

Developmental social policies for the poor in South Africa: Exploring options to enhance impacts?

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Abstract

Options to enhance the developmental impact of South Africa's comprehensive suite of social protection policies have attracted considerable research and policy interest. The country's society safety nets appear to be well-targeted at its intended beneficiaries (poor and vulnerable households) as manifested in reduced levels of income poverty among social grant recipients. To date a plethora of mixed results exist on its immediate and short-term impacts on fiscal spending trade-offs and disincentive effects to participate in labour markets. However, in the context of structural poverty the need exists to better understand the potential longer-range developmental spin-offs of targeted social spending. This paper contributes to this expanding body of research with a specific focus on how social grant payment options might be used to enhance the developmental impact of social grants. It constructs a conceptual framework which connects the developmental potential of cash, in-kind and voucher payment options with development interventions targeting smallholder farm production, employment and child development. It brings together evidence on relevant global and local case studies, using a typology derived from the conceptual framework.

Key words: *developmental social policy, poverty, employment, food security, agricultural development*

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1. Introduction

South Africa's publicly funded social safety net consists of multiple conditional cash grants. This social protection network has expanded considerably since 2002, following the addition of a child support grant to the suite of social grants (predominantly the old age pensions and disability grants). Today, the largest numbers of social protection recipients are poor households with children. This growth has been achieved primarily through adjustments in the targeting criteria (means testing and raising the eligibility age for child grant recipients). At the end of 2009/10 fiscal period, there were 13.9 million recipients of grants, receiving more than R80bn from the national budget at an administrative cost in excess of R5bn. By 2013, it is projected that social security benefits will be delivered to 16 million people. Similarly, reforms to the public works and school nutrition programmes, among other forms of social assistance, are to be expanded and set to increase fiscal spending.

There is evidence to show that South Africa's social welfare system targets poor households (often beneficiaries of more than one grant) and this has evidently helped to close the income poverty gap. Moreover, households receiving social grants tend to live in communities eligible for access to other forms of social protection, including grants for public works and to boost agricultural development among resource-poor small farmers. The uptake and impacts of these social safety nets remain unevenly spread across time, space and poor households.

Traditionally, state-funded social protection policies have been and continue to be concerned with two forms of welfare transfers: social assistance and insurance (Skoufias et al. 2009). Social grants form part of social assistance and protection (SA&P) programmes to poor and vulnerable groups in society.³ SA&P programmes are mainly funded through state budgets and therefore constitute the main channel for the redistribution of fiscal resources to the poor. As such, they serve as much-needed welfare handouts of varied duration (Marcus 2007; Farrington & Slater 2006). In any efficient system of social transfers, the benefits to the poor must exceed the programme's costs – typically measured in terms of direct fiscal costs and the extent to which redistributive transfers distort local labour markets, agro-food markets, etc. In other words, societal benefits must exceed societal costs.

Furthermore, the immediate and longer-term returns must exceed whatever society needs to spend to provide social assistance to the needy. This means that even if the SA&P is in the form of a once-off or temporary cash transfer, it ought to lift its beneficiaries out of poverty traps and reduce the chances of them falling back into such traps in future. Limiting the duration of social welfare payouts receives extensive attention in policy debates. At the same time, there is an ongoing search for methods to prolong and localise the developmental impact of social welfare.

³ The meanings of social assistance and protection programmes vary. Social grants refer to government social assistance to qualifying beneficiaries, usually in the form of cash transfers. The current paper aims to reflect on the link between social grants, LED and employment and food security outcomes. Social welfare appears to be connected to a much broader range of services to the poor – including public schooling, health provision, housing etc. See the first section for an in-depth review of these conceptual distinctions. Farrington and Slater (2006) explain the meaning, benefits and drawbacks of SA&P programmes in developing countries. See also Marcus 2007.

The argument in this paper is developed over 3 sections: the next section argues the case for developmental social policy and builds a conceptual framework to think through concrete options to package social transfer instruments to achieve a range of development outcomes. Before applying this framework to a systematic analysis of South African evidence, in section 2 the paper synthesizes insights from popular social policies in other developing countries aimed at job creation, enhanced food security and smallholder agricultural development. The conclusion highlights overarching lessons to inform an agenda for future evidence-based research in support of developmental social policy.

2. Conceptual overview: Development Social Policy

When goods and services are supplied through markets, institutional arrangements or the ‘rules that govern exchange’ must be clear to prevent markets from malfunctioning. Similar regulatory rules exist for social transfers – i.e., the supply of goods and services with the aid of the public sector. However, the intensity of the regulation tends to vary with the delivery modes of social goods and services. Two extreme routes to supply social services exist: direct provisioning by the state (publicly owned firms) or cash transfers. Maximum or strict levels of regulation exist in cases where the public sector owns services and is the sole supplier of those services. This option is generally associated with limits on competition and thereby likely to eliminate the potential pricing and choice benefits consumers might be able to derive from cash transfers. On the other extreme, the state could transfer cash to people and in this way grant them the broadest possible discretionary power. Vouchers are often described as an ‘intermediate’ mechanism to transfer public support to the poor.

