Chapter 4

The institutional framework for social transfers

The objective of this chapter is to establish the institutional framework within which social transfer programmes can be designed and implemented. This chapter will also describe and provide examples of co-ordination efforts and models made by various governments and ministries.

The success of social transfer programmes depends critically on the institutional arrangements within which they are established. Global experience documents a range of models, and the appropriate framework depends on the policy environment and the historical evolution of institutional arrangements within the country.

The identification, design and implementation of social transfer programmes within larger social protection strategies usually involves policy instruments that fall under the domain of different government ministries. Effective interventions usually require the involvement of several ministries, often including the relevant social welfare ministry; the ministry or ministries responsible for gender, women, children, older people and people with disabilities; the labour ministry; and ministries responsible for human capital services such as health and education. Other ministries may also be relevant depending on the country's social and policy context. The finance ministry and, increasingly, the planning function within government also play a critical role.

The design of appropriate institutional arrangements requires three key elements:

- An overall policy coordination process that ensures coherence and appropriate integration, and includes a strong monitoring and evaluation function. The coordination process also plays an important role in harmonising development partner support.

- Policy design and implementation functions within the relevant ministries and other government institutions.
- Cross-cutting delivery institutions, mechanisms or structures that ensure efficiency and effectiveness.

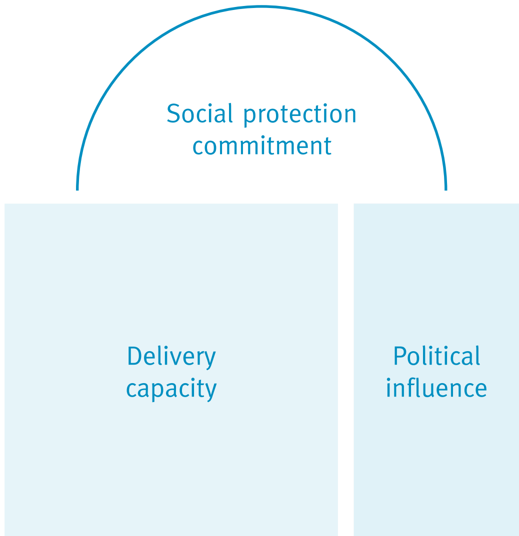

Figure 4.1 Three key elements for appropriate policy coordination

Addressing the first element, an overall policy coordination process, involves identifying the institution within government that will manage the overall coordination of the policy process. Countries around the world have adopted a plethora of models; responsible institutions include the relevant social development ministry, other ministries or institutions within government that have important social protection responsibilities, and key leadership offices up to the Office of the President. Each model has advantages and disadvantages, but the design of the appropriate institutional structure consistently involves leadership with the following characteristics:

- A sincere and durable political commitment to social protection;
- The political influence to secure resources, negotiate trade-offs and defend the framework's priority; and
- The institutional capacity to manage the framework of the development process.

The second element – political influence – involves identifying and developing the policy and implementation roles within each relevant ministry. This often requires a progressive process, since political will and capacity may develop at different paces in various ministries. The institution responsible for overall co-ordination can help to manage the process, which will unfold with the development of government priorities. For example, social protection strategies that make human capital development a priority will likely require greater roles for education and health ministries. Strategies that aim to tackle the risks faced by vulnerable groups will involve greater responsibilities from ministries responsible for social welfare and these specific groups.

Internationally, the responsibility for social protection is often shared across ministries, with responsibility for key interventions sometimes shifting over time. Bangladesh's Widowed and Deserted Women Scheme was originally managed by the Ministry of Social Welfare, but responsibility shifted in 2003 to the Ministry of Women and Children Affairs.[1] Similarly, the Ministry of Labour recently assumed management of Namibia's social pensions from the Ministry of Health and Social Services. In other countries, responsibility is shared – oversight and implementation duties may be divided between various ministries. In India, for example, the Ministry of Labour supervises pensions and the National Family Benefit Scheme administers the grants.[2] The fluid nature of social protection responsibilities requires effective central co-ordination.

The third element requires identifying the cross-cutting delivery responsibilities and building efficient and effective capacity. Increasingly countries that adopt large-scale programmes are recognizing the benefits of a centralised "single registry" management information system, similar to that pioneered by Brazil's Bolsa Familia cash transfer programme. Brazil also centralises key payment functions through a national bank. Centralisation involves a national set of policies, procedures and systems but decentralised delivery capabilities, with an operational presence close to each beneficiary. In Ghana, there is also a strong national system which includes a single registry and coordinating committee. Zambia and Pakistan have also adopted the use of a single registry system with their social cash transfer programmes and conditional cash transfers to children programmes, respectively.[3]

A number of countries have reformed their delivery systems or planned their design around this model where key delivery functions are managed centrally. For example, South Africa restructured delivery systems from provincial responsibilities to national co-ordination by a centralised agency after ten years of experience with a more decentralised approach. The World Food Programme (WFP) in Burundi is in the process of transferring control over to the central government with respect to food aid programmes. Lesotho is also said to have a strong, centralised cash transfer and food aid program with solid government investment.[4] Centralisation enables economies of scale and better harmonisation of policies and practices across provinces. It also helps maintain controls on fraud and inefficiency. An operationally and financially independent agency implements Mexico's Oportunidades cash transfer programme, with a reporting structure that includes the Ministry of Social Assistance, the Ministry of Education and the Ministry of Health. In Colombia an executing office reporting to the Office of the President implements the country's cash transfer programme.

