta	
	19.0
	13.3
	20.6
	n/a
Moldova	
..	
..	
	15.5
	21.8
Netherlands	
	28.9
	29.7
	26.7
	-
Norway (2)	
	20.0
	27.1
	28.5
	-
Poland	
	17.0
	18.7
	25.1
	Less than 2
Portugal	
	13.2
	14.6
	19.0
	Less than 2

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Romania	
..	
..	
	12.4
	Less than 2
Russian Federation (2)	
..	
..	
	10.4
	Less than 2
Slovakia	
..	
	15.9
	20.9
	Less than 2
Spain	
	18.5
	19.6
	22.0
	-
Sweden	
	31.1
	32.2
	34.7
	-
Switzerland (2)	
	17.4
	20.1
	25.9
	-
Ukraine	
..	
..	
	19.8
	2.9
United Kingdom (2)	
	21.1
	19.6
	22.8
	-

Latin America and Caribbean

Argentina (6)	6.6
	9.8
	12.4
	3.3
Bahamas	5.8
	4.2
..	n/a
Barbados	
..	8.6
	10.0
	n/a
Belize	
..	3.1
	3.5
	n/a
Bolivia	
..	4.2
	7.0
	14.4
Brazil (3)	7.6
	10.8
	12.2
	8.2
Chile	13.5
	16.2
	11.3
	Less than 2
Colombia (2)	4.8
..	6.1
	8.2
Costa Rica	

	7.4
	10.3
	13.0
	2.0
Cuba	
	12.5
	15.2
..	-
Dominica	
	1.4
	2.2
	4.8
	n/a
Dominican Republic (6)	
	2.0
	2.1
	2.5
	Less than 2
Ecuador	
	2.8
	2.1
	2.0
	17.7
El Salvador	
	1.3
	1.9
	3.6
	31.1
Grenada	
..	
	6.9
..	
	n/a
Guatemala	
..	
	2.4
..	
	16.0
Guyana	
..	
	4.5
	5.8
	n/a
Jamaica	
..	

	4.0
	4.5
	Less than 2
Mexico	
	3.4
	2.8
	3.7
	9.9
Nicaragua (3)	
..	
	7.8
	9.1
	45.1
Panama	
	8.0
..	
	11.3
	7.2
Peru	
..	
..	
..	
	18.1
Trinidad and Tobago (2)	
..	
..	
	6.6
	n/a
Uruguay	
..	
	14.2
	22.4
	Less than 2

Notes:

- **Social security** in this table refers to spending on pensions, health care, employment injury, sickness, family, housing and social assistance benefits in cash and in kind, including administrative expenditure.
- The ILO figures are the latest Public Social Security Expenditure.
- The figures on the number of people living below US\$1 per day are from the World Development Report 2006, and represent figures from

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various surveys, from 1995 to 2003.

- n/a means that the WDR did not list that country in its report.
 - means that no figures were given for those countries.

(Note that the figures for Oceania and North American countries were not included in this table, as little of the literature reviewed has included these countries.)

The difference in average expenditure as a percentage of GDP per continent is stark. The global average expenditure is 14.5% of GDP; European countries spend an average of 24.8%, while Africa has an average expenditure of 4.3% of GDP.

The figures of people living in complete destitution (which is the measure for people living below US \$1 per day) in many countries is also alarming, compared to the respective spending on social security. South Africa was unfortunately not included in the ILO table, however, the number of people living below US\$1 per day in South Africa was 10.7 in 2000 (UNDP, 2003).

Many policy analysts are emphatic that basic social protection programmes are affordable in developing countries, even in low income countries (Shepherd, Hulme and Shepherd, 2004) (Devereaux and Sabates-Wheeler, 2004). Once a basic social protection programme has been implemented, it can be progressively scaled up if national economic development follows and leads to an increase in the tax base. Current limitation of revenue sources should not prevent countries from adopting the framework of cash transfer schemes as part of their social protection. To illustrate this, reference can be had to the range in benefits as percentage of income to poor households between the Mexican PROGRESA and the Honduras targeted cash transfer are set out above. Lack of resources should not be used as an excuse for the development of a framework for comprehensive social protection.

While cash transfer programs appear to attract most concern about their sustainability than benefits in kind, it must be remembered that compared to the delivery and administration of other types of assistance such as in kind benefits or public works programmes, cash transfer are cheaper and more efficient to administer (Shepherd, Marcus and Barrientos, 2004). To address concerns about spending on social assistance programmes from becoming unaffordable in the face of adverse economic conditions the base line value of

transfers can be agreed upon according to available revenue, and an index adopted to limit increases to an objective economic index, whether it be GDP growth, inflation etc. (Schwarzer and Querino, 2002)⁶.

