



# **Part B**

## **Four sets of policies for poverty eradication**

The Chronic Poverty Report 2008–09





# Addressing insecurity through social protection

## A. Introduction

This chapter has a simple message: that social protection, and in particular social assistance, has an important role to play in reducing chronic poverty in low-income countries. Social protection against chronic poverty is affordable. When it is appropriately designed, implemented and scaled up, it can:

- protect chronically poor people from shocks and allow them to reduce their extreme vulnerability;
- help them conserve and accumulate assets, promoting their livelihoods; and

- transform their socioeconomic relationships, to further improve their longer-term livelihood prospects.<sup>1</sup>

Moreover, there is little evidence that social protection programmes targeted at the chronically poor are politically unsustainable, although elites typically have questions about creating dependency, and Ministries of Finance in low-income countries worry about the long-term financial commitment required.

### Box 19: Working definitions – the ‘socials’

Each of these terms is complex and widely debated; the definitions presented here should be considered as working definitions used in this report.

#### Social protection

- A broad concept, describing all interventions – from public, private and voluntary organisations and social networks – to support communities, households and individuals, in their efforts to prevent, manage and overcome vulnerability.
- Can include short-term emergency relief and food aid, subsidised food, payment for public works, informal risk pooling (e.g. burial societies), as well as the social assistance and social insurance measures described below.

#### Social assistance (also known as social transfers)

- A component of social protection that addresses poverty and vulnerability directly, through transfers, in cash or in kind, to poor households.
- Transfers can be unconditional, such as most pensions and disability or child grants, or conditional on certain behaviour, such as regular attendance at school or the health centre, or participation in public works.

#### Social insurance

- A component of social protection where the state undertakes or mandates an insurance programme – the payment of regular premiums or payroll contributions to secure entitlements to financial assistance in the case of specified contingencies, such as unemployment, old age, illness, impairment, crop failure, fire or theft.

#### Social compact

- A set of mutual obligations between the state and its people, based on a core set of agreed values, which take the form of duties and rights that become embedded in political and social institutions. A social compact exists when the majority of citizens agree (or at least acquiesce) to accept restraints on their individual actions in exchange for tangible benefits.

#### Social solidarity

- The ties in a society or group (social relations) that bind people to one another; a sense of connection, integration or interdependence.<sup>2</sup>

#### Social exclusion

- The social, economic, political and cultural processes that lead to the social isolation of some groups in society.

#### Social movements

- Politicised collective activities by people with a common ideology who try together to achieve certain general goals – in this case, of and for the chronically poor. Not organisations *per se*, but often uncoordinated forms of collective action, popular protest and networks, that serve to link both organised and dispersed actors in processes of social mobilisation.

Source: See Glossary (Annex B)

This chapter also develops two working hypotheses:

- first, that systems of social protection can be an important part of fostering a social compact between the state and citizens; and
- second, that social protection – when implemented alongside investments in infrastructure, the provision of finance, and other measures to relax supply-side constraints – could play a significant role in stimulating economic growth.

In the current global environment, in which both prosperity and inequality are rising, and where the number and severity of risks faced by poor people have increased, social protection offers a relatively new, and potentially radical, way of tackling chronic poverty. In this respect, while this chapter relates mostly to the insecurity trap, it also has implications for each of the other chronic poverty traps – limited citizenship, social discrimination, spatial disadvantage and poor work opportunities.

*Social protection offers a relatively new, and potentially radical, way of tackling chronic poverty.*

Two key bodies of evidence are integrated to make an argument for the potential of social protection to challenge chronic poverty. First, we draw on technical lessons on the design, implementation, impact and scale-up of particular approaches; second, we consider political lessons on the ways in which social protection has been introduced and expanded in particular country contexts. While it is clear that context can severely limit the scope for social protection (and always needs to be taken into account when selecting between approaches), we argue that beliefs about the political and social infeasibility of social protection are generally not well founded.

To develop effective social protection schemes, international donors have several important roles to play alongside national governments. It is vital that Living Standards Measurement Surveys (LSMS) and other instruments are rapidly adapted to evaluate social protection schemes. This will ensure that, as the endpoint of the 2015 Millennium Development Goals (MDGs) approach, there is sufficient data available regarding impact in different contexts. Good monitoring and evaluation, and the publication of results, help to develop the case for social protection and inform public debates. Evidence of success is critical to long-term political sustainability. For national governments, international donors and non-governmental organisations (NGOs), the period up to 2010 must be treated as a genuinely experimental phase of testing interventions and establishing systems of engaging with social movements. Following this, committed, long-term policies should be put in place and supported.

As social protection has risen rapidly up the development policy agenda, debates between and among policymakers, practitioners and academics about the efficacy, efficiency, affordability and fairness of different types of intervention have emerged.<sup>3</sup> It is clear from these debates that, while

social protection is not a panacea for all the problems faced by chronically poor people and chronically deprived countries, it can play an important role in reducing poverty and vulnerability, and it builds a base for the policies discussed in subsequent chapters.

## B. The central role of vulnerability

As introduced in Chapter 1, reducing vulnerability occupies a central place in policies to reduce chronic poverty. Vulnerability is understood as the likelihood that individuals, households or communities will find themselves in poverty in the future. There is a growing body of research providing insights into how and when vulnerability and insecurity push people into poverty. We know that exposure to major illness, natural hazards, economic and financial crises, to name a few of the most significant risks faced in developing countries, often results in an increased incidence of poverty.

The evidence on the extent to which these hazards result in persistent poverty, while persuasive, is less overwhelming.

As explained in Chapter 1, vulnerability is a core component of the insecurity trap that many chronically poor people confront. There are three main channels through which this occurs:

- through large, widespread and repeated shocks that drive chronic poverty;
- through lack of an adequate number or quality of buffers to protect poor households against hazards and stresses, and help them withstand shocks; and
- through the ways in which poor households respond to insecurity, which may minimise the impact of vulnerability on their lives in the short run, while keeping them in poverty in the long run.