The seminal work on developmental social policy places the emphasis on developing human capabilities through the social provision of education and health (Mkandawire 2001, 2007). Social welfare expenditure, Mkandawire (2001, 2007) argues, is a component of the ‘*social wage*’ because it lowers the cost of labour and encourages active participation in labour markets. The social wage (education, health and targeted support for human capital accumulation) could also enable people to be fully employed in decent jobs. These in turn raise economic efficiency which exerts a positive impact on economic growth. In this context, Steuerle (2000) defines efficiency as lowering the cost for poor people to access goods and services. Certainly, if essential goods and services become more affordable and thus accessible to the poor, then it is likely to contribute towards equity.

Social protection is a redistributive tool to reduce the cost of living to the poor. A case in point is the impact on disposable income of water and electricity subsidies. Komives et al (2007) examined water and electricity subsidies to the poor in developing countries as *in-kind social transfers*. In theory, what a public utility subsidy does is it frees up income in the household for spending on other necessities. In-kind transfers vary and tend to be most effective in cases where the capacity to implement social policies through cash transfers is missing. Another precondition for its effectiveness is the existence of functioning and efficient utility services for those who can afford and that coverage could be easily expanded to those unable to pay⁴.

⁴ In the US there is a low-income housing voucher, as part of a suite of Welfare to Work (WfW) vouchers, programme which offers low-income households a subsidy to rent housing in the private rental market. It is known as Section 8 of the Federal housing subsidy for poor households. Participation in the voucher programme

Social transfers might also serve as a counter-cyclical measure to economic shocks, as argued in a contribution by Alderman and Haque (2006). Winters and Davis (2009), for instance, consider the case of PROCAMPO in Mexico, which is an agricultural support grant designed to compensate small-scale maize farmers for losses sustained shortly after NAFTA came into effect.

Alongside the conceptual debates about whether social grants ought to be primarily concerned with the recipients' welfare or be developmental, there is also no agreement as to the best form in which social benefits ought to be delivered. A range of forms or instruments exist through which social grants can be delivered to poor and vulnerable beneficiaries. As depicted in figure 1 below, three of the most common forms of grant transfers are: cash, in-kind and vouchers. Alternatively, a share of the benefits might be delivered in cash, whilst another portion could be, for example, in-kind food handouts.

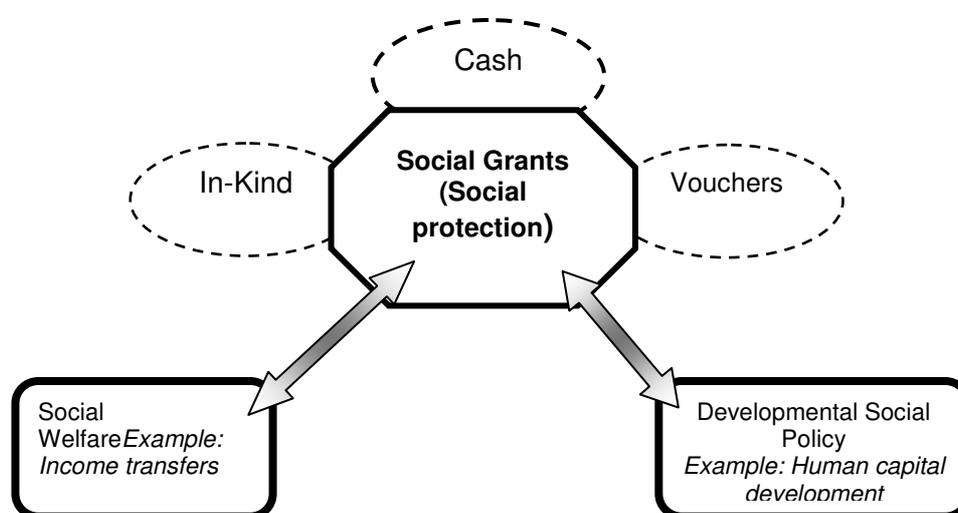


Figure 1: Schematic overview of social grants

Social grant instruments differ in terms of how efficiently they help to bring about greater equity. Decisions about the form in which the grant is to be delivered to beneficiaries depend upon the opportunity cost of its implementation. Policymakers need an instrument which is low-cost in terms of fiscal expenditure, places no additional costs on beneficiaries to access, and has high value-added component for local development.

Cash grants probably offer beneficiaries the greatest level of discretionary spending, but might also expose beneficiaries to risks and misuse of the grant (Farrington & Slater 2006). On the positive side, they foster social cohesion; promote human capital development; mitigate risk by providing a cushion against livelihood shocks and stimulate local demand. But some systems are prone to corruption; people might, for example, use the funds to purchase socially undesirable substances; people might become dependent on them; or they could be fiscally unaffordable.

makes it possible for the family to purchase certain combinations of housing and other goods that are unattainable in the absence of housing assistance (Olsen et al. 2005).

In-kind transfers are mainly in the form of food parcels to individuals, households or communities who experience, or might be vulnerable to, food insecurity. Such transfers are also very important during times of hyperinflation – when the currency is eroding rapidly in value and there is very little in the market to purchase.