Costs of participation for beneficiaries, including the costs of stigmatization of beneficiaries with attendant social effects, would be far lower if cash transfers were universal, rather than targeted or subject to the fulfillment of conditions (Bryan, 2005), and these costs must also be taken into account in evaluating the costs of any specific transfer programme. Affordability always depends on which variables are selected. Revenue requirements are one part of the equation, but so is the question of levels of costly inefficiency a country is prepared to absorb for political or ideological imperatives in attempts to solve problems of inequality and poverty (Bryan, 2005). Efficiency is a cost that must be factored into any cost evaluation.

Section Two. South Africa – how affordable is a universal BIG?

Various pieces of research has been done on the affordability of a basic universal income grant for South Africa has been done (EPRI, 2002a, Taylor Report, 2002, BIG 2004). According to EPRI, the total cost of a universal basic income grant in South Africa in 2000 would have been R52 billion rand per annum⁷, which would have represented 21% of government spending. R24 billion could be reclaimed from high income earners earning over an agreed threshold (acting as an inverse means test), and the remaining R28 billion could be financed through an increase in taxation. According to their work, the average South African personal income tax rate was 26%, while other countries with comparable levels of development have average tax rates of 32%. EPRI (2002a) concludes there is extra capacity for between R33 billion and R51 billion which could be made available for increased government spending,

⁶ According to Schwarzer and Querino (2002), Brazil passed a legislative amendment in 2000 which indexed social security spending to GDP growth.

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which would make a universal income grant of R100 per month per person in South Africa affordable on their calculations.

The Taylor Committee found that the cost of a universal social protection system was affordable in South Africa without any need to adjust the macro-economic principles. The BIG Coalition (2004) commissioned four independent economists in South Africa to investigate whether a universal BIG was feasible and affordable. All four found that it was, using different mixes of tax sources for each of the modeled affordability studies.

According to Thurlow (2002), a BIG would be feasible from a macro-economic perspective in South Africa. In fact he suggests that the real debate should be the make up of the financing source - i.e. identifying the various component mix of income tax, VAT, budget deficit increase and reduction in government expenditure that would make a universal BIG politically feasible.

Professor Pieter le Roux has done a costing of a VAT funded BIG, which he believes is the most feasible and affordable. VAT is a flat tax, unlike income tax which is a progressive tax, taxing the wealthier progressively higher rates than lower income earners. For many the idea of using a flat rated tax to fund a universal benefit that is meant to benefit the poor proportionally more appears to undermine its very goal.

Section Three. Sources of financing of social spending.

As the above debate suggests, the source of financing for any social protection programme is however crucial to its success and sustainability (Ravallion, 2003). Economists may argue that after a period of time, the increased revenue resulting from an increase in economic growth as a result of increased

⁷ The Rand: Dollar exchange rate was 6.7:1 on 21 November 2005.

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social expenditure may pay for itself, it is crucial to have a sustainable source for the initial costs (Ravallion, 2003).

Interestingly, Standing (2004) argues that in general the redistributive nature of taxes has dropped as tax on capital has fallen, but tax on workers and their income, increased.

The use of general taxes as a source of financing for social protection is justified according to the theory of public goods, according to the World Bank (2005a). Programs that alleviate poverty, redistribute income and accordingly promote economic “dynamization” are beneficial to any society as a whole (ibid).

In Latin America and the Caribbean, social assistance programs are financed from 3 sources, namely tax revenues, ring fenced payroll contributions and through a transfer from contributory social insurance funds (Van Ginneken, 2003). In Brazil for instance, social spending is financed through payroll contributions, as well as a tax on gross turnover of businesses and their net profit (Schwarzer and Querino, 2002). Originally Business contribution to social spending was only financed through payroll contributions, but then the state realized that businesses were recovering the value of this contribution by increasing their prices and thus the contribution was effectively being paid by consumers, including poor people. In addition, businesses were reducing their number of employed staff, and reducing wages to attract lower contributions. Hence the state decided to tax both gross turnover and net profit to ensure that the contributions were coming from the business itself (Schwarzer and Querino, 2002).

Any consideration of state financing of social security programmes must be compared against the total state subsidization of benefits enjoyed by the middle classes and elites (Van Ginneken, 2003) (Barrientos, 2002). This

includes underwriting or actual contributions made to social insurance funds, medical aid tax benefits etc⁸. Spending on the social wage should also be interrogated to ascertain what percentage of that is actually directed at the poor. For instance, spending on sewerage will not benefit the poor that have no access to water borne sewerage (Coady, 2004). The value of tax cuts which favour the middle classes and elites must also be factored in to the affordability equation (Naidoo, 2002). According to Standing (2002), the combined tax cuts by the South Africa government to date could have paid for a universal BIG.

