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Linking Safety Nets, Social Protection, and Poverty Reduction — Directions for Africa

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Formal safety nets redistribute resources to poor people to reduce chronic poverty or to protect them against risks to their livelihoods—risks posed by disease, loss of employment, drought, conflict, financial crises, or macroeconomic adjustment, for example. Safety nets can both reduce poverty in the short term and, when coupled with the longer-term approach taken by social protection programs, contribute simultaneously to a broader development strategy. But in order to achieve both short- and long-term goals effectively, policymakers must take up new approaches that involve partnerships between government and civil society.



In Africa and elsewhere, safety nets were promoted in the 1980s as a response to the (presumably short-term) adverse effects of structural adjustment. Though some safety nets had a developmental component, safety nets are still largely associated with the idea of a short-term buffer. “Social protection” is a newer term that incorporates safety net programs but also includes a role for renewed state involvement, emphasizes a longer-term developmental approach, includes social assistance and social insurance, and is often advocated as a right rather than a reactive form of relief. Social protection policy addresses not only programs aimed at reducing the impact of shocks and coping with their aftermath, but also interventions designed to prevent shocks and destitution in the first place.

Most societies have private interhousehold, intrafamily, and intrahousehold transfers that promote resilience to shocks, mitigating their negative effects. However, in countries or communities where people are universally poor, there is less to share, particularly in times of shocks that affect all or many in the society (such as drought, floods, AIDS, or widespread structural unemployment)—which is precisely when the need for help is most critical.

SAFETY NET PROGRAM OPTIONS

Cash Transfers and Conditional Transfers

Cash transfer and conditional transfer programs involve the direct transfer of cash to poor households. These programs are often targeted to specific groups—the elderly, children, the malnourished, pregnant women, single parents, the disabled, or the very poor. An urban program in Mozambique, for example, gives transfers to many of these groups whose households are poor; South Africa and Namibia have old-age pension systems; and South Africa also has a child support grant and a disability grant. Such programs provide significant social and economic security.

The potential effectiveness of cash transfer programs in much of Africa is constrained by the numbers of poor people that need to be reached; the small tax base; the shortage of skills in management, logistics, and accounting; and administrative and social barriers to collecting information on income, age, and other characteristics. Community involvement in collecting information can help in this regard. Food transfers may be preferable to cash when nutrition is a key goal; however, cash has other advantages. It can stimulate local markets, be invested in microenterprises, or be used as collateral for loans.

In recent years—primarily in Latin America but also elsewhere—“conditional transfers” have tied benefits (usually cash and nutrition supplements) to one or more of the following requirements: children’s high attendance rates at school; pregnant women’s, infants’, and young children’s participation in preventive health care; and mothers’ attendance at health and nutrition workshops. The benefits are usually given directly to women, who have been shown to invest

more in children’s welfare than do men. The benefits aim to improve future income-earning potential by building human capital at an early age, and programs can be designed with extra incentives for educating girls. IFPRI studies have found that these programs increase school attendance, improve health and nutrition, and increase women’s decisionmaking power within the household. However, the programs are administratively demanding and require an adequate and often upgraded health and education infrastructure.

Free Food Distribution

Hunger is one of the most obvious manifestations of extreme poverty, and free food distribution has generally been politically more acceptable than cash transfers. Moreover, free food from food surplus countries is often available to food-deficit countries as food aid, whereas providing the equivalent aid in cash may not be politically feasible. In a pure relief program, food is distributed free, either as disaster relief or as an in-kind transfer to certain disadvantaged groups in the society.

Direct distribution is sometimes combined with other programs involving nutrition, education, and health services. For example, the Vulnerable Group Development Program in Bangladesh is the world’s largest food-based intervention of its kind that exclusively targets ultrapoor women. It seeks to integrate food and nutrition security with development and income generation. Participants receive a monthly allocation of wheat in exchange for attending training on income-generating activities; participating in basic literacy, numeracy, and nutrition training; and making savings deposits. Another example of direct food distribution is food-for-work programs, in which food is used as payment to workers. Common in many poorer African countries, these programs play a dual role, providing employment for the poor and creating

public assets such as rural roads. The primary drawback of free food distribution is logistical: the administrative problems of procurement, storage, transportation, and distribution.

