

Chapter 2

Analysing the policy context for social transfers

The objective of this chapter is to identify the key elements of a country's institutional and policy context that influence the choice of social transfer instruments, and to analyse the decision-making process. This chapter provides a framework for selecting an appropriate set of social transfer instruments for a country.

Policy priorities

Many developing countries place poverty reduction as a central objective of national socio-economic strategy. The translation of this rhetorical goal into action is the test of political priorities. In assessing policy priority, it is important to understand the objectives of the key role-players, both in government and in civil society. Who are the champions and allies that will push to make social protection a central issue? What are their specific interests and objectives? Is the focus of social protection income poverty or human capital development? Are there particular priority groups? What existing programmes reflect policy priorities? What are the gaps in these programmes?

Understanding the positions of those opposed to social protection can also help comprehend public priorities. Who are the adversaries of social protection? What are their concerns? Does social protection spending compete with their priorities, or are there other factors driving their positions?

Are there non-government allies? What are the risks of involving civil society? Does government have a co-operative or confrontational relationship with civil society? Civil society's role is often that of watchdog, and vigorous advocacy for the poor sometimes creates tension with government. Some civil society organisations interact closely with government, while others take a more adversarial approach. The relationship between government and relevant

Box 2.1: Key constraints

Some of the key constraints of the policy context that must be addressed include:

- Increasing government ownership of social protection initiatives;
- Moving beyond the technical and addressing the political dimensions of pro-poor policy;
- Marshalling more convincing evidence that social protection works.

A Drivers of Change study might not provide the final action plan, but it can identify common ground for policy makers and donors, promote better dialogue, and form the basis for a constructive consensus.

SOURCE: DFID (2006); Barrientos et al. (2005).

civil society groups influences how government addresses the need for social protection.

Governments balance economic and social spending priorities, and we often see this trade-off intensify in times of economic downturn. The more policymakers understand the linkages between crisis impacts on the poor, and social protection and broader development priorities, the greater is their political will to implement effective interventions. The nature of the political arena and the relative power of different groups may influence choices; often pressure from elite groups decidedly influences the choice of instrument.

Mobilising political support therefore remains one of the long standing challenges in building national social protection systems. The global economic downturn provides an impetus for this political resource. In light of the economic downturn, the political costs of inaction are high, and the global policy climate favours social protection responses to the crisis. Ensuring that social protection interventions reflect the national, social, institutional and policy context both reinforces political will and, related, increases the likelihood of programme success. Credible monitoring and evaluation is also important for sustaining this political support.

The organised business community can exert an important influence on policymakers. Business organisations sometimes oppose increased social spending because the higher taxes required to finance the transfers are often borne in large part by their constituencies. Some businesses, however, clearly profit from social transfers in the immediate term, such as food industries, telecommunications, clothing and textiles. Opening the political process to their voices on this issue can help overturn the misperception that social protection is bad for business.

In order to formally assess policy priorities, policy-makers can conduct a “Drivers of Change” study, which aims to illuminate how governments work to achieve their priorities. Social expenditure reviews provide another avenue for understanding how governments allocate resources and who benefits from existing social programmes (These are discussed in Box 2.2).

Aligning a social transfer programme with the political priorities of the country requires fine balancing. Success requires political leadership – visionaries and champions – backed by appropriate interest groups who are able to initiate, institutionalise and sustain the social transfer programme.¹ At the same time, political interference can undermine programmes, particularly

Box 2.2: Social expenditure reviews

“Social expenditure reviews are a key instrument to determine fund allocations intra- and inter-sectorally, showing the administrative costs of social protection, the relative weight as compared to other social expenditures, the distribution of funds among social protection programmes; the benefit incidence and effectiveness in reaching vulnerable and poor populations; and last, but not least, distribution issues – who is paying and who benefits. The matching of the social expenditure review with the country needs assessment will

provide the key to the needed social protection reforms. Social expenditure reviews, in line with the public expenditure reviews developed by governments and aid agencies, particularly ILO and World Bank, will thus be critical in assessing the effectiveness of current allocations to reduce poverty and vulnerability and discussing the options for social protection reform.”