Finally, creative ways can be found to finance social protection for poorer countries. According to Van Ginneken (2003), it would cost 2% of global GDP to lift all of the 1.3 billion people currently living in poverty internationally out of poverty. The ILO for instance is advocating the development of a Global Trust Fund to fund a global social net to assist poor countries to pay for the introduction and expansion of social protection schemes.

Section Four. Social Protection Spending And Economic Growth.

There is growing consensus amongst multilateral institutions about the need for developing countries to allocate more of their spending to social protection schemes, in order to alleviate poverty and vulnerability and so foster reliable livelihoods for poor people (Barrientos, Hulme and Shepherd, 2005).

While in the 1980's and 1990's the World Bank advocated that developing countries decrease their social expenditure through Structural Adjustment Programmes (Taylor, 2001), the same institution is now advocating that social protection expenditure should be seen as an investment rather than a cost (Barrientos, Hulme and Shepherd, 2005) (Taylor, 2001) (Maluccio and Flores,

⁸ The medical aid subsidy in 2000 amounted to R2.6 billion for the middle class earners who qualified.

2004) (HSRC, 2004). Well designed social protection programmes can have a positive impact on economic growth. This can be attributed to a number of reasons. High levels of inequality stifle internal demand, limiting accessible markets. In addition, high inequality undermines social cohesion, which discourages productive investment in a country which is essential for real productive growth.

Investing in social spending should not be seen as being in competition or conflict with programmes to stimulate economic growth. Social spending can improve economic growth through improved human capital (Maluccio and Flores, 2004).

This position is informed by the emerging consensus that high levels of poverty and inequality act as a brake on economic development (Shepherd, Marcus and Barrientos, 2004).

The developmental stimulus of social protection spending will be explored fully in Chapter 6.

Future research

More work should be done on the relative costs to poor people of complying with targeting and conditionalities of social assistance schemes. In addition, it would be beneficial to quantify the total benefits to the middle class and elites of state benefits as set out above.

Finally it would be useful to access updated figures on social security spending, subject to the initial caveat with which this chapter began, to see if the trends of social security spending are increasing or decreasing.

Chapter Six: Developmental stimulus of cash transfers into poor communities.

Chapter Six has four sections. The first section considers whether social protection spending can stimulate economic growth, and how. The second section reviews in greater detail imperatives around the development of human capital. The third section considers what impact social spending has on labour market participation, and the final section considers what opportunity costs exist arising from social protection spending.

Section One. Can social protection, and specifically cash transfers, stimulate economic growth?

According to Equity and Development, the World Bank World Development Report 2006, equity is essential for the development of prosperity for any country. Accordingly, policies and institutions that seek to reduce inequality must be seen to contribute to economic growth and development. The reduction of income inequality also increases the positive impact that economic growth has on poverty reduction, both directly through enabling poor people to realize their own potential, and indirectly through supporting higher levels of sustainable development. The Report specifically rejects the assumed dichotomy between policies that promote economic growth and those that seek to support equality, although it does acknowledge that there may be a battle between apparent short term efficiency and equity in this reprioritization as most resources are allocated with reference to short term results, given the political terms of most democratic governments.

This support for the reduction of inequality is informed by the belief that there is a reservoir of untapped potential amongst the poor. Providing opportunities for poor people to realise their opportunities thus means that this potential can be realized, and that society will be able to benefit from this untapped “innovation and investment” (World Bank, 2006). According to the Report,

intergenerational poverty traps are “perpetuated by the elite, and internalized by the marginalized” (World Bank, 2006). Inequality is seen as being an inefficient, waste according to economic imperatives of potential resources that could contribute to economic growth and increased prosperity across society.

While the Report favours reducing inequality, it is clear that the writers are not advocating that this should be done through any scheme that might be seen to tax incentive and innovation (in other words, by increasing income tax). Instead the Report favours a reprioritization of existing government revenue.

Many poor households have access to some form of asset that enables them to generate income, whether this is through use of land, livestock, or the results of their labour through wages. However their poverty, or income vulnerability, often prevents them from using these assets to get the most income out of them. Engaging in high risk activities can mean high returns, but it can also mean that you are worse off and lose everything (Ravallion, 2003). One example is using income to pay for transport to find a job. If you get a job, you will be much better off, but you are often more likely to return without a job and without the money that you have spent on transport. The resultant reluctance to take that risk is a behavioural response to risk and vulnerability and chronic poverty. In economic terms, high risk investments yield high returns. Using assets only in low risk ventures means that people receive low returns, and are not able to break out of this trap of poverty (Barrientos, 2005a) (Shepherd, Marcus and Barrientos, 2004) (Coady, 2004). Another example of this is the decision to invest in education for children within the household rather than use the immediate labour of the children. While an educated child could earn far higher wages ultimately, the return is too far away for many poor households to take the risk.