Direct Feeding Programs

Direct feeding programs distribute meals and nutritional supplements to people who are especially vulnerable to malnutrition, usually preschool children and women of child-bearing age from low-income households. These programs represent an investment in human capital because they reduce the long-term effects of malnutrition. The attraction of feeding programs is that they have a clearly identifiable target group, even very poor countries generally have the capacity to measure malnutrition, and the programs can be implemented through existing health systems and by community workers. These programs are administratively more complex than some other forms of safety nets, however, and may overburden the limited capacity of health ministries in very poor countries.

School-Based Food Programs

School feeding programs distribute prepared food (for example, hot meals, nutrient-fortified biscuits, milk) to children in school. School feeding increases school attendance and reduces short-term hunger experienced by children in the classroom, improving their learning ability. Food-for-education programs distribute free foodgrain to low-income families if their children attend primary school; the grain can be used to feed all family members or be sold to meet other expenses. IFPRI research in Bangladesh suggests that food-for-education programs can significantly increase school enrollment and reduce dropout rates.

Both school feeding and food-for-education programs provide immediate sustenance for the hungry while empowering future generations by educating today's children. There are some disadvantages: school feeding may include the non-needy (it is difficult to feed only the poor in a given classroom) and, more seriously, it may miss the most needy—those children too poor to attend school. School feeding may also divert teachers' attention from teaching by putting an additional burden on them to manage in-class feeding; however, voluntary parental involvement can help to mitigate this problem.

Food Stamps

Distributed to eligible consumers, food stamps or coupons have a cash value when used for purchasing food in a commercial store, and the seller redeems the stamps from a bank or government office. The major advantage of a food stamp program is that it utilizes the normal food marketing system, hence eliminating some administrative burdens, including the cost of commodity handling. Food stamp programs can also be targeted to the poor. The major drawback is that complex administration is involved in identifying qualified recipients, disbursing food stamps, and reimbursing retailers for these stamps. Further, food stamps can be duplicated, though counterfeiting has been successfully prevented in many countries.

Price Subsidies

Some form of price subsidies for consumers is common in most developing countries. As a way of protecting the poor from high prices, governments provide food at a lower-than-market price; subsidize commodities and services such as electricity, piped water supply, and bus and train fares; provide low-rent housing; and reduce or waive fees for education and health care services. A general food price subsidy makes unlimited amounts of the subsidized foods available to all, such as in the case of the bread subsidy in Egypt. Unrestricted subsidies achieve maximum coverage of the population but are therefore generally more costly than targeted programs. A rationed subsidy, such as the sugar and cooking oil subsidy in Egypt, limits the quantity of food items that can be purchased by an individual or household. This controls costs; however, it requires a relatively complex administration program involving ration cards and distribution outlets. Costs and administrative complexity can be reduced through "self-targeting," by subsidizing items disproportionately consumed by the poor. Tunisia has successfully implemented a self-targeted food subsidy system. Food price subsidies can also be seasonally targeted: the governments of some countries with major seasonal food shortages and price spikes buy foodgrains during the harvest season and release stocks into the open market during the lean season at subsidized prices.

Subsidized Agricultural Inputs

Agricultural inputs such as fertilizers are often subsidized to help poor farmers and increase crop productivity. However, subsidized agricultural inputs are commonly used in direct proportion to landholding size, so such subsidies primarily benefit the nonpoor. Instead, free distribution of very small quantities of inputs such as fertilizer and seed to small and marginal farmers can increase their incomes more effectively. The Starter Pack Initiative in Malawi (now called the Targeted Inputs Programme), for example, provides small packs of fertilizer and seeds to all smallholder farmers. The value of the benefits to the recipient households is on average 1.5 times the cost of the package provided. Such interventions are useful to protect poor farmers when input price subsidies are suddenly withdrawn.