SOURCE: Asian Development Bank (2003), page 36.

around the targeting and registration processes where applicable. Effective public information campaigns can consolidate political support while reducing negative political impacts – especially when the publicity promotes transparency and is provided early in the process. Further, participation by local and institutional actors can provide vital support from the initial design phases.²

Policy responses

The global economic downturn poses renewed challenges to leaders in low- and middle- income countries trying to tackle the imperatives of economic development and pro-poor and inclusive economic growth. This crisis is raising the costs of reforms in countries reliant on exports and international capital for growth. Successful strategies must combine policies more efficiently than ever

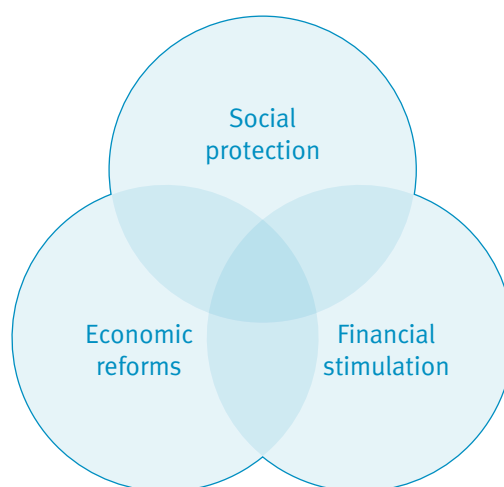


Figure 2.1 Three types of responses

to balance the necessary reforms with initiatives that offset the costs for the most vulnerable.

Social protection instruments – and social transfers in particular – constitute one set of interventions that optimal policy-making would coordinate with other types of responses, particularly economic reforms and fiscal stimulus. The three types of responses have overlapping impacts – many social protection interventions produce pro-poor economic outcomes. Likewise, by increasing purchasing power for groups within society most likely to spend, social protection interventions often provide effective fiscal stimulus. Similarly, economic reforms and fiscal stimulus support social protection objectives, in addition to furthering their own goals. Harmonised fiscal and economic policies better support pro-poor and inclusive economic growth, strengthening the potential of social protection to tackle poverty, risk and vulnerability while promoting developmental outcomes (see Figure 2.1).

Social protection interventions are particularly effective in promoting the necessary social and economic outcomes that constitute an effective response to the economic downturn for several reasons³.

Social protection:

- reduces poverty and vulnerability effectively and efficiently;
- enables households to manage social risk and thereby promotes engagement in labour markets and livelihoods activity;
- builds human capital to break the inter generational transmission of poverty;
- supports consumption by the poor, reinforcing policies aimed at increasing demand to stimulate economic activity;
- provides poor people with a stake in the economy, promoting social cohesion and facilitating pro-poor economic reforms.

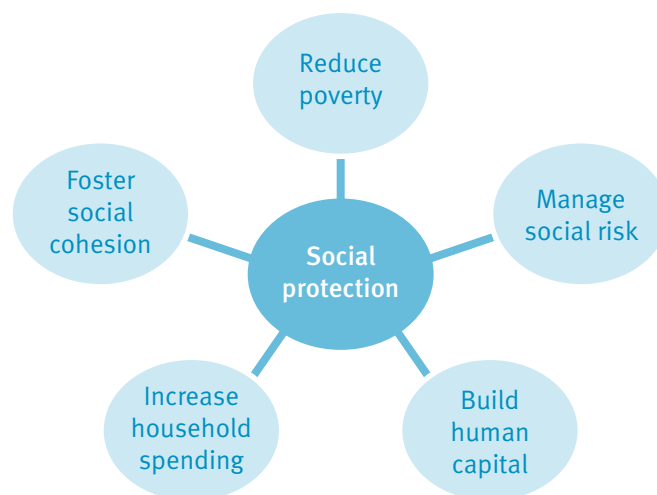


Figure 2.2 Response to economic downturn

The immediate social protection priority in the face of the economic downturn requires a focus on the rapid rollout of interventions, with the aim of protecting consumption and preventing further decline into poverty.

Social transfers within social protection strategies

Countries around the world are increasingly adopting national social protection strategies in order to better coordinate social transfers and other instruments. The goal of a national social protection strategy is to build a comprehensive social protection system that aims to tackle poverty, risk, vulnerability, exclusion and other social problems. This will promote human security and development, and contribute to pro-poor and inclusive economic growth.