The drivers of chronic poverty – such as health shocks (see Box 20), economic crises, unexpected changes in household composition, or natural hazards – are frequently followed by sustained periods of poverty among those worst affected.<sup>4</sup> Shocks and crises increase entries into poverty, as well as increasing the persistence of poverty among some of those already poor.<sup>5</sup> Women, with responsibility for the wellbeing of the household, often bear the brunt of a shock. Such effects are magnified by large, repeated and covariate shocks and crises.

The lack of availability and poor quality of buffers protecting households against shocks acts as the second direct channel. Chronic poverty may result from small or one-off shocks, or stresses, if the capacity of vulnerable households to protect themselves is severely diminished. Even very poor households strive to reduce their vulnerability by accumulating assets, collecting entitlements, and participating in networks (see Box 21). However, in large measure the chronically poor are highly vulnerable because they have fewer buffers, or because the

### Box 20: Ill health and chronic poverty

The life stories introduced in Chapter 1 illustrate how ill health and impairment can play a major role in creating and perpetuating chronic poverty, and how health insurance, and social protection more broadly, can help chronically poor people weather the storm.

In Kyrgyzstan, Bakyt's mother's impairment and his grandmother's age and illness wrenched him into premature adulthood: working 12 hour days in a coal mine, scavenging bricks from demolition sites, and undertaking household chores. Videos of Bakyt show him trying to fill the role of an adult man, but without the size, strength or experience. It is therefore unsurprising that Bakyt and his siblings suffer from poor health: Bakyt from bronchitis, his sister from anaemia and radikulit (a back and leg pain that worsens in cold weather), and his eldest brother from back pain. Such health problems increase the chances that each of these children will suffer from chronic poverty and will die prematurely.

In Bangladesh, the sickness and death of Maymana's husband Hafeez led to sudden and severe poverty. As Hafeez fell ill and sought medical advice and treatment from a wide range of informal and formal practitioners, the family sold rickshaws and land, and reduced consumption, to pay for these services. When Hafeez died, Maymana's misfortune worsened: her father-in-law unfairly seized the family's land, leaving the family close to destitution. Furthermore, as Maymana's only son – Mofizul – has a physical impairment that impedes his capacity to labour, employers refused to pay him a full adult male wage.

Health shocks and morbidity have also been a feature of Vuyiswa's life in South Africa. When she broke her leg she not only lost mobility but also her job as a domestic worker. Much later, Vuyiswa was diagnosed with diabetes. Since then she has received a disability grant, which allows her to transact in the local economy and within social networks.

In Txab's story, a period of relative stability in her life – when she and her son lived in a resettlement camp on the Laos-Thai border – was broken by her son's illness. Forced to sell their home to pay for his treatment, they moved to an outside village, and relied on support from the Christian community. Fortunately, her son survived, and Txab eventually moved, with her batik-making skills, to a nearby city and worked as an artisan.

In Uganda, Moses' life has been blighted by contracting measles when he was young. The subsequent deafness meant he only received two years of education, funnelling him into agricultural work and petty trading to earn a living. His deafness appears to have contributed to his relative isolation in later life: not utilising agricultural extension services or health services in the vicinity. Moreover, his childhood illness still causes him day-to-day problems: he is unable to work for an extended duration under the hot sun as his ears discharge fluid and cause him pain.

While Angel's Zimbabwean childhood was relatively free of poor health, HIV/AIDS and tuberculosis have taken their toll in young adulthood. Suffering from full-blown AIDS, Angel is unable to care for her 19-month-old baby. When a CPRC researcher met Angel in August 2006, she was gaunt, with dry skin and brittle, reddish brown hair. Her appearance was such that she could be either male or female and almost any age from mid-teens to early 40s (although she was actually only 25). Angel could not start anti-retrovirals until her TB had been successfully treated. The chances of Angel and her baby surviving were extremely low.

Source: See Chapter 1 and Annex L.

range and effectiveness of the buffers available to them fail to provide adequate protection.<sup>6</sup> There is ample evidence that inadequate buffers ensure persistent poverty.<sup>7</sup>

The third channel can be considered as the *indirect* or *feedback* effects of vulnerability on persistent poverty. Faced with high levels of vulnerability and insecurity, households may adopt strategies expected to minimise the impact of vulnerability on their living standards in the short run, but which may keep them in poverty in the long run. 'Rational' responses to vulnerability adopted by poor households can create poverty traps from which they will find it hard to escape.

The list of strategies that fit into this category is a long one, and can include:

- reducing the number and quality of meals<sup>8</sup>;
- postponing health-related expenditure<sup>9</sup>;
- withdrawing children from school and/or engaging in child labour<sup>10</sup>;

- responding to vulnerability to unemployment by shifting into informal or hazardous employment<sup>11</sup>;
- adopting less productive, but safer, crops<sup>12</sup>; and
- resorting to patron-client systems as a means of protection (as in Box 21, where Maymana accepts the protection of her cousin at the cost of support from the government to which she is entitled).<sup>13</sup>

Feedback effects of this type are difficult to identify and measure empirically, but an emerging body of research is making this link with growing confidence. More importantly, the findings from this research suggest that these feedback effects may provide the strongest explanations for the impact of vulnerability on persistent poverty.<sup>14</sup>

Vulnerability, while central to chronic poverty, is obviously not the only factor determining poverty dynamics. Building and improving returns on assets, transformative societal change, eliminating discrimination, and improving social



### Box 21: Keeping afloat through social networks and social protection

A reliable cash transfer can make a significant difference to the lives of poor older and disabled people – whose capacity to engage in physical work is limited by age and ill health – and their households. But for many of these people, informal social networks prove more crucial in their struggle to survive – and can even mediate access to pensions and other forms of social protection themselves.