Poverty leads to greater vulnerability in times of crisis, which invariably leads to poor people reducing their assets in order to cope with the shock. This in turn depletes their available asset base to support their income stream and so poor people fall into deeper poverty (Commission for Africa, 2005) (Schubert, 2004). Emerging from this deeper poverty takes a long time, and can take up to a number of generations (Gertler and Woolard, 2005). Extreme poverty often results in very poor people being slow to respond to poverty eradication programmes that require some kind of contribution or effort, such as credit or savings schemes (Schubert, 2004). In this regards, Schubert (2002) distinguishes between “poor but viable” households which contain people who are able to work where employment is available, and “poor and unviable” households, in which due to levels of poverty or illness, there is a very high dependency ratio between these members of the household and any able bodied person. Interventions need to be tailored to such household realities. What social protection should aim to do is to prevent poverty from being passed from generation to generation by allowing people to fulfill their won potential (Ibid), WDR, 2006). Adequate social protection programs may appear to be expensive in the short term, but in the long term they will become more cost effective and increase growth (WDR, 2006).

Another way that social protection impacts on economic growth involves the question of crime. Crime is often encouraged by poverty and a lack of social cohesion that results from high levels of poverty and inequality. High and persistent levels of crime discourage investment in an economy, acting as a brake on economic growth (Ravallion, 2003). Social protection is a very effective way of reducing social discontent, leading to a more stable environment (Justino, 2003), and should therefore be seen as foundational to tackling anti social behaviour and crimes including gambling, alcohol abuse, drug abuse and domestic violence.

Receipt of regular and guaranteed social protection, including cash transfers, helps to begin to alter these behavioral responses and turn around this form of “under investment” (Shepherd, Marcus and Barrientos, 2004).

Asset poverty (including the inability to exploit assets to their maximum potential) is associated with chronic poverty, while income poverty is associated with transient poverty (Barrientos, 2005a). However it is important to see the interconnectedness between these rather than view these two types of poverty as isolated from each other, as chronic poverty can result from a transient shock and chronically poor people can escape extreme poverty through short term income support (Ravallion, 2003). According to Du Toit (2005) while asset accumulation can assist people to escape from chronic poverty, there may be levels of asset deprivation so severe that it is impossible for people living in these conditions to move out of poverty just through asset accumulation.

Low returns for producers contributes nationally to low levels of economic growth. Regular receipt of social protection reduces the risk of households falling into transient poverty and allows chronically poor households to emerge from poverty by providing an insurance against the household of being totally ruined through a failed venture, thus enabling assets to be used in higher risk ventures (Barrientos, 2005a). It also enables poor households to improve their asset accumulation by saving a portion of the benefit received for this purpose (Shepherd, Marcus and Barrientos, 2004).

Addressing chronic poverty has the added impact of increasing local demand which acts as a multiplier in expanding local markets and local production, and contributing to social stability which in turn is beneficial for economic growth (Shepherd, Marcus and Barrientos, 2004). This argument resonates too with arguments in favour of establishing reasonable living wages in sectors and

regions on the basis that the benefits of higher wages lifts the economy of the whole community.

According to the findings of a pilot study of a non-conditional cash transfer targeted at vulnerable households in the Kaloma District in Zambia, people used the extra income to buy their necessities, and to invest in seeds, or getting a field ploughed by a neighbour where there was no able bodied person in the household. Livestock were also bought as assets. Those with bank accounts saved small amounts in their bank accounts to assist them to buy larger assets, and the majority of recipients without bank accounts formed traditional savings circles with other recipients in their community, building up both social and capital assets (Schubert, 2002).

High levels of human and other assets contribute to increased levels of economic growth. Economic growth is also essential for sustained social protection programmes. Not all patterns of economic growth are however beneficial to the poor. Social protection helps to direct some of the benefits of economic growth towards the poor (Shepherd, Marcus and Barrientos, 2004).

Social protection impacts on peoples' economic potential in at least two ways, namely by ensuring that people have sufficient nutrition to meet the minimum threshold of food energy intake required for productivity⁹, and secondly by providing people with access to income which can be used to exploit certain economic opportunities, or to enable people to access credit from financial institutions as a result of the security of the regular receipt of income , the absence of which would generally prevent banks from lending to poor people.

Access to adequate nutrition is also imperative for people living with HIV to boost their immune systems which also enables them to remain economically

active. Furthermore, access to adequate nutrition is essential for people who are on anti-retroviral treatment.