A *voucher* is a coupon or certificate against which social grant benefits (a subsidy or tax rebate) are dispensed to *qualifying/eligible* people. Vouchers are often described as an ‘intermediate’ mechanism between direct public ownership and cash transfers in the provision of social assistance to the poor (Olsen et al. 2005, Harvey 2005, Steuerle 2000). Vouchers often work best when governments contract out the provision of services. Regulations attached to vouchers impose restrictions on their use: they have a capped monetary value; supplier restrictions are imposed; and vouchers are exchangeable for specified types of the goods and services. The administrative structures of voucher schemes vary considerably.

One comparative overview of cash, in-kind food and voucher grant instruments considers in-kind transfers to be clearly distinguishable from cash and voucher programmes (Gentilini 2009). It suggests that social transfers using either cash or vouchers appear to be easily interchangeable, which might imply that the theoretical and policy distinctions between cash grants and vouchers are artificial. Interestingly, Gentilini (2009) stresses that factors such as the development of local infrastructure and markets are critical determinants of how effectively each instrument is likely to work in practice. However, an unanswered question is to what extent different transfer instruments contribute towards the development of local infrastructure.

What options exist to harness social grants to reach broader pro-poor developmental goals? Altman and Boyce (2008), among others, argue and demonstrate that options exist to leverage social grants to transition healthy unemployed adults in grant receiving households to decent jobs. Extending their insights, this section illustrates a limited range of feasible grant payment options for employment generation, sustainable food and nutrition security and boosting the productivity of smallholder farmers. The following figure, adapted from Altman and Boyce (2008), shows the connections of the most common social grant transfer instruments to several development outcomes. Whilst the figure encapsulates the main argument in this report, it is not meant to be a one-size-fits-all and all-inclusive model of how to use the payment options of social grants to achieve a range of local development objectives. Instead, it only illustrates several possibilities based on available evidence. The main idea we underscore is that there is no singular grant payment option which works optimally to achieve all developmental outcomes.

			Social Grant Payment Options		
			<i>Cash</i>	<i>In-kind</i>	<i>Vouchers</i>
Economic Development	Employment Generation	Public works programmes	X	X	X
		Job search information			X

		Education & training	X		X
		Employer subsidies			X
	Food & Nutrition Security	Food gardens		X	X
		School Feeding schemes		X	X
		Price subsidies (stamps?)			X
	Resource-poor small farmers	Land reform grants	X		X
		Production inputs	X		X
		Skills training			X
		Credit & insurance			X

Figure 2 Illustration connecting Local Economic Development goals and social grants payment options

Source: authors derived from Altman & Boyce (2008)

In summary, international theoretical and empirical literature illustrate that the big debate is whether and to what extent social transfers are limited to cash-based welfare supplements or effective catalysts for broader socio-economic development. The developmental efficacy of voucher, for instance, depends on whether it is used with the receipt of other forms of social protection, rather than in lieu of other forms of social protection. It should be noted that voucher administration is often more expensive than the transfer of cash and perhaps the best way to administer vouchers is through or in conjunction with existing social protection instruments and programmes.

3. Social policies and development: Lesson from Developing countries

Social protection policies exist in virtually all countries. Several studies have been conducted to draw best practice lessons from the social welfare programmes in Latin America (Skoufias et al. 2009; Villatoro 2005; Farrington & Slater 2006; Lindert et al. 2007) and Asia. A number of cross-cutting themes emerge from this body of global evidence: design, implementation and impact of a select number of social protection programmes. In this section we synthesize insights from documented cases of effective social policies to boost 3 core pro-poor outcomes of social policies illustrated in figure 2: employment generation (India), food security (Brazil) and agricultural development (India, Mexico and Malawi). Although this might not be an exhaustive analysis, three major trends dominate current debates: expanded coverage of programmes; concerted investment to amalgamate and consolidate social welfare systems (horizontal and vertical unification); and decentralisation of programme implementation.

Rural public employment in India

India's National Rural Employment Guarantee (NREG) Act was adopted in 2005 and is currently in Phase 3 of implementation. The immediate and primary objective of this social safety net is to provide rural families with the right to work for 100 days per year. Compared to India's previous large-scale public works programmes, such as MEGS [Maharashtra Employment Guarantee Scheme] and NFFW [National Food for Work], the NREG has already created far more jobs over a limited number of the poorest districts. This scheme is firmly rooted in a rights-based framework and makes room for considerable decentralisation.

NREG further provides a platform to build rural livelihood sustainability. This is evidenced from its heavy focus on watershed development and land development – vital ingredients for raising the productivity of rain-fed agriculture. However, positive livelihood outcomes from initial expenditure on public works might only show as a second- or higher-round spillover. Timing is a critical success factor, given the fixed seasonal nature of agriculture. If supplementary investments lag too far behind public works investment in improving the productivity of agriculture, positive livelihood effects may be delayed for an entire year.

To optimise the local uptake of NREG, key obstacles must be overcome by a dramatic investment in promoting awareness, and building the functionality, of local institutions. There is evidence of programme capture. High land inequality is positively correlated to NREG uptake, which means that households with relatively larger landholdings tend to participate more actively in NREG works.