Maymana's case is illustrative. Maymana is a Bangladeshi widow, probably in her 50s, with poor health and hearing problems. Her son suffers from a physical impairment. In order to receive a government old age pension, she first had been 'listed' on her union's (the smallest unit of local government) register. This happened after the local elected member held a discussion with prominent local men, following prayers one Friday, to identify poor people whom the union should help. Maymana was listed because of her poor condition (a widow who cannot work living in poor housing). The contact that her relatives have with union members almost certainly raised her viability for 'listing' (there is a far greater number of 'deserving' widows in the area than there are pensions).

These relatives, and her broader social networks, have proved crucial to Maymana's survival. When her husband was ill, males from their extended families helped arrange marriages for her daughters. When she was made destitute because of her husband's illness and death, her property-grabbing father-in-law, and her incapacity to work, she was able to borrow food and money from her daughters and sons-in-law, other relatives, and neighbours. Family and community members contributed to her son's healthcare costs. When desperate, she was able to beg, and sometimes received gifts or charity. During Eid, the mosque committee provides charity – one year, they gave the equivalent of five days' pay for her son, a sari and some meat.

Maymana's social networks have also worked against her. In late 1999, Maymana held a Vulnerable Group Development (VGD) card, entitling her to 30 kg of wheat each month. This is World Food Programme grain provided to female-headed households identified by the local government councillor as being vulnerable to hunger. However, she received only 7.5 kg and then had to return the card to the councillor. The reasons for this were complicated, but were related to the fact that the councillor belonged to a different political party from her paternal cousin, in whose compound Maymana's hut stood. Micro-level political machinations meant that a well targeted VGD card was forfeited by its recipient. This was a tragedy for Maymana, as such an entitlement may have created an opportunity for her and her son to begin to accumulate other assets.

Source: Hulme and Moore (2008)

and economic relationships are all important factors, and are discussed in subsequent chapters. Reducing vulnerability interacts with these wider factors – for example, it can contribute to maintaining and building assets and returns, through increasing the risks people take with their assets. Overall, then, tackling vulnerability is important, but it is far from sufficient to eradicate poverty.

## C. The importance of social protection

On this basis, we argue that social protection is both a necessary and fundamental element of strategies to eradicate poverty, although on its own it is not a sufficient strategy. Social protection describes all interventions from public, private and voluntary organisations and social networks, to support communities, households and individuals in their efforts to prevent, manage and overcome vulnerability. It is an extremely broad concept. This chapter progressively narrows the focus to state-provided social protection, and then to state-provided social assistance, based on the following argument.

The public provision of social protection is important for four key reasons.

- First, in many low-income countries traditional forms of social protection are under strain, and there are groups of people – including many, if not most, of the chronically poor – who are rarely seen as having potential for reciprocity, and so tend to be excluded from mutually protective arrangements.

- Second, new sources of protection – for example, remittances from migrants – often do not reach the poorest.
- Third, private insurance markets are non-existent or extremely underdeveloped, and will take significant time to emerge.
- Fourth, there are new hazards and combinations of hazards – such as increasing food prices and the effects of climate change – which add a further layer of risk on top of existing threats.

Social assistance can be defined as the component of social protection that addresses poverty and vulnerability directly, through transfers, in cash or kind, to poor households.<sup>15</sup> In developed countries, vulnerability is addressed and 'minimum living standards' secured through social protection, which includes social insurance measures (often employment-based, covering pensions, health expenses and disability) and strong labour market regulation. Here, tax-financed social assistance plays a residual role, reaching those missed by other measures, and is mainly in the form of income support, due to the presence of a strong public service infrastructure and low levels of informality.

In low-income countries, on the other hand, with limited public service provision, low coverage of social insurance schemes, and a high incidence of informality, social assistance becomes a key component of social protection and should be expected to support a higher proportion of the population

than in developed countries. In order to be effective against persistent and extreme poverty, social assistance in developing countries should:

- take the household (broadly conceived) as the main unit, in order to support an equal distribution of benefits and costs; and
- combine income transfers with wider forms of support, aimed at tackling the multi-dimensional and intergenerational nature of poverty.

Currently, social assistance in low-income countries is under-resourced. Increased expenditure on social assistance is required for chronic poverty to be eradicated.<sup>16</sup> Clearly, health and social insurance still have an important role to play. Indeed, there are numerous small-scale insurance schemes (some run by NGOs) that can and should be scaled up. But such schemes will take a long time to benefit the poorest, and in the meantime social assistance is needed.

## D. Lessons from existing social protection programmes and policies

A key argument of this chapter is that social protection can be afforded and scaled up, even in relatively poor countries. Administrative hurdles need not be a significant barrier

– as demonstrated by the rapid increase in coverage of the Chinese Minimum Living Standards Scheme (MLSS), among others. In most situations the constraints are more political or ideological. However, there will be some difficult contexts in which a lack of basic administrative and public financial management capacity may be a significant hurdle. The extent to which Chronically Deprived Countries (CDCs) can scale up and afford social protection over the short term is addressed below.

Box 22 provides a few examples of cash transfer programmes from three continents that reach a large range of numbers of beneficiaries (Annexes C and D offer further details on these programmes). Boxes 23 to 29 provide more detailed examples from India, Chile, South Africa, Bangladesh and Uganda.