Different stakeholders provide varying definitions for social protection, but an emerging consensus defines social protection as “a set of public actions that address poverty, vulnerability and exclusion as well as provide means to cope with life’s major risks throughout the lifecycle” ⁴. An appropriate strategy starts with either a definition or description of social protection relevant to the country’s social and policy context. The diagram below illustrates some of the typical instruments governments and other actors use to provide social protection. Different definitions encompass various collections of these instruments.

A roadmap for a social protection strategy

Over the past several years, an increasing number of countries have undertaken a process of building a national social protection strategy. The aim of the strategy is usually to consolidate approaches to social protection

Public actions	Private actions
Social transfers	Remittances
Social insurance	Private insurance
Minimum standards	Voluntary standards
Access to social services	Access to private services
Other public actions	Other private actions

Figure 2.3 Instruments of social protection

into a unified and comprehensive approach that serves a number of critical objectives, and ensures that different aspects of social protection policy fit together efficiently and effectively. Social protection strategies increase the likelihood of achieving policy objectives and lower the expected cost, relative to more fragmented approaches to implementation. In addition, comprehensive strategies can enlist broader stakeholder support, since many of the benefits result from efficient policies working together, and a strategy communicates a commitment to coordination.

Different countries have adopted varying processes for developing social protection strategies, and consultations with key stakeholders in countries around the world have led to the development of a pro forma roadmap which can be adapted to suit the requirements of a specific country. The following points map out a number of principles – based on global experience with national priorities – for the process of developing a national strategy:

- The national social protection strategy will **build on an evidence base** of what works and can work for the country. This evidence base will include both global lessons of experience and evidence mobilised from the country's national programmes and social protection pilots.
- The social protection analysis that builds on this evidence base will be **both positive (scientific) and normative (values-based)**. As a result, this analysis cannot be purely technical but must reflect appropriate policy perspectives and include the active involvement of key political stakeholders.
- The process of generating evidence and analysing strategic elements requires a **broadly consultative approach** that involves all stakeholders. Understanding the country's existing evidence requires the input of many stakeholders.
- The actual process of building a social protection strategy requires **constructing a synthesis of competing ideas** based on the preceding three activities – marshalling the evidence base, positive and normative analysis and broad consultation. Synthesis requires iterative work; in some countries the cycle of evidence building, analysis, consultation and further synthesis has required two to three years of effort.
- The process can be streamlined with **effective communications** among stakeholders. A wide range of communications media can support the building of the strategy, with regular face-to-face meetings an important element of the process.
- The final stage of constructing a durable social protection strategy involves **building a consensus** on the central elements of the approach. The cross-cutting nature of social protection requires the support of key stakeholders across ministries, development partners and civil society.

Elements of a social protection strategy

Building a national social protection strategy involves national policy development; strengthening relationships within government and between government and other partners; and an ongoing process of policy co-ordination. Social protection incorporates important dynamic elements; with the implication that the social protection strategy involves ongoing activity. Nevertheless, the embodiment of a national social protection strategy is usually a document, and while different countries take various approaches to formulating this document, eight central elements provide a starting point for the components that will constitute a national strategy. The following outlines the components that an eventual social protection strategy document will include. While the elements are listed sequentially, many of the components can be developed in parallel, or with alternative sequences. This set of elements can be further revised as consultation on the social protection strategy develops.

- The first element is a statement summarising the country's **social and policy context** for social protection. This section will describe the country's current situation in terms of poverty, vulnerability and social exclusion, with a quantitative foundation. The section then identifies the high-level policy priorities that social protection will tackle.
- The second element presents a **stock-take and/or mapping of existing social protection interventions** and weighs this against the profiles of poverty, vulnerability and exclusion from the social context section in order to identify gaps. (Existing stock-takes and mappings can provide a basis for this element.) Together with the policy context from the previous section, this identifies priority areas for social protection.
- The third section mobilises **the evidence base of relevant national and international experience**. Informed by the assessment of gaps and priorities in the preceding section, this element distils lessons from the evidence base that are relevant for achieving the social protection strategy's specific objectives.
- The fourth element is the heart of the strategy, and presents **specific proposals and strategic directions for social protection**. Building on the policy aims from the first section, the specific objectives of the second section and the design and implementation lessons from the third section, the fourth element proposes a concrete plan of action. Chapters 6 and 7 of this guide provide some tools for this element of the strategy.
- The fifth integrates the social protection strategy into **the larger development planning strategy**. Specific social protection initiatives cannot succeed without complementary strategies, policies and

interventions that maximise developmental impacts. Cash transfers, for example, tend to increase the demand for education and health services. Co-ordinating social protection's linkages with other sectors reduces the cost of the development strategy and increase its likelihood of success.