Food security under Brazil's Bolsa Familia

Brazil is a vast country with 27 states, a federal district, and almost 6 000 municipalities. By the end of the 1980s, the country's large social protection system had been consuming 20% of its GDP – the combined federal, state and municipal spheres of the state. The Brazilian government's Bolsa Familia is one of the world's largest social welfare programmes. It is a conditional cash transfer with an impressive track record of targeting – it reaches slightly more than the 11 million of the poorest families (or 46 million individuals). Bolsa Familia is an

amalgamated social protection fund which provides social assistance in four areas: education scholarships for children (Bolsa Escola); food to eradicate hunger (Zero Hunger); energy and gas for cooking; and health and nutrition grants for pregnant women and young children.

At the start of 2003, the newly elected administration of President Lula da Silva launched Brazil's Zero Hunger (Fome Zero) programme. Its stated goal was to eliminate hunger among an estimated 50 million food-insecure Brazilians within five years. In Brazil, the primary driver of food insecurity is perceived to be income poverty which impedes access to a nutritionally adequate food basket. The poor just cannot afford enough food to live healthy lives. Meade et al. (2004:26), offer the following description overview of the programme:

*The program comprises 60 different initiatives with a goal of providing food access to 11.4 million families (or roughly 50 million people) within 5 years. The program is to be supported by agrarian reforms, producer incentives, and the enactment of minimum agricultural income policies. Other initiatives include a Food Coupon Program (inspired by the Food Stamp program in the U.S.), food vouchers to be exchanged at government-licensed food outlets, and food banks to redistribute surplus food from supermarkets and restaurants. Additional initiatives will target low-income workers, while nutrition programs will supply food to pregnant women, new mothers, and babies. The School Meals Program aims to increase the quality of school meals using regional foodstuffs. Existing school meals programs will be expanded to cover siblings of children attending school and potentially be extended over school vacation periods. Other initiatives include food and nutrition campaigns to educate the population about healthy eating to prevent obesity and malnutrition.*⁵

Zero Hunger, according to this overview, was conceived as more than a pure cash social assistance package. It highlights the multi-dimensional nature of food insecurity and the comprehensive set of interventions needed to overcome it. It further relies on a tight network of institutional co-ordination because many state agencies have a stake in contributing toward the success of the programme. During its first year, Zero Hunger was located in a special ministry directly linked to the office of the President, but weak administration resulted in it being transferred to the Social Development Ministry where it has grown and achieved considerable progress towards hunger eradication (Rocha 2009).

In October 2003, following extensive debates on the need to reform social policies⁶, the state decided to amalgamate Brazil's large social protection cash transfers into the Bolsa Familia (or Family Fund).⁷ Its launch marked the unification of four cash grants designed to assist the poor

⁵ See Rocha (2009:54) for a detailed listing of the components of Zero Hunger.

⁶ 'The objectives of these reforms included: (a) consolidating and rationalizing federal conditional cash transfer programs; (b) promoting efficiency in the use of public resources (administrative costs were indeed reduced as a result of this merger...; (c) improving the system for identifying the target population; (d) leveraging synergies from jointly promoting education and health incentives; (e) strengthening monitoring and evaluation; and (f) leveraging opportunities to systematize complementarities in the social safety net between federal and sub-national programs (promoting vertical integration).' (Lindert et al. 2007:14)

⁷ The Bolsa Familia law was passed in 2003 and considered as the first step in the process to institutionalising a guaranteed minimum income for the poor – with progress conditional on the availability of the necessary fiscal

to access: education scholarships for their children (Bolsa Escola); food to eradicate hunger (Zero Hunger); energy and gas for cooking; and health and nutrition grants for pregnant women and young children. Institutionally, the Ministry of Social Development (MSD) is responsible for national oversight and implementation for Bolsa Família. The MSD came into existence in after the Ministry of Social Assistance and the Ministry of Food Security were merged.

Targeting: Bolsa Família targets Brazilians in poverty and extreme-poverty and uses the depth of the poverty to determine the level of the cash benefit for each household but these are no longer defined in terms of income thresholds. In 2003 Bolsa Família reached 3.6 million families. By early 2007 it had reached 100% of Brazil's impoverished families, estimated to be in the order of 11.1 million families (about 45 million people or a quarter of the country's population) (Rocha 2009).

Fiscal implications: The Bolsa Família budget was in the order of US\$4.1 billion in 2007, compared to overall expenditure of slightly more than US\$1.1 billion in 2003. The latest figures suggest that it accounted for less than 3% of direct government transfers, and only 0.5% to 0.8% of the country's GDP in 2007 (Rocha 2009).

resources. Bolsa Família amalgamates the following four programmes: Federal Bolsa Escola Program: Under the BE program, poor families (with per capita incomes less than R\$90, or half the minimum wage at that time) received R\$15 (US\$7) per month per child up to a maximum of three children, conditional upon a minimum school attendance of 85%. *Bolsa Alimentação* (health and nutrition grants, BA) program, which sought to reduce nutritional deficiencies and infant mortality among the poorest households. “*Fome Zero*” (zero hunger) program sought to promote food consumption, and beneficiaries were supposed to use the transfer for food purchases. *Auxílio Gás* (*Vale Gás*), is a compensatory measure for the phasing out of cooking gas subsidies (Lindert et al 2007).