## Policies, institutions and tools

It is clear that a variety of policy instruments are relevant for providing social protection and social assistance, and that there are ways of selecting the best packages of programmes for a particular context. For example, the Government of Uganda Social Protection Task Force's 'Cash Transfer Pilot Programme' has developed a matrix to test the feasibility of different instruments, such as:

### Box 22: Examples of cash transfer programmes

Conditional cash transfer programmes		Unconditional cash transfer programmes	
Name / country	Approximate scale	Name / country	Approximate scale
Food / Cash for Education / Bangladesh	~2.4 million children (2000)	BRAC's Challenging the Frontiers of Poverty Reduction – Targeting the Ultra-Poor Programme / Bangladesh	~100,000 beneficiaries
Familias en Acción / Colombia	~400,000 households with children (2002)	Old age allowance scheme and assistance programme for widowed and destitute women / Bangladesh	~1.4 million beneficiaries
Productive safety net programme / Ethiopia	~1 million households	Bono Solidario (Renta Dignidad in 2008) / Bolivia	~650,000 beneficiaries
Programa de Asignación Familiar / Honduras	~300,000 people in households with children (2002)	National Old Age Pension Scheme / India	~8.7 million beneficiaries (2007)
National Rural Employment Guarantee Act / India	Employment provided to ~30 million households, ~3 million got the full 100 days (2007-08) <sup>17</sup>	Kalomo District Social Transfer Pilot Scheme / Zambia	~1,000 households
Programme of Advancement through Health and Education / Jamaica	180,000 beneficiaries (2005) <sup>18</sup>		
Oportunidades / Mexico	~5 million households <sup>19</sup>		
Red de Protección Social / Nicaragua	~10,000 households		

Source: See Endnotes and Annexes C and D. For further details see Annexes.

- unconditional cash transfers;
- conditional cash transfers linked to human capital conditions (e.g. attending school or receiving health-care);
- conditional cash transfers linked to work requirements;
- transfers of agricultural or other inputs;
- integrated asset transfers; and
- food transfers.

The analysis takes into account a number of criteria:

- cost;
- the selection of recipients;
- coverage;
- the level, duration and frequency (e.g. one-off vs. regular transfers) of benefits;
- cash delivery mechanisms;
- political acceptability; and
- capacity requirements.

Similar exercises are underway in other low-income countries, with the explicit aim of determining which long-term policy commitments are appropriate. A range of resources are becoming available to support this process.<sup>20</sup>

In terms of choosing instruments, a possible strategy is to progress from 'smart', single interventions to multiple programmes. Smart single interventions target more than one vulnerability or deprivation (e.g. a public works project that both provides incomes to participants during the lean season, and constructs an embankment to prevent future flood damage to village transport links). Multiple programmes address both the multidimensional nature of poverty, by combining transfers with services and insurance, and the persistence of poverty, by combining investment in human capital and development. Many countries have adopted this approach.

Intuitively, this approach favours conditional cash transfers focused on human capital development, since these address both immediate needs and longer term (and intergenerational) deprivation. The evidence does not wholly support this intuition, since poor households manage their resources very sensibly, often (if not always) with an eye to human development. While most conditional cash transfers are paid on the condition that, for example, the children of the household are attending school, it is generally not required that the transfer is spent on the children. Nevertheless, elites are frequently sceptical about the ability of poor households not to 'drink away' unconditional transfers, and therefore conditional transfers may have greater policy traction, as discussed below. Moreover, one of the most important advantages of conditionalities is that Ministries of Education and Health become fully involved in the poverty reduction process.



Women carry baskets of cassava on their heads, after receiving the food as payment for working on a farm. Since food rations from the World Food Programme (WFP) have been cut, refugees have had a hard time finding food. The immediate post-conflict period in Angola from April 2002 has seen hundreds of thousands of refugees return to the country after more than 30 years of civil unrest. (Tsisumbuluv, Angola). Photo © Sean Sutton/MAG/Panos Pictures (2004).

The positive evidence in favour of conditional transfers comes largely from Latin America (see Annexes C and D).<sup>21</sup> Impact evaluations have indicated that these transfers are successful in raising consumption, schooling and health status among beneficiary households. (Poor households often do not invest as much as others in education and health services because of the high costs of accessing these services – compensating for these costs raises the likelihood that they will participate).<sup>22</sup> These transfers also help taxpayers and donors achieve their objectives of seeing more poor children in school and within the health system (thus giving children a better chance of escaping poverty). Costs are relatively low – a fraction of 1% of GDP. Strong monitoring and evaluation mechanisms have secured cross-party support for the programmes, which has meant that they continue beyond the tenure of particular governments. Graduation from these schemes is built in, as conditions apply only to certain stages of life, helping to avoid the alleged danger of creating dependency. Geographic selection is often used to focus on marginalised communities. For example, in Mexico, Progresa targeted small rural communities with a high marginality score and poor access to education and health provision, and then used a means test, based on household-level variables, to select recipients. A key question is whether these experiences can be transferred to other regions. In the last part of this chapter we argue that even in those countries facing greater financial, administrative and political challenges, it is feasible to initiate such programmes.

Shifting from 'smart', single interventions to multiple programmes may, however, encounter resistance and institutional inertia. Some countries have developed traditions of social protection over years that may be hard to shift. For



example, India has tended to opt for a combination of public works programmes and a targeted public food distribution programme, supported by a very expensive system of food procurement and storage. The roots of this combination lie in the urgent and politically salient need to reduce famine risk, approaches to address chronic malnutrition, and low and unreliable rural wages (child malnutrition remains stubbornly high in India, as it does in much of South Asia – see Annex F2). A high degree of inertia and path dependence – where earlier choices affect later ones – may exist in choice of instrument. When this is the case, the issue may be more about shifting resources from less to more effective instruments over time, rather than choices between instruments. In the Indian case it has been suggested that pensions (see Box 23) might be more effective at reaching remote and poor households than the public distribution system.<sup>23</sup> Similar arguments are made about another Indian programme that has recently

been extended to the national scale – the Rural Employment Guarantee Scheme.

### Identifying and overcoming obstacles to social assistance

Until the millennium, social protection, as a holistic set of interventions intended to prevent and overcome vulnerability, did not feature prominently in the international development policy agenda. Before this, some attention was given to emerging programmes and research by the World Bank's Social Risk Management framework. Neither social assistance nor the chronically poor were emphasised in this work, however, and the identified causes of vulnerability were largely apolitical. During this period, the International Labour Organisation (ILO), a traditional advocate of social protection, was hampered by a formal sector focus and was under resourced.