Box 4.1: Institutional arrangements for Nepal

Nepal has effectively delivered important elements of a social protection framework, supporting some of the most effective social transfer programmes in a low-income country. In 1994, Nepal implemented a universal old age pension for all people 75 years of age or older. More recently, the government has announced the extension and expansion of the system of social grants, which are implemented by the Ministry of Local Development. Various ministries – including the Ministry of Education, the Ministry of Health and Population, the Ministry of Peace and Reconciliation and the Ministry of Labour – implement programmes that involve social transfer delivery. The growing role of social transfers in the government's national development framework increases demand for a more comprehensive social protection framework and policy. This section describes a possible model based on the lessons discussed above and consultations with key government stakeholders within Nepal.

Nepal's National Planning Commission (NPC) carries overall responsibility for policy planning and coherence, and executes co-ordination functions with all the ministries related to social protection. The NPC is responsible for overall social policy planning, and implements broad monitoring and evaluation functions across government. The NPC has convening authority and the policy authority to integrate policies across government ministries. The NPC is well-positioned to co-ordinate an overall social protection framework and policy development process. Furthermore, this model has worked successfully in Nepal.

When the International Labour Organisation (ILO) started providing technical assistance to the Government on the formulation of a National Plan of Action on Youth Employment (NPA), the NPC vice chair established a task force which was chaired by a joint secretary and consisted of all concerned line ministries, including finance. After the NPC

Information on existing programmes

Existing transfer programmes represent social contracts and frame the context into which new programmes must fit. In addition, they provide important information about public priorities for social protection (at the time of their implementation, government administrative capacity, the cost of implementation and potential pitfalls and bottlenecks that may be encountered. Nevertheless, existing programmes may lack adequate scale and require substantial expansion in order to meet the demands for social protection. Some types of programmes, however, may not be well-suited to scaling up. While policymakers must pay careful attention to the existing institutional environment, innovative approaches may more effectively provide social protection.

Understanding how existing programmes reduce social risks and vulnerabilities is the foundation for identifying the gaps that need to be addressed with reformed or new instruments.[5] Discussions with programme managers will usually illuminate the successes. Some of the potential shortcomings – information not often volunteered – include limited coverage (often excluding the informal sector and the poorest), inadequate and misallocated finance, unsuitable instruments (sometimes inappropriately imported from an upper-income country), and barriers to access (including discrimination, statutory exclusions, bureaucratic impediments and others.)[6]

Objective and rigorous programme evaluations can provide important insight and serve as leverage, particularly when country circumstances succeeded in developing the model, it handed over the implementation to relevant line ministries with coordination by the Youth Ministry.

The various ministries responsible for social protection elements play critical roles in the development and implementation of specific policies. The Ministry of Women, Children and Social Welfare (MWCSW) is responsible for core elements of social protection, particularly in terms of vulnerability and social exclusion. The Ministry of Labour holds responsibility for other important and distinct social protection areas, particularly in terms of labour market protection. The Ministry of Education and the Ministry of Health and Population both deliver programmes to make human capital services more accessible. The Ministry of Finance plays several important roles in the areas of policy formulation, resource allocation and coordination.

These various ministries have certain implementation responsibilities for which harmonised delivery systems may improve effectiveness and efficiency. For example, the old age pension, maternity incentive scheme, school scholarships and public works programmes involve cash payments across the country. The Ministry of Local Development (MLD) is responsible for the social pension scheme and delivers these cash payments through Village Development Committees (VDCs). Building a harmonised and well-functioning capacity for cash payments lowers the administrative costs to government and the private costs to beneficiaries while improving overall delivery. Other key delivery systems include registration systems, targeting systems, management information systems, monitoring and evaluation systems and appeals systems.

SOURCE: DFID/Nepal (2009).

have changed significantly since the institutionalisation of the existing programmes. Evaluations of the regressive impact of general food subsidies in Mexico, for example, supported the mobilisation of political support for the implementation of Progresa.

When programmes already exist in a country, they can both facilitate and impede reform. It is often easier to reform and extend an existing, moderately successful programme than to build a new one from scratch. Ineffective programmes, however, often assume an inertia that makes reform difficult. The existing beneficiaries and bureaucrats can make formidable opponents, particularly if the programme reduces benefits to poor and near-poor groups (even if the purpose is to redistribute resources to the very poor.)