Table 11: Summary of evidence on key social protection programmes in Mexico, Brazil and India⁸

Social transfer programme	Details	Delivery method	Geographic targeting	Fiscal impact	Food security, poverty and employment impact
Oportunidades (Mexico)	Multi-sectoral support to poor families in health, education and nutrition; Progresa started in 1997 and targeted poor rural women; in 2002 the safety-net was expanded to include urban poor families (Oportunidades); Procampo provided agricultural support from 1995	Cash transfers; in-kind components included; beneficiaries not allowed to benefit from other social transfers	Progresa targeted poor rural women; Oportunidades was self-targeted, including urban women	Spending on Progresa increased from 20% of social welfare budget to 76%	Mothers and primary caregivers; women empowerment issuechild beneficiaries; mothers?

⁸ Compiled by author.

Social transfer programme	Details	Delivery method	Geographic targeting	Fiscal impact	Food security, poverty and employment impact
Bolsa Familia (Brazil)	Approximately 50 social protection programmes; Bolsa Escola 1995; Zero Hunger (2003); Unified Social Protection; Bolsa Familia 2004 (centralised administration)	Bolsa Escola – scholarship social assistance; Bolsa Familia – consolidated family fund;	Community Development Programme decentralizes implementation & aims to empower through participatory initiatives; Bolsa Escola – from one Federal District in 1996 to 200 municipalities in the 7 states by 2001; Bolsa Família accounts for less than 3% of direct government transfers, and only 0.5% to 0.8% of the country's GDP	Pre-Bolsa Familia social welfare programmes – 20% of total fiscal spending; 1990s, federal social budget 80% of total budget; Consolidated income transfers US\$1.5 billion for Bolsa Familia in 2004; in 2007, spending reached US\$4.1 billion	Pre-Bolsa Familia social welfare skewed towards contributory pensions for state bureaucrats; Post-2004 Bolsa Familia – reaching 11 million families (45 million people)

Social transfer programme	Details	Delivery method	Geographic targeting	Fiscal impact	Food security, poverty and employment impact
National Rural Employment Guarantee Scheme (India)	National Rural Employment Guarantee (NREG) Act passed in 2005; Previous public works: National Food for Work (NFFW); Maharashtra Employment Guarantee Scheme (MEGS) in the 1970s (Maharashtra State)	NREG – conditional cash transfer NFFW – in-kind food transfers MEGS – conditional cash transfer	NREG – clear rural focus NFFW – variation in state-level implementation MEGS – state and different zones/nodes; Phase 1 in 200 most “backward” (labour-surplus) districts; phased in to 330 districts	A rights-based framework; accountability of public delivery system through social audits; central government funds 90 per cent of costs of generating employment; 4 % of programme costs allocated to administrative costs & professional support; expenditure of US\$4.5 billion in year 1 & target of 2 billion days of employment	NREG – higher average wages, especially for women; but gender wage differential persists; Broader rural development through watershed and land development

*Social policies for rural development in Mexico*⁹

Mexico has several safety nets targeted at the rural poor. Some social policy interventions enable rural participants to earn incomes, such as the PET public works schemes which started in rural areas in 1995. Other social programmes are block grants decentralised to municipalities for spending on infrastructure, such as the FISM or Fund for Municipal Social Infrastructure. But the bulk of the rural social transfers are channeled through human capital development programmes that focus on nutrition, health and education. Older nutrition and food security social assistance are the Tortibono (tortilla subsidy) and Liconsa (milk subsidy). Procampo and Progresa are the most popular rural social safety nets and are both cash transfers. Procampo, introduced in 1994, is a cash grant paid to farmers/producers adversely affected by the introduction of the North American Free Trade Area.

Progresa was introduced by the Mexican government in 1997 to broaden its suite of rural poverty-alleviating social policies. Its primary objective is to simultaneously improve education, health and nutrition outcomes of targeted participants. The main mechanism through which it seeks to realise this outcome is conditional cash grants for poor children's education. It includes in-kind transfers in the form of health benefits and nutritional supplements for children up to age five and for pregnant and lactating women. Transfers are conditional on children's enrolment and regular school attendance, and clinic attendance. Social policy reforms introduced after 2000 resulted in the transformation of Progresa to include urban areas and Mexico's most significant social policy intervention being re-launched as Oportunidades in 2002.

Over time, rural areas have been allocated a greater percentage of social grant expenditure. For instance, in food and nutrition subsidies, whereas in 1994 rural areas received only 31.4% of spending, by the year 2000 rural areas were receiving 76.4% of all spending on these programmes. Overall spending on anti-poverty programmes shows similar trends. By the year 2000, 76% of all antipoverty spending was dedicated to rural areas whereas in 1994 only 48% of all anti-poverty spending was spent in rural areas (Poder Ejecutivo Federal 2000, cited in Skoufias 2005).

It is worth highlighting two features of Mexico's social policy: geographic targeting and increasing decentralisation to devolve decision-making power and resources to local states and communities. Progresa was premised on a household-level targeting model, identified through an easy two-step procedure. Communities are first selected using a marginality index based on census data. Then, within the selected communities, households are chosen using socioeconomic data collected for all households in the community. This is also known as administrative proxy-means selection as opposed to self-selection, which is the targeting approach on which Oportunidades is based. This has evidently reduced the resource intensity of screening and targeting eligible beneficiaries without excluding considerable numbers of eligible people and capturing the non-poor.