#### Box 23: Indian National Old Age Pension Scheme (NOAPS)

The Indian National Old Age Pension Scheme (NOAPS) was introduced in 1995 as one of three elements of the National Social Assistance Programme. Through NOAPS, central government provides funds to states to use as social assistance for people over 65 considered to be destitute, in the sense of not having any regular means of subsistence on their own or from family members.<sup>24</sup> Village-level local government bodies select beneficiaries, and the process is monitored by a system of local committees.

While a number of criticisms have been levelled at NOAPS – on the basis of low grant levels, limited outreach, and diversion of funds – the programme continues to evolve and develop. It offers interesting lessons for those wishing to provide regular social assistance on a very large scale.

In terms of grant amount, for a decade the centrally sponsored rate was set at a very low Rs75 (about US\$1.60) per month per beneficiary – one-sixth of the government-estimated subsistence income.<sup>25</sup> Many states augmented the centrally sponsored rate of payments, and the reported average across the states was Rs150.<sup>26</sup> In the 2006 budget, the central government announced a substantial increase in the centrally sponsored rate to Rs200, and 'urged state governments to make an equal contribution'.<sup>27</sup>

In terms of outreach, while the government estimates that 50% of those eligible (e.g. destitute people over the age of 65) are covered,<sup>28</sup> a much smaller proportion of the total number of poor (but not destitute) and older people (arguably the livelihood effects of old age are felt among labourers long before 60 or 65) are reached. At the same time, the Government of India estimates that NOAPS currently reaches over 8.7 million people across the country – a huge number, across a huge area. Further, the 'destitute' criterion was removed in late 2007, opening NOAPS up to all those over 65 living below the poverty line, including those in households already receiving a pension.

In terms of corruption and diversion of funds, it seems that early delivery problems have led to improvements in the system. Figures from 1999-2000 indicate that 94% of the pension allocation was claimed and 92% of recipients were eligible; however, there were problems regarding the regularity of payments.<sup>29</sup> In several states, where payments were delivered to beneficiaries via the post office rather than through local officials, diversion of funds significantly decreased.<sup>30</sup> This has now been adopted as an implementation principle by central government, in the 2006 budget. Thus, NOAPS has played a part in improving cash transfer programme implementation in India. Another feature of NOAPS that militates against corruption is the small size of the individual payments – other schemes are much more lucrative targets for diversion. The main area still open to abuse is the initial selection and registration of beneficiaries.<sup>31</sup>

There have not been sufficient recent reviews of NOAPS' impact on the lives of recipients to provide reliable data. An undated government study did find that 96% of recipients felt that the scheme definitely made a perceptible change in the quality of their life, and that the great majority were genuinely eligible and indeed extremely poor (notably, 37% were women and 46% were from scheduled castes or tribes).<sup>32</sup>

NOAPS has endured for over a decade and survived two changes in government. The political process that has led to the strengthening of NOAPS has involved using both international and Indian anti-poverty discourses, including Indian linkages between anti-colonial and anti-poverty campaigns, and a longer Indian tradition of campaigning for the state to honour its constitutional duty to the poor. A recent study suggests that the pension is claimed by even the most marginalised individuals as a right, unlike non-constitutional employment assurance schemes or primary education.<sup>33</sup> If NOAPS is helping to realise the kind of social compact envisaged in the constitution, that is a significant contribution to long-term social change in India.

Sources: See Endnotes.

This may change as social protection moves into mainstream development policy.

International scepticism over the efficacy of social protection and social assistance has been combined with national doubts. Gaining a political constituency for social protection is a critical first step in many countries. The generation of social assistance as part of an approach to poverty reduction requires a long-term and programmatic vision of a society without poverty – something painfully missing in the manifestos of national political parties in many countries.

Politics plays a vital role in fostering social protection and social assistance in low-income countries. Political factors have been critical in shaping success at each stage of the social protection policy process: initiation, implementation and expansion, and evaluation.<sup>34</sup>

### *The politics of initiating social protection*

In terms of policy initiation, elections are key political moments. They present the opportunity to renegotiate the contract between the state and its citizens, and sometimes to bring new social constituencies into political view. Indeed, several of the social protection initiatives examined here were introduced around election time. For this to happen, the quality of political institutions is critical, and dominant political parties, operating within well institutionalised and broadly representative party systems, are often vital to success. Such parties, along with ‘executive champions’ within political society, have been central in introducing social protection policies. Only rarely has the direct lobbying of civil society played a critical role.

Rather, civil society organisations appear to be a significant force in helping recipient groups to form a policy constituency capable of guarding social protection policies, once they are in place.<sup>35</sup>

Urban–rural politics are likely to be highly important in terms of initiating social protection. The urban poor are visible and can feel threatening to urban elites. They are therefore sometimes able to make stronger claims through social and political movements and effective local government representation (Mozambique’s Office for Assistance to Vulnerable People (GAPVU) and China’s MLSS are cases in point). Urbanisation can thus be a stimulus for social protection policies. In contrast, the chronically poor are often more numerous, and are frequently trapped, in rural regions. There they find it hard to penetrate urban policy spheres, and, may therefore be left out of such schemes for longer (unless well positioned political actors lobby for their cause).

### *Poverty discourse, ideology and selection of beneficiaries*

Despite the current preference for evidence-based policy making, our cases suggest that the discourse about poverty in poor countries matters even more than ‘pure’ technical analysis. Elites need to be convinced that the poor face significant constraints that require public action – interventions in India, Bangladesh and southern Africa were all introduced by political parties representing broader political movements, who promoted the view that poverty is mainly caused by factors beyond the control of the deprived group. Such political forces were influenced by a range of ideological positions, including

## **Box 24: Chile Solidario**

Chile’s experience with extreme poverty reduction provides lessons for other countries. Economic and political conditions in the country have been singularly propitious. The Chilean economy has achieved strong and sustained economic growth since the mid-1980s, while centre-left coalition governments, in place since the restoration of democracy in 1990, have prioritised social policy and especially poverty reduction. By the early 2000s, poverty rates had halved from their peak in the mid-1980s. Government concerns have focused on the persistence of extreme poverty. Households are considered to be in extreme poverty if their income is insufficient to cover their food consumption. Such households were estimated to represent about 5% of all households in the country at the turn of the millenium. A review of poverty reduction policies concluded that a primary factor in the persistence of extreme poverty was social exclusion. By 2004 there were over 130 poverty reduction programmes across over 30 public agencies, but their approach lacked coordination and they depended on those in poverty coming forward.