Public Works Programs

Public works constitute an important type of safety net program for reaching the poor throughout Africa. They provide emergency relief as well as contribute to economic development. These kinds of programs transfer short-term wages or food, but if carefully designed they can also build needed assets such as schools, clinics, and water supply and irrigation networks; facilitate access to markets through the construction of roads and market stalls; and provide training and organizational capacity. In South Africa, for example, public works programs have included support for small contractors, certified training to increase opportunities for workers to enter the labor market, and capacity building for community-based organizations involved in project implementation. Labor-intensive infrastructure design can maximize job

creation without reducing the quantity or quality of physical assets, and community participation has been shown to increase job creation without increasing costs. Public works programs are “self-targeted,” in that the very poor are most likely to accept the low-wage, unskilled work offered, saving the costs of means testing. These programs can be operated seasonally, when alternative forms of income (for example, from agricultural work) are most scarce.

IFPRI research on public works programs in Botswana, Niger, Zimbabwe, and South Africa points to several policy conclusions. Programs should (1) target infrastructure and resource deficiencies and focus on high-return investments, (2) be mainstreamed into cross-sectoral public planning, and (3) be flexible enough to respond to both chronic poverty and crises. It is also important to ensure community commitment through early involvement in project planning; assure effective maintenance of assets; and encourage the participation of women through choice of work activity, flexibility of working hours and project location, and access to day care.

Social Health Insurance

In many African countries, social health insurance is a form of social protection. Social health insurance schemes are typically contributory, with participation by government, the beneficiaries themselves, and donor organizations or international agencies such as the International Labour Organisation (ILO). The mutual health associations that are found in West Africa in particular are based on insurance and solidarity principles. In East Africa, Tanzania’s UMASIDA (Mutual Society for Health Care in the Informal Sector) is rare in that it was built from the bottom up by informal workers, with little contribution from outsiders.

Microfinance

Microfinance, which includes both credit and savings, is a form of social protection and enterprise promotion. The worldwide microfinance movement has promoted individual and group-based access to savings and credit, sometimes with insurance and training components. The movement has given millions of poor people access to more formal financial institutions for the first time. In 2000, the Africa Microfinance Network (AFMIN) was established in 13 African countries, representing 365 institutions, over 2.2 million borrowers, and 3.5 million poor savers, most of whom were women. Through AFMIN, African microfinance leaders have been working to set up or reinforce country-level microfinance networks geared to strengthening operational performance and building institutional capacity.

Microfinance can protect the poor during large shocks, helping them avoid drastic actions such as distress sales of land and draft animals that can permanently damage future earning potential. Further, the presence of a microfinance program in the community can also increase a household’s risk-bearing ability, enabling investment in more profitable activities.

Despite significant successes with some very large programs, problems have commonly been experienced: the difficulty of reaching the very poor; the difficulty of developing

sustainable co-insurance between poor people, exacerbated by the HIV/AIDS epidemic; the expense of building parallel financial institutions; and the lack of rural infrastructure and markets that help make credit viable. IFPRI studies in Ghana and Madagascar show that, due to the strict collateral requirements and high transaction costs, a significant proportion of the poor are discouraged from applying for loans. Moreover, without the necessary skills, the poor may not be able to use credit for productive purposes and will likely use it only to meet emergencies and consumption needs.

Recent innovations offer more flexible services for reaching the very poor. In Bangladesh, for example, the Vulnerable Group Development Program offers the poorest women wheat rations for two years, during which time they form savings groups and are given credit and training on income-generation activities. In another program, those unable to repay their microloans are leased a goat to raise, and then repay loans with the goat’s kids. An important new question for social protection in Africa is: to what extent could mainstream financial institutions be given incentives to extend their services to poor people, directly or through MFIs?

KEY CONSIDERATIONS IN DESIGNING SAFETY NET PROGRAMS

Country-specific conditions dictate the choice and design of safety nets. Poor countries are unlikely to be able to afford and operate multiple programs, and must carefully select from among alternatives, finding those most appropriate to their conditions. Two key considerations are the state of need in a given country or region (for example, need for immediate relief; education, health, and nutrition services; or income) and the nature of the target groups (for example, women, the elderly, orphans, or refugees). Other key contextual factors are outlined below.

Administrative Capacity, Information, and Costs

Poverty targeting requires information to identify poor households, but this data may be difficult and expensive to collect. When information on income or landholding is difficult to determine, poverty correlates such as education level, type of dwelling, and dependency ratios can be used. Administering safety net programs requires skills in management, accounting, logistics, and financial control. When capacity is limited, it is best to select programs that are relatively simple to administer, to implement programs through existing institutional and physical infrastructure, and to use community participation and self-targeting (employing disincentives for better-off households while not overburdening poor households).