⁹ There is no evidence that Mexico has any voucher-based transfer subsidy. However, some authors classify Progresa/Oportunidades as having features of a voucher. Sources: Skoufias (2005); Coady & Parker (2009); Winters and Davis (2009)

Malawi's agricultural development grants

Malawi, for instance, has successfully used publicly-funded grants to smallholder farmers to achieve broader rural development. Agriculture is an important sector of Malawi's economy. The sector contributes 39% of the GDP, accounts for the 80% of the foreign exchange, and accounts for 80% of the total workforce (MoAFS –(Ministry of Agriculture and Food Security 2008). The agricultural sector comprises two distinct sub-sectors: smallholders and large-scale commercial or estate farming enterprises. The smallholder agricultural sector comprises a large number of 'very poor families heavily dependent on low-input maize production' on small plots which are mainly nitrogen-deficient (SOAS et al. 2008). Therefore production from these farmers is commonly inadequate to meet annual consumption needs as well as provide adequate annual growth.

Since 1998, government has introduced a number of interventions aimed at subsidising maize fertilizer seed access for poor farmers. Some of these include the Starter Pack Scheme (SPS) and Targeted Input Program (TIP) as well as some interventions into the maize market. In 2005, these broad-based initiatives were developed into the Agricultural Input Subsidy Programme (AISP). Recent reports indicate that the programme has contributed significantly to the macro-economic growth of the country (GDP average growth of 8%) and a good performance of the agricultural sector in the 2005/2006 and 2006/2007.

AISP's main objectives were to improve smallholder agricultural productivity, improve food and cash crop production, and reducing vulnerability to food insecurity and hunger. The programme was implemented through the use of coupons (input vouchers), in proportion to cropped maize and tobacco areas (allocations per hectare and per grower varied widely). These vouchers were redeemed at a reduced price for any of the four fertiliser types (maize – NPK (23:21:0)) and urea; tobacco – compound D and CAN). The coupons were allocated to targeted households (i.e. able farmers who would otherwise not be able to purchase the inputs) and distributed by traditional authorities through village development committees, so the eligibility for the vouchers was relatively means-tested.

It is worth noting that the majority of the producers are rural smallholder farmers, some of whom were targeted by the input subsidy programme. The fertiliser subsidy reached 1.7 million vulnerable households producing maize and 250 000 tobacco and cotton producers, and 2 million households received OPV and more productive hybrid seeds. The households crop an average of 0.5–0.6 hectares on dry land. It can thus be concluded that the programme has contributed significantly to this increased productivity and production. As result, the country has been able to move from being food-insecure to becoming a surplus producer of staple foods. As one of the respondents noted, the impact of the 2007-2008 food price shocks was not felt by the majority of the households as they produce their own food. In addition, the country was able to realise surpluses in maize production, allowing exports to other countries in the region like Botswana, Zimbabwe, Lesotho and Namibia (FANRPAN 2008).

While the programme has had an enormous positive impact on the agricultural sector and rural development in Malawi, there are still several challenges that need to be addressed, including the sustainability of the programme. This is a concern raised by a number of the development partners and other stakeholders. Another major concern is the lack of clarity about the programme's milestones, for how long and what the ultimate objectives are, apart from

increased food security. It is widely suggested that government should be looking at phasing out the programme. However, the political principals are reluctant to do this. Related to this concern is the fact that the size of the subsidy is increasing, rather than decreasing over time, as was expected. This may lead to dependency among smallholder farmers.

Another challenge faced by the programme are leakages in the system, i.e. the benefits being accessed by farmers who fall outside the target group. One example was a benefiting household exchanging its coupons for cash to purchase food. As is often the case with large-scale government initiatives, inputs were delivered late in some cases. More importantly, the AISP is currently being implemented as a stand-alone initiative rather than one which is integrated into other government programmes of support. Malawi's government is currently developing the Agricultural Development Programme, which will serve as a prioritised and harmonised agricultural agenda over the period 2008 to 2012. At the time of the fieldwork, the framework had not yet been adopted by Cabinet (Zimalirani 2008).

4. Developmental social policy: SA Evidence and Options

South Africa has a comprehensive publicly funded social protection programme that falls under the Department of Social Development. The programme takes the form of conditional cash transfers to more than 13 million individuals, costing the state more than R80bn in the 2009/10 fiscal year (excluding R5bn in administrative costs). At least 95% of social grant recipients are children, the disabled and old age pensioners who may or may not belong to the same households. Most South African households receive one (36%) or two (31%) types of grants. Three provinces (KwaZulu-Natal, Eastern Cape and Limpopo) account for nearly 8 million (roughly 60%) of all social grant beneficiaries. These provinces are largely rural and incorporate a substantial share of the former homelands. Gauteng, which is the economic hub of the country, is the home of more than 1.5 million recipients of social grants. Households receiving state pensions spend more on food and education and less on alcohol, tobacco and entertainment than non-recipient households. This means social grants have a positive impact on developmental and human well-being indicators within households. Living in household receiving social grants is correlated with a higher success rate in finding employment. Individuals in households receiving social grants have increased both their labour force participation and employment rates faster than those who live in households that do not receive social grants.