In 2004 the government introduced a new approach, under the title of Chile Solidario, with the objective of eradicating extreme poverty. By the end of 2006, 246,000 families were enrolled on the programme, exceeding the original target of 225,000. At the core of Chile Solidario is a programme called Puente (‘bridge’), which aims to build a bridge between extremely poor households and their rights. Households in extreme poverty (as well as older people living alone, and homeless people) are invited to join the programme. They are supported by an income transfer and a social worker, and are helped to identify their deficits in seven main areas: income, employment, health, education, housing, registration, and household dynamics. Over a two-year period, Puente coordinates the work of all public agencies to overcome the deficits identified. Once basic levels are achieved, households exit Puente and continue to be supported with an income transfer to prevent them from falling back into extreme poverty. Exit rates have been in line with programme targets, interruption and programme rejection levels have been low, and levels of take up of most social programmes and services have increased; however, a full evaluation of the success of the programme will not be available until 2010. Chile Solidario constitutes an innovative programme which aims at enhancing poor people’s capabilities. It has the ambitious aim of eradicating extreme poverty in Chile.

Source: Barrientos (2006), Schulte (2007)

anti-colonialism and socialism. The main consistent thread, however, has been a commitment to nation-building, whereby the target group was seen to be comprised of important citizens who had a strong case for deserving public action (e.g. some categories of destitute women are associated with nation-building in Bangladesh).

At least two important policy implications flow from this. First, those interested in promoting social protection policies should understand the broader battle of ideas – on the causes of poverty, the relative roles of public policy and private charity, and concepts of development and nation-building – in societies in the South. Second, there is a need for a much stronger focus on causality within poverty diagnostics. Currently it is too concerned with establishing correlates and characteristics, rather than getting to grips with the factors that underpin poverty over the long run.<sup>36</sup> One way forward is to integrate an analysis of social exclusion within the poverty diagnostics carried out for Poverty Reduction Strategies (PRSs).

Despite fears that social protection is politically unpopular, most of the interventions examined for this report were introduced without significant resistance. However, once

programmes are rolled out and public funds committed to them, then constituencies can form in opposition as well as in support (as has been the case with pensions, in both Namibia and South Africa). A critical issue for the sustainability and growth of social protection schemes concerns their institutional location within government. Such schemes are often located within social development ministries or agencies. These may offer a natural and sympathetic home but they tend to lack political influence at the centre. Our cases suggest that it is critical to have the involvement and support of more powerful ministries, particularly finance, and that long-term institutional partnerships or ‘hybrid’ institutional arrangements for housing pro-poor policies (e.g. the location of the Department of Pensions within the Ministry of Finance in Lesotho) might offer promising ways forward. Social assistance programmes attached to strong, mainstream ministries of education or health may not experience this dilemma.

The selection of beneficiaries (or targeting) is also a critical design issue, with important political ramifications in terms of programme sustainability. There remain good reasons to aim for universal provision.

### Box 25: Social protection and intergenerational poverty reduction in South Africa

Building on apartheid-era welfare programmes, South Africa's African National Congress (ANC) government has significantly expanded both the coverage and value of social protection transfers. The new programmes are targeted at three groups: older people, children and disabled people. All the grants are means tested, but, given the extent of poverty in South Africa, they reach a large number of people. For example, it is estimated that the old age pension is paid to 80% of South Africans over 60, and the grants as a whole make a substantial difference to the poverty gap, reducing it by some 29%.<sup>37</sup> They are also strongly pro-poor: two-thirds of the income of the poorest 20% of households is attributable to state transfers, and they ‘receive the largest amount from grants, not just as a proportion of income, but also in absolute terms’.<sup>38</sup>

The child-related grants are clearly intended to break intergenerational cycles of poverty by providing assistance to poor households with children. But the old age pension, while alleviating the poverty of older people, also contributes to child development through the sharing out of pension payments within households.<sup>39</sup> Indeed, the additional resources it provides for grandparents to contribute to their grandchildren's upbringing have become acutely important in the context of the spread of HIV/AIDS, with rising numbers of orphans and other vulnerable children being cared for by grandparents. The South African Committee of Inquiry noted that “‘skip generation” households (comprising child and grandparent), on average, have their poverty gap closed by over 60 per cent’.<sup>40</sup> Another major study notes that ‘children in households that receive social grants are more likely to attend school,’ part of ‘a virtuous cycle with long term dynamic benefits’.<sup>41</sup>

While public expenditure on grants is large by developing country standards, all this is done at a reasonable cost. For example, while the pension is the largest single grant, at 1.4% of GDP, it is estimated that tax expenditures on private pension plans cost the state 1.7% of GDP annually.<sup>42</sup>

Challenges in implementation and development of the programme remain, particularly in rural areas, where payments have been uneven and there has been a less pronounced impact on poverty.<sup>43</sup> Moreover, the disability grant has a very low take-up rate, just 36%.<sup>44</sup> And intra-household dynamics are complex: in some cases pension sharing may benefit children, at the expense of older people. An extension of child grants might be one way to remove the need for households to make such trade-offs.

Nevertheless, it is clear that the system has not only had a substantial effect on chronic poverty, but has also shifted the terms of debate on social policy and the state–citizen compact in South Africa. The debate now focuses on the expansion of the programmes, rather than their survival. The anti-apartheid struggle's success in ending constitutionally enshrined minority rule was clearly important in making this possible. It may appear that concerns over stabilising a potentially fragile political settlement and ensuring continued international investment led the ANC government to compromise its egalitarian economic programme on transition to power. However, its strong links to the chronically poor (especially the urban poor), forged in the struggle for political rights, kept poverty and redistribution on the political agenda, and helped drive large-scale progressive reform of social protection.