Brazil's Bolsa Familia successfully faced the logistical and political challenge of consolidating four different cash transfer programmes; and the new consolidated programme effectively addressed the weaknesses and capitalised on the best features of the programmes it replaced.[7] (This example is discussed further in Box 4.2). Jamaica achieved similar success, unifying inefficient and independently-operating programmes with different target groups and high administrative costs. The resulting Programme for Advancement through Health and Education (PATH) provides appropriate benefits to different family members through a unified administration.[8]

Box 4.2: Brazil consolidates existing programmes into Bolsa Familia

In the mid-1990s, Brazilian municipalities began providing cash transfers to poor households on the condition that caregivers ensure children attend school. By 1998, sixty local programmes covered approximately 200,000 families. In 2001, the Education Ministry consolidated the local projects into a national Bolsa Escola programme. The Health Ministry established a parallel programme – Bolsa Alimentação – which targeted the same beneficiaries, but used separate administrative, delivery and reporting systems. Similar programmes were set up independently by the Zero Hunger initiative (Cartão Alimentação) and the Ministry of Mines and Energy (Auxílio Gas) with complementary social protection objectives – but with redundant administrations.

In 2003, the newly-elected government of Luiz Ignacio Lula da Silva launched a comprehensive programme to stimulate rapid growth and social progress. On the social side, the centrepiece of this effort was known as Bolsa Familia, a sweeping reform of Brazil's social safety programmes that consolidated these four federal cash transfer programmes and coordinated them with other social programmes and policies.

Bolsa Familia integrated the four programmes into a single conditional cash transfer programme under the umbrella of a new Ministry of Social Development. Integration of the four programmes made better use of public resources by reducing administrative costs and improving the system for targeting the beneficiary population. The programme and methodology were extended vertically to integrate the federal programme with the state and municipal safety net programmes, further extending and

Government capacity

Government capacity consists of the institutions, human resources, leadership, experiences, systems and other public resources that support the delivery of policy objectives. Policies ideal in theory will nonetheless fail in practice if the government's ability to deliver is too weak. Some programmes (such as those that rely on verified means tests) require substantially greater bureaucratic resources per unit of benefit than do others (such as universal programmes). Government capacity is not static, and the potential to build capacity is an important factor affecting the selection of the appropriate programme.

Conditional cash transfers and public works programmes require a much greater administrative capacity than unconditional programmes.[9] More complex programmes that include targeting or conditionalities increase the need to develop the necessary capacity if it does not already exist – or to shift towards a simpler form of programme.

If existing government capacity is inadequate, policymakers face the choice of either fortifying public institutions or relying on non-state actors, such as market-based agents or non-governmental organisations. However, private sector companies often face disincentives to serve the poor effectively.[10] Private contractors who implement public works programmes may choose a profit-maximising, capital-intensive approach instead of more labour intensive techniques that provide greater social protection but less profit. Contractors implementing private payment for social grants might not find it profitable to serve the most remote recipients of social transfers – even though the social cost of their exclusion exceeds the cost of servicing them. Careful attention must be paid when structuring contracts with the private sector to ensure there are incentives for including the poor and vulnerable.

consolidating (or coordinating) the overall safety net. By standardising results indicators and administrative procedures under a single programme (rather than four separate programmes), bureaucratic complexity was reduced. Finally, integration of the programme as a concept – that is, as a way of thinking about, discussing, and planning, as well as administering social protection – encouraged natural "synergy opportunities" for larger-scale actions related to education, health and nutrition for the poor.

This consolidation also helped facilitate a dramatic scale-up of the programme. In terms of numbers of beneficiaries, the Bolsa Familia Programme is by far the largest conditional cash transfer in the developing world. The scheme, which covered 6.6 million families in January 2005, was reaching 12.4 million families in June 2010, with the expectation of covering 12.9 million by the end of the year. In those 12.4 million families, approximately 49 million people benefit from the programme, 56% of whom are under 17 years of age. The government expects to expand the program to some 50,000 homeless people living in the cities.

Beneficiary families on average have a per capita income of 48.69 Brazilian reais (26.54 USD) without the help of Bolsa Familia. With the assistance of Bolsa Familia, that income rises almost 50% to 72.42 reais (38.48 USD) per month. The 'extreme poverty line' in Brazil is around 70 reais (38.16 USD) per month. Work remains to be done, however: although families in the South, Southeast and Central West have all benefited from Bolsa Familia, people in the North, on average, still remain below the poverty line.

Non-governmental organisations can sometimes provide support that effectively supplements government capacity. International organisations are familiar with appropriate practices and bring important knowledge about programme delivery. Local organisations are familiar with the country context and often rooted in the political environment. Partnerships between international and local non-governmental organisations can provide an important complement to existing government capacity.