Furthermore, the very receipt of cash transfers through bank accounts has ensured access to bank accounts for the first time for millions of poor people. The processing of the transfers ensures that banks in rural areas are viable in turn (Schwarzer and Querino, 2002). Bank accounts also enable people to have access to credit, and provide a link to other government poverty alleviation funds and programmes (Britto, 2005) (Schwarzer and Querino, 2002).

The following points reflect the positive impact that improving household incomes in poor households can have, based on study in Brazil of a certain programme called the Pro Campo (a cash transfer programme to assist farmers negatively affected by changing NAFTA trade agreements on agricultural products)¹⁰.

- Prevention and reduction on levels of poverty.
- Improve access to other government social services.
- Improve the quality of life of people, enabling poor people to benefit from electricity, telephones etc.
- Enable people to improve their assets, such as their houses, agricultural tools and inputs.
- Can reduce rural-urban migration if people living in rural areas have access to a guaranteed income.
- Regional income redistribution.
- Enable poor people to pay trade union membership fees which are in turn an investment in working conditions.

⁹ Under nutrition results in lower aggregate productivity. In addition, malnutrition in children has a detrimental effect on their cognitive development, which has a negative long term effect on their learning and hence future earning potential (Ravallion, 2003).

¹⁰ It would be useful to undertake a study to see how the dynamics between a universal cash transfer and the land redistribution programme in South Africa would play out. Often people who have benefited from land redistribution suffer as a result of lack of access to regular income to enable them to either service or improve the land.

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- Cash transfers make poor people creditworthy. Cash transfer payday can be the wheel in local economies, many of which can be found to be dependent for their survival on these cash injections.

(Schwarzer and Querino, 2002).

Every 1 pesos transferred through the cash transfer resulted in an increase of 1.97 pesos (Sadoulet, De Janvry and Davis, 2001). Between the introduction of the programme in 1994 and an evaluation in 1997, self employment amongst beneficiaries and increased by 67.2% (ibid).

Based on economic modeling done to understand the impact of a universal basic income grant of R100 to every person in South Africa, Thurlow (2002) concluded that a universal BIG would have a positive impact on the economy in three ways:

- Factor productivity (of workers' capacity) would be increased as a result to an increase in the levels of health, education and nutrition.
- The labour supply would be increased as more people could afford to look for work, finance entrepreneurial activities and there could also be an increase in demand for labour as a result of the anticipated increases in productivity due to the increase in human capital investment, breaking the vicious poverty traps that tend to keep people in states of chronic poverty.
- Economic growth would be positively affected as a result of the increase in aggregate local demand as a result of the shift in spending patterns that would result from a redistribution of surplus capital to income to the poor. The poor are more likely to spend their income on locally produced, labour intensive goods than the middle classes or elites.

With regard to the promotion of small and medium enterprises, Standing (2002) asserts that the stimulatory effect that a universal income grant could have in

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South Africa could bolster a far more successful small and medium enterprises (SME) development than any dedicated SME programme to date has managed to do.

As people move out of poverty and into the middle class, the demand for manufacturing goods will increase (Justino, 2003). Policy makers thus need to ensure that trade and industrial policies, as well as labour market policies, are established ahead of the implementation of any successful poverty eradication programme.

In conclusion, according to Devereaux and Sabates-Wheeler (2004), while this positive connection between social protection and poverty reduction and economic growth is accepted in theory, in practice especially in many developing countries, social spending is still seen as a wasteful and unsustainable expenditure spent on the unproductive poor at the expense of some other productive investment expenditure.

It is also imperative that advocates for greater social protection, including a basic income grant, do not find themselves limited by conservative audiences to contestations solely on economic grounds. Thurlow (2002) for instance asserts that his analysis in answer to whether 'South Africa could afford to become Africa's first welfare state?' considers only a macro study of income, and does not consider the ability of a BIG to alleviate poverty, vulnerability or marginalisation. Proponents of social protection should demand that costs of human development and poverty eradication and meeting human rights and Constitutional imperatives must also feature in analysis rather than just economic growth.

The former French Minister of Health, Bernard Kuchner, said at the 2002 ISSA conference that social security is primarily a moral and political issue, and only

secondly, an economic issue (Drummond, 2002). Social protection is a way to address both social equity and economic risks directly through redistributive transfers which assist recipients to smooth over consumptive shocks, and indirectly through the creation of both individual and community assets (Devereaux and Sabates-Wheeler, 2004), but advocates for its extension should not become confused by tactics adopted to persuade more conservative elements.

Section Two. The role of Social Protection in Human Capital Development.