While there are numerous safety net programs currently operating in Africa, many are short-lived and end before achieving an impact. Efforts would be more effective and sustainable if the more successful programs were consolidated

and directed at those who most need them, rather than running programs that individually have limited reach, are uncoordinated, and are inadequately funded. However, policy-makers often do not have information upon which to base decisions about program modification, extension, or termination, so capacity to monitor and evaluate programs must be strengthened.

Targeting reduces costs but universal or geographically targeted programs make sense when most of the population in a region is poor, or where the economic or social costs of targeting outweigh the benefits. Programs that simultaneously contribute to human development (for example, child nutrition and education) are likely to be cost-effective in the long run.

Political Environment

The ability to implement large-scale safety net programs for poor people depends on the availability of resources, the structure of institutions, and the level of political commitment at the national level. This is in turn affected by the political power possessed by the poor and attitudes toward poverty among the middle classes, who may support either universal programs that benefit themselves or, conversely, targeted programs that benefit those most in need. The ability to target the poor also depends on a program's robustness against partisan politics and certain aspects of program design that prevent better-resourced groups from capturing program benefits. Ultimately, decisions about affordability have political as well as economic dimensions, and political support nationally and from international institutions is critical to these programs' viability.

Structure of Employment

Informal workers constitute the majority of workers in many African countries, and women outnumber men in this sector (except in countries in North Africa). The informal economy contributes significantly to many countries' nonagricultural GDPs, yet the conditions of work are precarious, and there is no access to social protection. A new approach is needed that recognizes the importance of the informal economy, explores ways to make work conditions more secure—security of trading sites, for example, and freedom from fear of confiscation of goods—and then seeks ways to enable collective access to the mechanisms of social protection. In India, over 90 percent of workers are in the informal sector, and the Self-Employed Women's Association (SEWA) provides a social security scheme in which about 100,000 of its more than 500,000 female members participate. This program is funded by contributions from workers and the government, and by interest on a donor grant, and has health, life, and asset insurance components.

Increasing economic migration in Africa is bringing greater social and economic risks, both for those who leave in search of work and for those who remain behind. New forms of informal organization related to saving and sending remittances home are bringing migrant workers—especially men—together in new ways. A new approach to social protection should explore ways to ensure safe and affordable

passage for the money these workers send, with possible links to affordable savings and insurance mechanisms using formal financial institutions.

States in Crisis

In the context of war, fragile postwar reconstruction, or failure of governance, many of those in need are refugees who require resettlement and rehabilitation and are far from being able to participate in certain development schemes. In these contexts, safety nets are likely to require ongoing subsidies, relief may sometimes need to be prioritized, and a greater role is needed for international aid organizations. IFPRI research in postwar Mozambique found that the conflict had caused the deterioration of informal safety nets, and that formal safety net programs were severely constrained by a lack of skilled personnel and administrative capacity. Some refugee programs have been designed to be more “developmental,” providing access to health, education, and microcredit. Large increases in government social-sector spending have helped provide a safety net and spur recovery, but Mozambique continues to rely heavily on donor support for these and other programs.

Natural Disasters

Safety net programs can respond to natural disasters through efforts ranging from emergency food aid to microcredit, but they must be flexible and swift in response. SEWA's experience in responding to earthquakes, floods, and drought over many years provides valuable lessons. SEWA focuses on helping people get back to work as soon as possible, on attending immediately to the need for collective child care so that women can resume their economic activities, and on working with local and provincial governments in setting up early-warning systems. Preexisting programs can help cushion the impact of shocks—for example, public works programs can be scaled up during crises. One idea being piloted in Argentina, India, Mexico, and Morocco is for government, the private sector, and international institutions to work together to offer area-based catastrophe (for example, drought or flood) insurance, indexed to specific events (for example, rainfall level) rather than individual losses, and backed by a global reinsurance market in which risks are pooled. As part of a safety net program, insurance policies can be subsidized for poor people.