The Child Support Grant (CSG) has been, and continues to be, the main driver behind the rapid increase in beneficiaries and fiscal expenditure since its introduction in 2002. It is a conditional cash transfer to the primary caregiver of children living in extreme poverty and thus serves to supplement rather than replace household income from employment. As of April 2009, the CSG stood at R240. In 2007, 51% of households reportedly received at least one child support grant. Roughly 8.8 million children received grants in March 2009 – roughly 68% of all grant recipients. This figure is projected to dramatically increase (exceeding 11.5 million) following a Cabinet decision to extend the eligibility age to 18 years.

Since 1994, government has introduced or overhauled several other grant-like social expenditures, such as: the National Schools Nutrition Programme, the Expanded Public Works Programme (EPWP), the Municipal Infrastructure Grant (MIG), the Umsobomvu Youth Fund

(UYF) and several land reform and agricultural support grants (covered in the next section). The UYF targets unemployed individuals in the 18–35 age cohort to assist them to acquire skills, access job opportunities as well as establish viable small businesses. In 2004 the National Youth Service and the School to Work Programme had 503 and 803 beneficiaries respectively, at a cost of R50 000 per beneficiary. However since 2006, the cost per participant in both programmes was pegged at R20 000 (UYF 2008). Within the Umsobomvu fund is the Business Development Services (BDS) voucher programme which is meant to support start up businesses/ entrepreneurs. The BDS voucher system targets enterprises that are within tourism, ICT [information and communication technology], manufacturing, construction and agro-processing. Until 2008 BDS issued 10 534 vouchers, created 11 958 jobs, created 4 443 new businesses and assisted 7 544 start-up businesses (UYF 2008).

Like public works programmes in other parts of the world, South Africa's Expanded Public Works Programme aims to create short term employment for the unskilled and at the same time create or improve existing infrastructure. When it was introduced in April 2004, the EPWP's work opportunity targets were set at: 750 000 for the infrastructure sector; 200 000 for the environment and culture sector; 150 000 for the social sector; and at least 12 000 for the economic sector. As the programme expanded from 2004/5 to its final year 2008/9, the largest number of EPWP job opportunities had been created in Eastern Cape, Gauteng and KwaZulu-Natal. The second phase of the EPWP (EPWP2), introduced in 2009, has set a target of 4.5 million jobs aimed enabling participants to gain skills while in a short-term job. The second phase sees a shift in emphasis from the construction and maintenance sectors to the home-based care and community health sectors.

In South Africa, approximately 3-4 million households engage in small-scale farming, mainly to supplement their food supply (Aliber 2009; Jacobs et al. 2008). Some of the social expenditure targeting the agricultural sector, especially resource-poor farmers, include food security subsidies, starter packs, the Comprehensive Agricultural Support Programme (CASP), and various land reform financial support tools. While a large array of measures and policies has been developed to promote the smallholder sector, there have been few significant successes. This does not augur well for rural development as the sector is important to kick-start the development of the rural areas (Jacobs et al. 2008).

The support from CASP is centered on six niche areas (pillars) and four beneficiary groups (Jacobs et al 2008). The pillars are: information and technology management; technical and advisory assistance, and regulatory services; marketing and business development; training and capacity building; on/off-farm infrastructure and production inputs; and financial support. According to Jacobs et al. (2008:33), marketing development, on/off-farm infrastructure and production inputs have since been identified as basic support services. The implementation of CASP prioritises the provision of basic farm infrastructure because this key support had not been adequately provided to Land Redistribution for Agricultural Development (LRAD) beneficiaries.

CASP is funded through 'farmer support' expenditure of provincial and national departments of agriculture. Provinces might be spending more on farmer support, settlement and development, but the share of this spending in the overall provincial agricultural spending basket might actually be shrinking for reasons not investigated here. This sheds some light on

the shifting priorities over time and where provinces might actually diverge from the emphasis at national level.

In all but two provinces, the share of spending on farmer support (and CASP) is concentrated within a narrow band: between 25% and 45% of total agricultural expenditure. The majority of provinces maintained relatively flat shares of expenditure from 2001-2008. Limpopo allocates the largest share (49%) whilst Gauteng allocates the smallest share (14%) to farmer support. In three provinces this percentage of provincial state spending in agriculture on farmer settlement support and development has been falling, especially from 2004 to 2008. It might be necessary to investigate more carefully the reasons behind this apparent shift in spending priorities. A related concern is that the adoption of CASP appears to have exerted no visible surge in provincial government expenditure on farmer support. This is in sharp contrast to what was observed in national fiscal allocations after 2004 following the adoption of the CASP. More importantly, comparing the provincial distribution of grants earmarked for agricultural development with allocations to other forms of social protection evidently confirms that the poorest provinces absorb the largest amount and shares of state social transfer expenditure.

Land reform, especially redistribution, seems to be achieving some desired outcomes, albeit not satisfactory. Some projects have been able to generate profits for their beneficiaries as well as achieving increased food security for the households. This implies that, with the relevant and sufficient support, the projects have an important potential impact on local economic development and rural development in particular. Successful land redistribution projects can provide much-needed low skill job opportunities and increased incomes as well as stimulate demand for non-farm products, providing an opportunity for local entrepreneurs.