- The sixth element proposes the **institutional arrangements** for implementing the strategy. This involves identifying and/or building the mechanisms and institutions for overall social protection policy design and co-ordination, monitoring and evaluation and donor harmonisation. The co-ordination mechanism will involve cross-ministerial responsibilities. Institutional requirements must also specify the mechanisms and structures required for efficient and effective delivery of social protection benefits. Chapter 4 of this guide provides some tools for this element of the strategy.
- The seventh element presents a **financial plan** for the social protection strategy. Concrete recommendations must be costed, and the case must be built for the affordability and sustainability of the strategy. While detailed costings are not likely to be feasible or necessary at the strategy stage, solid fiscal analysis, micro-simulation modelling (ex ante policy analysis) and international benchmarking can provide convincing evidence of the strategy's financial viability. Chapter 11 of this guide provides some tools for this element of the strategy.
- The eighth element describes a **monitoring and evaluation (M&E) strategy for the social protection strategy**. When interventions are implemented by different government ministries, the integration function becomes significantly more important – yet the ability of the co-ordinating institution faces greater challenges. The monitoring and evaluation function can serve as a powerful tool for managing and harmonising diverse initiatives. Chapter 15 of this guide provides some tools for this element of the strategy.

These eight elements constitute the starting point for a comprehensive and actionable social protection strategy for most countries. They are aligned with international best practice, and likely to be consistent with the requirements for most countries.

Action steps towards a national social protection strategy

Work towards a national social protection strategy will require a number of steps.

The first step is to clearly define the objectives and scope of the process. In most cases it is unproductive to undertake an open-ended process of building

an undefined strategy. Serial ownership of the process sometimes further complicates the challenge. Lack of clear government ownership of the process can also create ambiguities. The first step can circumvent these potential hurdles. This first step must answer:

1. Who in government has primary responsibility for the strategy process?
2. How will development partners support this? Often, a donor group or multi-donor task team can play a central role, and a donor compact may be the first step in defining the role of development partners.
3. What is social protection in the country's context?
4. What are the specific objectives of a social protection strategy for the country?
5. What are the specific elements required for a social protection strategy document? This preceding section proposes an eight-element strategy that serves as a starting point for national consultations.

Once the scope of work and relationships of key stakeholders are established, relevant parties can proceed to the second step, the establishment of a task team and project structure. This requires work at three levels: political, governmental and technical. The political work involves legitimising the technical and policy analysis and assuring the strategy's role in the policy process. The governmental level provides the main operational arm building the strategy. The technical level supports the government process of building the strategy and can provide technical assistance, research and support writing the text of the strategy document.

- The political level usually requires at least one champion, at the ministerial level, who can advocate for the role of social protection within national policy and involve other ministers where required.
- The government level requires a representative from each ministry of government central to the strategy process. Development partners are often involved at this level. The representatives serve as either a task team or reference group for the strategy document process.
- The technical level involves national and possibly international technical assistance and is largely responsible for supporting the government level. From international experience, those processes that have built capacity for national technical assistance have created the deepest impact on government policy processes. Excess reliance on international technical assistance risks creating an orphaned strategy.

Once the key role-players in the three levels are identified, the process of building the strategy can begin.