HIV/AIDS and Disease

In the wake of the devastating spread of HIV/AIDS in Africa, traditional practices of caring for the sick and for orphans have been strained but have also adapted to new sets of needs. Family, neighbors, community institutions, and local informal organizations provide most care, but their ability to cope is being severely tested. The AIDS epidemic, as well as the prevalence of other diseases, heightens the need for safety nets and profoundly affects the way policymakers must think about the role and structure of these programs. When orphans are at risk of losing access to education or care for the sick takes place at home, programs should be designed with these vulnerabilities in mind. For example, public works programs could

be designed for the provision of care services—labor-intensive work that would provide a safety net, increase care options when public health services cannot cope, and allow health services to focus on prevention and curative care.

Innovative programs structured around the AIDS epidemic are found in Botswana, Burundi, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia, and Zimbabwe, among other African countries. Many of these programs provide support directed at orphans and vulnerable children, such as community-based child care centers; training for child protection; educational support such as fee waivers, school vouchers, and uniforms; direct transfers of food and clothing; nutrition monitoring and health programs; and skills training for adolescents. Other programs provide support for fostering households or those with members suffering from AIDS, including livelihood support, cash transfers, support for home-based care, counseling, and assistance for funerals.

Government and donor programs can provide important financial and technical support to community-based initiatives. Local government should also be involved in developing and supporting initiatives such as community-based care, providing finances for recurrent costs where possible. The private sector is also an important partner. In some countries it has developed tools and resources for caregivers and provided cofinancing and subcontracting of financial disbursements to community groups and non-governmental organizations (NGOs).

THE WAY FORWARD: STATE AND CIVIL SOCIETY PARTNERSHIPS

The vast majority of poor people in Africa have no access to formal social protection mechanisms and formal safety

nets. The widespread recognition of these programs' importance must be accompanied by efforts to strengthen the ability of poor and vulnerable people to make claims on their governments and employers to deliver social protection and by efforts to strengthen the capacity of governments and employers to do so.

In addition to state mobilization of programs described above, NGOs and community-based institutions can organize initiatives to provide care for sick adults and orphaned children, help identify "new poor" and vulnerable groups, assist in monitoring program impacts, and play a central role in setting up early-warning and rapid-response systems relating to shocks. The private sector can resume responsibility for occupation-related social protection for those in formal and contractualized employment, encourage formal financial institutions to extend their insurance services in a pro-poor direction, and donate expertise to governments and NGOs.

Multilateral agencies and donor countries can play an important role in facilitating such initiatives by advocating a role for appropriately designed safety nets in their lending programs, grants, and policy recommendations. Ultimately, however, national governments and the private sector must place a priority on investing in the poor, recognizing the importance of such investments for peace, economic prosperity, and human dignity.

For further reading: T. Conway and A. Norton, eds., "Poverty, Risk, and Rights: New Directions in Social Protection," special issue, *Development Policy Review* 20, No. 5 (2002); S. Devereux, *Social Protection for the Poor: Lessons from Recent International Experience*, Working Paper No. 142 (Brighton, UK: Institute of Development Studies, 2002); W. J. Smith and K. Subbarao, *What Role for Safety Net Transfers in Very Low Income Countries? Social Protection Discussion Paper No. 0301* (Washington, D.C.: World Bank, 2003).

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This brief was prepared for the conference on "Assuring Food and Nutrition Security in Africa by 2020: Prioritizing Actions, Strengthening Actors, and Facilitating Partnerships," held in Kampala, Uganda, April 1-3, 2004 <www.ifpri.org/2020africaconference>. The conference was organized by the 2020 Vision Initiative of the International Food Policy Research Institute, hosted by The Government of Uganda, and cosponsored by: European Commission (EC) • Centre de coopération internationale en recherche agronomique pour le développement (CIRAD) • Centre Technique de Coopération Agricole et Rurale (CTA) • Deutsche Welthungerhilfe (German Agro Action) • Development Cooperation Ireland • Federal Ministry of Economic Co-operation and Development, Germany, with Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), and Internationale Weiterbildung und Entwicklung (InWEnt) • Ministère des Affaires étrangères, France • Regional Land Management Unit (RELMA) • The Rockefeller Foundation • Sasakawa Africa Association • United States Agency for International Development (USAID) • World Food Programme (WFP) • World Vision International

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