A study done of non-contributory social old age pensions in Brazil and South Africa found that these cash transfers into poor communities had the following impacts: they primarily reduced poverty within the households; they increased investments in human capital; improved intergenerational solidarity; helped poor rural people insure themselves against adverse impact of international agricultural reforms, and encouraged local economic activity (Barrientos, 2005a) (EPRI, 2002) (Justino, 2003). Cash transfers increase levels of human capital through improved nutrition which improves cognitive capacity and physical development in children and which produces better skilled and more productive workers in later life. A study in Colombia found that social interventions aimed at improving health and nutrition in fact increased lifetime earnings by between 2.5 and 8.9 times (EPRI, 2002).

Social grants can also be used to increase household assets and as a regular predictable income, they protect households from vulnerability, thus ensuring minimal asset depletion (Maluccio and Flores, 2004). The health of both children and adults in recipient households is improved, which also reduces the number of days of depleted productivity (Gertler and Boyce, 2001) (EPRI, 2002).

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Developing social assets or capital also increases returns on other social expenditure. In this way, a universal basic income grant can be used as an effective funding platform to which other basic services can be added (Clarke, 2002).

An assessment of the Mexican PROGRESA by Gertler provided the following conclusions:

- The benefits of improved child nutrition were heavily influenced by what stage of the child's life the grant was received; thus starting at school age had far less impact than when the transfers were received into the household of the child from its birth.
- Seventy percent of the PROGRESA was spent on buying food which had a direct correlation with nutrition and productivity.
- Fifteen percent of money received was invested - in livestock, fertilizer and tools for rural dwellers and in micro enterprises and small shops for urban dwellers. This percentage increased over time as people grew used to having a regular supply of income¹¹.

The amount of the grant is important and must be related to desired outcomes. If the only aim of PROGRESA had been to keep children at school, the amount could have been far less. However, it was increased to enable people to use some of the cash productively and to increase food intake (Gertler and Woolard, 2005). There are international indications that people do save part of their cash transfers under different schemes which can provide a way for people to move out of chronic poverty (Ravallion, 2003).

Assessments of the conditional cash transfers programmes in Mexico, Brazil and Nicaragua have shown great success in terms of building human capital. An assessment of the success of Bolsa Escola in Brazil concluded that the increased

¹¹ Income insecurity is one of three main functions that move people into poverty (Barrientos, Hulme and Shepherd, 2005).

school attendance demonstrated that a conditional grant was more developmental than a non conditional cash transfer (Rawlings, 2004). The Nicaraguan RPS found that after only two years of the programme, both the prevalence of underweight and stunted children had significantly reduced (Maluccio and Flores, 2004).

Social security should be seen as both an aim and an instrument - it addresses immediate needs of people living in poverty, but also addresses capability poverty by enabling people to access other basic services (Van Ginneken, 2003).

What is still an unresolved question, is whether the cash transfers under the Latin American conditional cash transfers schemes would have had the same level of impact on health, nutrition and education levels in the absence of the conditions. This is an important question given the high costs that compliance with the conditions demands on the participants. Gertler and Boyce question whether the same effects would have been achieved, and question specifically whether parents would have been as aware of the importance of investing in the needs of their children's health. Further research is required into this, to consider the prioritization in poor households of a regular increase in income; ascertaining whether large scale education campaigns for parents could have a beneficial effect, and finally, unpacking to what extent one of the reasons for the success of the demand side cash transfers in obtaining health and education services is linked to the requirement that the supply side of these services had to be specifically improved to acquire the capacity to host the conditional services.

Section Three. The impact of Social Protection on Labour Market participation.

It is acknowledged that high levels of structural unemployment threaten social stability, which in turn undermines the potential for long term economic

growth (EPRI, 2002). The impact of social protection spending on encouraging or reducing labour market participation is thus critical for its sustainability in developing countries.

Research in South Africa by EPRI (2002) using the October Household Survey of 1997 demonstrates that there is a correlation between higher levels of household income and success in finding employment. More income thus does not serve as a disincentive to work, but as an enabler for people to secure more employment. Social grants may increase employers' demands for labour, improve productivity and lead to higher economic growth (EPRI, 2002 a). Social grants also reduce the need for working people to send remittances to non working friends or family members which in turn allows the working poor to spend more of their earned income on productivity enhancing consumption (ibid). A universal grant would provide higher incentives for workers to take up jobs, especially lower paid jobs as a grant could act as a supplement to increase wages to a living income (Standing, 2002).