The process of building the strategy itself involves developing the agreed elements, as in the strategy identified above. Depending on the agreed elements, the operational task team – the government and technical level role-players – will undertake activities such as the following:

- To clearly identify the problems of poverty, vulnerability and exclusion that the social protection strategy should address, based on consultation with key stakeholders and informed by an empirical evidence base, and to clearly articulate the strategy's goal in terms of social protection.
- To compile and analyse an evidence base that includes a vulnerability and risk profile and that supports a rational prioritisation of the country's critical social protection needs, based on quantitative evidence. The vulnerability and risk profile will identify the main causes of vulnerability and social risks, and quantify affected populations by age group, geographical area and other relevant criteria.
- To assess the efficiency and coverage of existing social protection programmes and their appropriate long-term roles within a broader social protection strategy. This involves taking stock of existing interventions and identifying other instruments required for a comprehensive approach toward achieving desired social protection goals.
- To broadly engage with the wider context for social protection. This involves defining what social protection can achieve, and how it must fit into a more comprehensive strategy to achieve broader national objectives. For example, the strategy should address the linkages between social protection and economic growth, livelihoods promotion and humanitarian approaches.
- To identify appropriate instruments and coverage. The strategy will integrate a comprehensive set of instruments that over the medium term will constitute an appropriate and adequate social protection strategy for the country, effectively reducing poverty and vulnerability.
- To include a strategy for monitoring and evaluation of the distribution, impacts and cost-effectiveness of interventions, supporting a determination of priorities and economic and social benefits.
- To lay the foundation for establishing a multi-sector mechanism for ensuring the appropriate prioritisation of social protection objectives and the appropriate sequencing and implementation of initiatives, including the establishment of the secretariat to spearhead

Box 2.3: Ghana's LEAP Programme

Through good governance, Ghana has maintained steady economic growth for the past several years and is on track to reach its MDG of halving poverty by 2015. In spite of these impressive gains, it is estimated that 18 percent of the population lives in extreme poverty.

In 2007, the Government of Ghana finalized its National Social Protection Strategy. The stated goal of the strategy is “to help lift the socially excluded and vulnerable from situations of extreme poverty and to build their capacity to claim their rights and entitlements in order to manage their livelihoods” (Government of Ghana 2007). The Livelihoods Empowerment Against Poverty (LEAP) programme is the cornerstone of the social protection strategy. It consists of cash-based conditional and unconditional transfers aimed at benefitting the poorest 20 percent of the population. Of this group, priority is given to orphans and vulnerable children, persons with disabilities and the elderly. The Ministry of Employment and Social Welfare oversees the implementation of the programme under the Social Protection Unit. LEAP is unique in that “instead of providing in-kind benefits, it is one of the first government-financed cash transfer programmes in West Africa that is based on the right to basic social security” (Sultan and

Schrofer 2008). In May 2009, it was estimated that the programme has benefitted 26,200 households in 74 districts. The cash transfer ranges from GHS 8 (US\$6.90) per month for one dependent, to GHS 15 (US\$12.90) for four dependents. Transfers for orphans and vulnerable children are conditional and require school enrollment for children, birth registration, attendance at post-natal clinics, vaccination of children up to the age of 5 and the prohibition of child trafficking or child labour. Ghana's high population growth rate has significantly increased public revenue and debt relief has reduced the fiscal burden on the government.

Despite the adverse effects of the 2008 global financial crisis and Ghana's substantial fiscal deficit, the Government increased funding for social protection in 2009, including a threefold increase in the funding for LEAP. The total cost of LEAP from 2008-2012 amounts to somewhere between 0.1 and 0.2 percent of total government expenditure, rendering the programme very affordable for the Ghanaian government.

SOURCES: Government of Ghana (2007), Sultan and Schrofer (2008).

implementation of the national strategy.

- To assess the resources available for social protection programmes both nationally and from development partners, and to assess how fiscal constraints influence social protection choices.
- To initiate discussions with relevant stakeholders in Government, and particularly Ministry of Finance, with a view to integrate these stakeholders in the strategy development process.
- To outline the requirements and key responsibilities for a national social protection secretariat to undertake the work necessary for preparing the strategy.
- To identify the key responsibilities for a National Social Protection secretariat in terms of policy prioritisation, a comprehensive national

evidence base, social rights protection, monitoring, evaluation and impact assessments.

- To identify and outline capacity building requirements for the national secretariat and, more broadly, requirements for implementing the strategy across government.

Endnotes

- 1 World Bank (2004d), page 10.
- 2 Ayala (2003), page 33.
- 3 See OECD (2009), Davies (2009), Samson (2009).
- 4 UNICEF (2009), page 1.