Different strategies for implementing programmes require varying levels of government capacity. Donor funding through general budget support requires greater government capacity than direct project finance, since project budgets often are associated with technical assistance.

Government capacity requirements also depend on financing arrangements, particularly when donors are involved. Fragmented funding – particularly when recipients must comply with uncoordinated conditions – places a greater stress on administrative capacity resources, absorbing attention and resources from core government responsibilities.[11]

In these circumstances, investments in government capacity can have multiplier effects if donor requirements are sufficiently harmonised. They generate direct implementation benefits, but also encourage donors to shift towards greater reliance on sectoral and general budget support – which economises further on government capacity resources.

Capacity-building requirements in many low- and middle-income countries involve several elements, including:

- Increased capacity for data gathering and analysis for making evidence-based policy decisions;
- Design and implementation capacity at a national level; and
- Delivery capacity at a local level.

Box 4.3: How to deal with pre-existing social protection institutions

"Where social protection programmes already exist, conscious decisions will have to be made about whether reform efforts should build on the existing institutions or whether new institutions should be created. Societies almost always have at least some form of formal social protection institutions, but the institutions that exist may be very weak or cover only an extremely small fraction of the population. Where the existing institutions are neither very large nor very important, they may not impose serious constraints on the reform process. Where they are large, however, their influence cannot be ignored.

"Existing institutions influence policies about the structure and philosophy of social protection in several ways. They form a point of reference for comparing alternatives. Where the current approaches are generally viewed favourably among the population, the political path of least resistance will be to build on and extend them. The country's institutional history, including the relative

In many countries social protection initiatives fail to make it though the policymaking process, in large part because many policymakers do not appreciate the broadly developmental impact of these types of programmes. Initiatives to build capacity at a policy level – particularly through sharing lessons of global experience – can build political will and enable support for social protection. The more policymakers understand social protection, the more likely they are to champion important interventions. Policymakers also require technical support in making decisions at a policy level. Understanding the advantages and disadvantages of cash transfers, public works, school feeding, contributory programmes and other types of social protection interventions informs better policy decisions – a prudence that is particularly important when fiscal resources are stretched by the impact of the global downturn. In addition, governments may require support for the interministerial co-operation often required to build appropriate social protection systems.

Governments also require capacity-building support to strengthen national systems for targeting, delivery, fiduciary risk management and monitoring and evaluation. Targeting represents one of the most challenging activities associated with social protection. Sharing global lessons and building an evidence base of what works under different circumstances increases the likelihood of programme success. Efficient delivery systems may also require once-off capital investments to achieve cost-effective levels of performance, and internationally available technologies are rapidly lowering costs while interlinking more developmental services, including financial and communications services. Development partners also often support systems for managing fiduciary risk and effective monitoring and evaluation (M&E). Increasingly, rigorous evaluations constitute a global public good, contributing to an international evidence base supporting good practices.

Local governments also require capacity building, since the main implementation activities for social protection usually take place at a local level. Particularly in low-income countries, infrastructure for social service delivery requires significant capital investment. Frequently, local social protection-related government offices lack adequate staff, office equipment, information and communications technology and vehicles. Building capacity credibility of the public and private sectors and the extent of previous government social protection commitments, inevitably affects the scope and character of any new intervention. Given that existing institutions have staff and stakeholders who are likely to protect themselves, large government bureaucracies are not dismantled easily and private concerns that are profiting from the existing arrangements will resist change.

"A good stakeholder analysis of old and new providers and recipients of social protection may facilitate discussions during country programming and project design, by making the trade-offs transparent. Reforming social protection policies is likely to be easier – and the odds of success are correspondingly higher – if the new approach preserves an important role for the existing institutions."

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

involves not only increasing the number of staff members at local level, but also training them in the key elements of social protection – a subject that is still new in many developing countries.

Building capacity for evidence-based policymaking

- Inter-regional evidence and lesson sharing
- Technical expertise in policy analysis
- Within-country cross-ministerial linkages

National-level design and implementation capacity

- Targeting mechanisms
- Delivery systems
- Fiduciary risk management
- Monitoring and evaluation systems (M&E)

Local-level delivery capacity

- Delivery infrastructure
- Human resources
- Training
- Communications

Figure 4.2 Building capacity for social protection

Endnotes

1 Centre for Policy Dialogue (2004), page 81.
2 International Social Security Administration (2004), page 75.
3 Centre for Social Protection (2009).
4 Ibid.
5 Shepherd et al. (2005).
6 Asian Development Bank (2003).
7 See Lindert (2005).
8 Ayala Consulting (2003), page 6.
9 Sedlacek et al. (2000), page 22.
10 Asian Development Bank (2003), page 37.
11 Overseas Development Institute (2005), page 2.