If cash transfer values are set at relatively low levels, this will prevent the possibility of a culture of dependency growing up amongst recipients, and will keep the necessary increase in taxation levels to a minimum, which would reduce any risk of undermining the work incentive for tax paying workers (Garfinkel, Huang and Naidich, 2002)¹². Recipients will instead be encouraged and enabled to find additional supplementary sources of income e.g. through employment (Shepherd, Marcus and Barrientos, 2004). Research has shown that increases of income into households encourages migration of members of the household. One of the reasons for this is that people use the resources to travel to try and find work, which can have a positive impact on labour market participation (De Leon and Parker, 1999).

The literature reviewed also found that cash transfers assist poor people to become more productive workers, and also provides the security to enable many poor people to become self-employed (Ravallion, 2003) (EPRI, 2002a). Productivity is enhanced through improved standards of health and education, fuller utilization of workers such as through increased shifts and fewer strikes resulting from greater social cohesion, and generally through reducing political risk (EPRI, 2002).

Poor elderly people in Brazil are able to access a non contributory pension. Rather than discouraging recipients from being economically active, studies have shown that the elderly have a lower rate of unemployment than other Brazilians of working age population, much of the income producing employment is self-employment or self-subsistence activities which secures people's livelihoods (Schwarzer and Querino, 2002).

An assessment of the *Red de Proteccion Social* programme in Nicaragua found that while labour market participation levels were not affected by the introduction of the cash transfer scheme, the total number of hours worked per week reduced slightly (Maluccio and Flores, 2004). People could in other words choose to a greater degree how many hours they wished to spend at work as opposed to other areas of their lives, such as family, relaxation or self employment. This would have beneficial impact on quality of life and family solidarity, as well as encourage employers to create more jobs.

The evaluation of the PROGRESA in Mexico showed that the presence of the cash transfer was correlated with a significant increase in labour market participation amongst men living in households which received the cash transfer. Of special relevance to South Africa is the fact that the age group that showed the greatest increase was young men between 18 and 29, which

¹² The South African BIG which is being called for by civil society and organized labour in South Africa proposes that the amount should be R100.00 per person per month. Although small, it

cohort often has the highest levels of unemployment. Interestingly, the one sector of men whose labour market participation did not increase was men with secondary education - in other words, the increase in jobs produced was for semi and unskilled, rather than skilled, workers (De Leon and Parker, 1999).

The introduction of the *Bolsa Escola* in Brazil had the effect of increasing labour market participation amongst women in the participating households (Standing, 2002).

One of the reasons given for the very successful effect of the PROGRESA on labour market participation is that the transfer is not means tested after the initial targeting of the household. There is thus no disincentive to earn extra income based on a fear of losing access to the cash transfer. Policy designers need to be aware of the danger of creating perverse incentives/ disincentives of various programme designs (De Leon and Parker, 1999). According to a study in the USA on means tested benefits, for every dollar earned through employment, at least and usually more than one dollar of benefits was lost (Bryan, 2005) This clearly acts as a disincentive to participate in the labour market, which in turn threatens people's ability to move out of poverty. However, the conclusion should be not that benefits create dependency, but that means testing does (Garfinkel, Huang and Naidich, 2002).

This is also discernable in studies on the South African means tested old age pension (Barrientos, 2002) where it was found that the threat of losing an entitlement to a pension discourages remunerated employment for old age recipients, although interestingly, the receipt of a pension increased the economic activity of the other members of the household, whose income was not tested (ibid).

would cover basic foodstuffs, and could be pooled amongst households.

Following on from the above, it is clear that for this reason a universal grant such as a basic income grant will not create dependency by acting as a disincentive to work if there is no danger of losing any of the benefit. Where a BIG is funded through an increase in marginal rates of a progressive income tax system however this may have a marginal effect on the incentive to work. This however is the impact of choices of financing, rather than inherent in the adoption of a universal basic income grant (Bryan, 2005).

Finally, in order to harvest the potential for increased labour market participation resulting from cash transfers, it is necessary for governments to adopt policies that promote job creation to absorb the higher levels of productive workers in order to ensure the development of virtuous cycles of sustainable poverty eradication (EPRI, 2002).

Section Four. Inflationary concerns and Opportunity costs.

One of the concerns raised about injecting cash into poor communities through cash transfers is whether it will increase inflation based on increased consumer demand. However the evaluations of the impact of the PROGRESA found that there no inflationary increase was picked up (Britto, 2005). A similar conclusion was drawn by EPRI (2002) about South Africa: having analysed South Africa's productive capacity, EPRI found no evidence to suggest that an increase in income transfers such as through the introduction of a universal basic income grant will have an inflationary impact. This is influenced by the fact that the amounts of the grants were relatively small.

In fact, a universal BIG in South Africa would have the effect of increasing the demand for locally produced goods, which should reduce imports. This in turn would have a positive impact in the balance of payments, and would thus strengthen the value of the rand (Standing, 2002).