Against the backdrop of the foregoing evidence we now present three high level options to combine various forms of social protection with a view to stimulate local economic development. Three possible areas with associated examples are highlighted, namely:

1. Employment Generation (e.g. Early Childhood Development (ECD) Centres)
2. Food and nutrition security (e.g. Food gardens or production inputs?)
3. Resource Poor Farmers (e.g. Production inputs)

Employment Generation (e.g. Early Childhood Development (ECD) Centres)

Option 1 Universal or at least where ECD Centres exist: Working age adults who receive a child care grant also receives a voucher per child that enables the child to attend a local ECD Centre. The ECD Centre would then submit these to the relevant local Departmental representative on a monthly basis and they would be reimbursed. This money would be used for salaries of staff and feeding of children. Each staff member at a centre would each receive an annual voucher that would enable them to undergo training at their closest training centre. Training would include ECD skills as well as management skills.

Option 2 Linked to EPWP initiatives: EPWP employees receive a daily voucher for each child. This voucher is then given to the ECD Centre each day that the children attend the local ECD Centre. The ECD Centre would then submit these to the relevant local Departmental representative on a monthly basis and they would be reimbursed. This money would be used

for salaries of staff and feeding of children. This option could also be linked to any form of employment, especially if targeting the working poor – farm workers, construction workers, domestic workers, gardeners etc., especially where the wage is equivalent to or less than the basic wage. Linkage could be similar to a compulsory type of UIF programme where all employers, at no cost to them, distribute a daily/weekly or monthly voucher that can be exchanged for childcare at local ECD Centres.

Food and nutrition security (e.g. Food gardens or production inputs?)

Here specifically targeted people below a certain income threshold receive site specific agricultural training from an experienced NGO through means of a voucher – voucher can be obtained through the local post office, Community Development Worker, Extension Officer or suchlike, once the necessary forms are completed. Targeting is essential and there would be a need to focus on poor households using a means test or similar. Also only those that are active in home food garden production would be eligible for voucher. No garden activity no voucher. Training would be low-external input low-cost using renewable technologies that are site specific (attending to biophysical and socioeconomic factors). NGO would then submit these vouchers to the relevant local Departmental representative upon completion of training and would be reimbursed. Possibly two vouchers per year to cover the basic two agricultural cropping seasons. Training and support for a specific household could be restricted to a three year period so that new households facing similar circumstances could also be supported. Renewable inputs would be part of this programme. This approach could also be extended/adopted to include small livestock farming. Here vouchers could be exchanged for training and support as well as high-protein feed and limited veterinary services. Local people could become sellers of smaller volumes of the inputs and could redeem the vouchers they receive for cash at a local post office or such like. Vouchers could be per volume rather than for a monetary value of the input so that high prices would not restrict the amounts received.

Poor smallholder farmers (e.g. Production inputs)

Here we could follow the same strategy as the Malawian AISP and target poor smallholder farmers who have access to land beyond the household garden, by whatever means of tenure. Vouchers could be exchanged for specific inputs that are locally important (e.g. Maize, sorghum, etc). While these farmers would be farming for an income their incomes would be low and this programme would enable a boost in yields and income. Factors such as the availability of local input and output markets (in any form) need to be considered. Vouchers would be exchanged for a specific amount of seed and other inputs required. Or vouchers could be given to livestock owners whereby they can exchange these for veterinary services – especially inoculations – as well as for feed during dry spells (Winter or Summer months) depending on location in South Africa). Distribution mechanism could follow the Malawian approach unless there is a better mechanism here. Targeting the recipients will be crucial. Local people could become sellers of smaller volumes of the inputs and could redeem the vouchers they receive for cash at a local post office or such like. Vouchers could be per volume rather than for a monetary value of the input so that high prices would not restrict the amounts received.

5. Conclusion

This report contributes to a rapidly growing body of social policy literature that seeks to go beyond the income-based welfare benefits derived from various types of social protection. Broadly, this literature advocates the need for ‘developmental social policy’, with an emphasis on developing human capabilities through the social provision of education and health. For example, Mkandawire (1999) has argued that the ‘social wage’ lowers the cost of labour and encourages active participation in labour markets. These in turn raise economic efficiency which exerts a positive impact on economic growth and it is worth drawing lessons from specific examples cited in this literature. Water and electricity subsidies to the poor in developing countries can be considered in-kind social transfers. In theory, what such public utility subsidies do is they free up income in the household for spending on other necessities.

Adapting the Altman and Boyce (2008) framework, we have illustrated several options to utilize the most common social grant transfer instruments to achieve developmental goals. No singular grant payment option works optimally to achieve all developmental outcomes. Whilst no one-size-fits-all and all-inclusive model of how to use the payment options of social grants exist, it is possible to illustrate several possibilities based on available evidence. Three possible areas with associated examples have been highlighted, namely: Employment Generation (e.g. Early Childhood Development (ECD) Centres); Food and nutrition security (e.g. Food gardens or production inputs?); and Resource Poor Farmers (e.g. Production inputs).

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