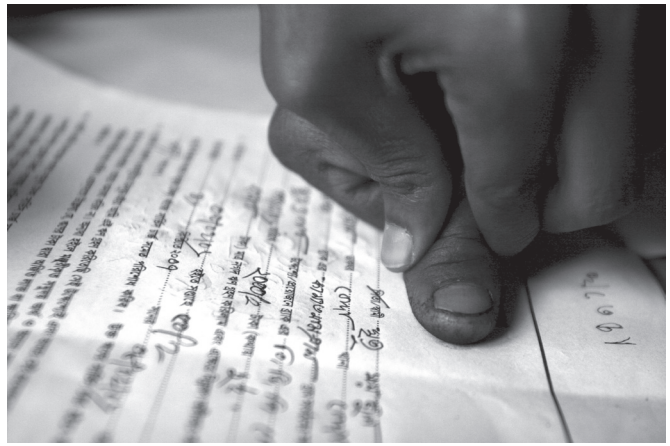
Sources: See Endnotes

While vulnerability is mitigated by informal measures and mechanisms in many developing countries, the potential for expanding such social protection is limited. Some societies are organised along horizontal lines of solidarity, in which mutual support runs within family, clan, location, ethnic or religious group, but rarely across vertical class or income lines. Here risk is 'socialised', but within distinct horizontal boundaries. While this works relatively well for more advantaged groups, it usually works poorly for the rest and for society as a whole. Social protection can help create different bases of allegiance by socialising risk in a different way. If one agrees with this line of argument, then selection needs to be relatively inclusive, so as to maintain cross-class and cross-group support for social protection. Moreover, universal provision avoids stigmatising recipients, extends benefits to previously excluded ethnic groups (as in southern Africa), and reduces some of the costs of selecting households.

However, where universal provision is not feasible, due to financial constraints, or not functioning (because, for example, there is a lack of infrastructure in remote rural areas, so that the poorest older people cannot access pensions) then targeting can work. The dictum that 'more for the poor means less for the poor' (because richer groups will seek to undermine and roll back programmes that are targeted directly at the poorest groups) is not supported by data.<sup>45</sup> Instead, means-tested or otherwise narrowly targeted programmes may endure and be expanded, even during economic decline – while more universal programmes can be placed under political pressure on cost grounds. As such, there is little evidence that programmes targeted at the chronically poor are politically unsustainable.<sup>46</sup>

In most cases, then, selection is important if programmes are to reach the poor and poorest. 'Rank selection' is most useful, as opposed to binary, poor/non-poor selection. By ranking households, policymakers can choose to start from the poorest and work progressively to include other groups. Of course, there are always trade-offs between the cost and the accuracy of targeting, as well as a need to consider what levels of exclusion or inclusion error are politically acceptable.<sup>47</sup> It is important to bear in mind that selection involves political processes and political outcomes – there is a need to avoid both excluding the chronically poor from benefits and isolating them in political terms. Civil society organisations, with the support of international donors and NGOs, have a role to play here. They can support chronically poor people and advocate on their behalf, as they fight for their rights as citizens to access government programmes, including social assistance (see Chapter 5).

*There is little evidence that programmes targeted at the chronically poor are politically unsustainable.*



An illiterate woman uses her thumbprint to sign contractual documents for a small business loan at a BRAC microfinance centre. BRAC runs microfinance programmes throughout Bangladesh (Dinajpur, Rajshahi Division, Bangladesh). Photo: G.M.B. Akash/Panos (2006).

### Challenging the dependency thesis

It is perhaps less clear whether social protection policies, once introduced, tend to reinforce or undermine democratic forms of politics. Citizenship and rights can be strengthened by the extension of social protection, but so can local patronage

networks when access to entitlements is mediated by local political elites. There are aspects of popular and political ideologies about the poor and poorest in society that can inhibit political support for social protection. These include:

- the desire to direct public resources to 'productive' rather than welfarist ends;
- the desire to avoid creating dependency among the poor. This reflects a belief that poverty can only be eradicated by the poor helping themselves, as well as, to varying degrees, perceptions that the poor are lazy and feckless; and
- the belief that any 'residual' poverty among the 'deserving' poor should be dealt with through private charity.

From this perspective, welfare should only support the process of self-help by poor families, and should not preclude it.

In order to build a constituency for regular and significant social protection for the chronically poor, it is important to challenge the dependency thesis, by countering inaccurate perceptions of poor people as indolent. The CPRC is completing research in South Africa that provides detailed qualitative evidence to challenge the dependency thesis, illustrating that transfers are highly productive.<sup>48</sup> This investigation of how grantees use their grants shows that the following transfers play a key role in economic investments: seed money for informal economic activity; inputs for agriculture, for enlarging assets, improving homes, supporting education, or towards



### Box 26: BRAC's Challenging the Frontiers of Poverty Reduction – Targeting the Ultra-Poor (CFPR-TUP) Programme

BRAC, the largest poverty reduction NGO in Bangladesh, and possibly the world, launched the CFPR-TUP Programme in January 2002 as an experimental initiative in selected geographical areas. This was in recognition of two key findings from BRAC field experience and research:

1. BRAC's highly regarded microfinance programme, like most such programmes, rarely reaches the poorest women, due to the design of BRAC's loan-driven microfinance products, and to social and self-exclusion.
2. BRAC's experience with the Income Generation for Vulnerable Group Development (IGVGD) programme since 1985 showed that this largely successful programme also fails to reach the poorest women. At least 30% of participants – usually from the poorest and most vulnerable households – do not progress to microfinance programmes; and a significant minority of 'new' IGVGD participants have taken part in the programme previously, but have failed to improve their livelihood security.