According to IFPRI (2002), there is an emergent interrogation of the presumption of the necessity of a trade off between redistribution and economic growth. This line of inquiry is informed by concern that market economies are capable of producing too much risk and inequality which of itself has social costs. Unmitigated, these can negatively impact on economic growth (Ravallion, 2003).

Marginal productivity opportunity costs may result as seen above where social protection is funded through a marginal increase in a progressive income tax scheme. This is a factor that should be taken into account when designing policies, but should not act as a fetter for the adoption of progressive social protection. Instead ways to promote social cohesion and solidarity should be explored to knit the society closer and educate the middle class and the elites about the benefits of marginal redistribution, such as in Sweden (Drummond, 2002).

One opportunity cost is that income will shift from savings of the middle classes and elites to consumption by the poor (EPRI, 2002). While Thurlow (2002) cites this as a ground for concern given that this money will not be available for investment purposes if directed to poor people, EPRI believes that this will almost certainly however increase domestic demand. In order to maximize the impact of this, industrial and labour market policies will have to be designed and implemented to meet the resultant increase in demand.

There are clear ways in which social protection payments can have a positive impact in development both in terms of promoting asset accumulation and retention, as well as increasing workers' productivity. There is also sufficient evidence to suggest that its impact in terms of labour markets is more likely to be positive. In terms of concerns about inflationary concerns regarding a universal income grant, it has been argued that these would be negligible due to the amount in question. While opportunity costs of redirecting monies from

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the middle classes to the poor have been raised as a concern, particularly in regard to the impact on money available for investment, it is clear that there will also be gains to be had by stimulating domestic demand.

Chapter Seven. Conclusion.

There is clear evidence in the literature that cash grants are extremely beneficial, both for addressing the needs of people living in poverty, and for securing people's longer term livelihoods by protecting their accumulation of income producing assets.

There is a growing body of work focused on understanding the nature of poverty, the diverse causes and effects of these, and using this to inform appropriate social policy choices. The field of study is still quite young, but the initial distinctions between chronic and transient poverty hold very important lessons for policy makers.

Despite international commitment to poverty eradication, it is also clear that the allocation of resources within countries to programmes that seek to address poverty, and specifically social protection programmes is highly dependent on political will. Political will and the prevailing ideologies of the middle classes about poverty also inform whether programmes will be universal or targeted. In this regard, it is important to draw attention to the levels of state subsidization of policies and programmes that benefit the non poor, and to quantify these.

The issue of the attachment of conditionalities to cash transfers is contentious, and it is surprising that little of the evaluative literature reviewed considered this.

Unfortunately there is very little literature available on the details of the administration of cash transfers. The majority however seem to be distributed through magnetic cards at ATMs or supermarkets.

Finally, the economic impact of cash transfers appears to be overwhelmingly positive, both as a stimulant to economic growth, and as a direct way of building social capital. The literature on the impact on labour markets also suggest that this is positive, and that the fears that cash transfers will undermine productivity and labour market participation appears to be unfounded.

Arising from this review, we have identified specific areas that we consider the BIG Coalition should consider for future research. However in conclusion we refer a statement by Naidoo (2002), that research and appeals to reason can be ignored, and ultimately social activists need to mobilize support for a BIG.

Areas for future research and advocacy by the BIG Coalition

From the above review, we recommend that the BIG Coalition consider the following areas of research for their research agenda.

Examining the capacity of the South African government to extend social protection to all in South Africa in terms of its Constitutional mandate.

Progressive realization of access to social security in South Africa within the state's available resources. Is there a national plan for the progressive realization of access to social security to everybody in South Africa?

Identifying different dynamics of chronic and transitory poverty and appropriate policy interventions..

Addressing the state's preference for building assets among the poor over the redistribution of income.

Chronic and transient poverty in South Africa. What are the patterns of poverty in South Africa, and how do the current government poverty alleviation policies address the different imperatives.

Means testing.

How many eligible people are currently not accessing social grants in South Africa, and what are the causes for this? What are people's attitudes towards means testing, both beneficiaries and non beneficiaries?

Combating government's reluctance to extend social grants to poor working age adults.

Research into how income is actually shared in households that receive social grants.

Effective grant administration.

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Monitoring and evaluating the implementation of the NSSA from a perspective of whether it increases access to grants by eligible beneficiaries.

The use of social mobilization to advocate for the adoption of a universal basic income grant in South Africa.

A review of the social mobilization strategy of the Basic Income Grant Coalition in South Africa and its impact on communities and on influencing policy development.

Areas for future advocacy.

We recommend that the BIG Coalition explore international campaigns for the extension of social protection, such as the ILO's campaign on extending social protection.

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