The TUP aims to enable the ultra-poor to develop new and better options for sustainable livelihoods. This requires a combination of approaches: promotional (e.g. asset grants, skills training); protective (e.g. stipends, health services); and transformative (sociopolitical). The programme targets two groups of ultra-poor people:

1. Specially Targeted Ultra-Poor (STUP), who are supported with the complete package, called the Special Investment Programme (SIP). This includes asset grants (e.g. poultry, livestock and horticultural inputs); monthly stipends, to help smooth consumption and reduce vulnerability and opportunity costs; intensive social awareness and enterprise training; and health services.
2. Other Targeted Ultra Poor (OTUP), who do not receive assets, only skills development, more intensive staff support, and health support.

The STUP are organised into microfinance groups after 18-24 months, while those OTUP who are not already BRAC microfinance members join groups immediately. TUP employs two broad strategies to reach the STUP:

1. Pushing down: TUP seeks to 'push down' the reach of development programmes, through specific targeting of the ultra-poor, using participatory approaches combined with simple survey-based tools. These selected households are brought under the SIP for two years.
2. Pushing out: TUP also seeks to address other dimensions of poverty and to work on the social-political relations that disempower the poor – especially women – and constrain their livelihoods. Building links and support networks with other groups and organisations is key to 'pushing out'. Thus, Village Assistance Committees (GSCs) were established to mobilise the energies of local elites in support of TUP participants, and the poorest more generally, in their village.

By mid-2006, TUP was operating in around one-quarter of Bangladesh's districts, with a focus on the north and areas with 'hungry seasons'. At that time, the cumulative number of TUP participants was 100,000 and there are plans to recruit 300,000 new STUP participants over the next five-year phase. This is a fraction of the total number of ultra-poor people in Bangladesh; however, BRAC currently works with over six million people in villages and slums across the country, which contain an estimated 110 million people. This gives BRAC a significant head start in contributing to a process of scaling up the programme. The entire CFPR-TUP programme is funded by a donor consortium, which has contributed approximately US\$65 million over the period 2002-06, and committed a further US\$155 million over the next five years. By 2006, the high initial costs of the SIP were reduced by over 40%, to US\$268 per recipient, as the programme scaled up and found ways of reducing costs.

The achievements of TUP are already emerging. Participants show greater rates of asset accumulation than non-participants in all asset domains, and are improving their nutritional status and food security. About 70% of participants had taken and regularly repaid a first loan. BRAC continues to strive to assist those 30% who were unable or unwilling to take a small loan, or had trouble repaying. Finally, in many villages the GSCs contribute significantly to the security and wellbeing of the poorest, challenging those who automatically assume that the involvement of local elites in development programmes will always be negative.

Source: Hulme and Moore (2008)

migration in search of work. Grants are often allocated after cooperative household decision-making (though, of course, there are exceptions, where grants are used selfishly or inappropriately). While private remittances to grant-receiving households are reduced, these flows are frequently redirected for productive use within extended family networks. Grants also allow poor women in particular (for example, poor female-headed households) to transact within social networks from which they would otherwise have been excluded.

Dependency is nevertheless a serious elite concern (not only in South Africa), and is closely linked to concerns about affordability and the longevity of social assistance. The idea of dependency is used politically to oppose and limit social assistance, ensuring a strong focus on the potential for free-riding and abuse of the system. The South African study has produced little evidence that a culture of dependency is being created among the study participants. Rather, their livelihood strategies display an overriding emphasis on participating in



### Box 27: Using social grants productively in South Africa

Forty of the 48 households that participated in qualitative interviews in Khayelitsha, Cape Town, and Mount Frere, Eastern Cape, were in receipt of a social grant (including Pension Allowance, Disability Allowance, Child Maintenance Grant, Child Care Allowance and Care Need Allowance). The interviews elucidated how these social transfers were spent, and their impacts on the household and wider social networks. These grants allowed many of the households to secure access to basic food and domestic supplies. Moreover, in 14 households the receipt of the social grant allowed the recipient to undertake care work, thus becoming a vital link in the care chain, and freeing up relatives' time and energy.

Importantly, in ten households social grants provided seed money or an ongoing subsidy for economic activities (such as Vuyiswa's vegetable trading business). Grants were also invested in houses, children's health and education, and providing access to the formal labour market. The spatial distribution of these investments is of particular note: they often occurred outside the recipient's 'core' household, and were made in consultation with, and with the co-operation of, networks of relatives. In this respect, the receipt of grants has a knock-on effect on care chains and the investment choices and livelihoods of wider social networks. We can clearly see that social transfers are fungible – and because of this they would not reduce private remittances, but would divert such remittance flows to other nodes in social networks.

Source: Du Toit and Neves (2006)

the broader economy, investing in their own wellbeing and productive capacity, and retaining or acquiring a measure of economic independence – or, at the very least, the ability to engage on some equal footing in the acts of reciprocal exchange on which their wellbeing depends. Many non-poor people worry that predictable cash transfers will make recipients reluctant to generate additional, independent incomes. The actions of the study participants, however, counter the idea that transfers contribute to simple subsistence on social grants.<sup>49</sup>

Research from several countries suggests that such transfers are often used as small investments. For example:

- Recipients of Mozambique's food subsidy programme use the money as working capital for petty trading, for rearing chickens and selling the eggs, and for making and repairing clothes.<sup>50</sup>
- Even those whom we might think of as dependent, such as pensioners in Lesotho, have been able to use cash transfers to make small investments, benefiting both themselves and their grandchildren.<sup>51</sup>
- As much as 29% of the money transferred to the beneficiaries of Zambia's Kalomo Pilot Scheme – destitute households, most affected by HIV/AIDS, headed by older people, or with high dependency ratios – was invested in the purchase of small livestock (e.g. poultry), in farming (hire of labour or agricultural inputs), or for informal enterprise (working capital for making baskets).
- Research in Mexico and South Africa suggests that transfers make work more feasible, as recipients can afford bus fares and presentable clothes for work.<sup>52</sup>

Thus, far from discouraging people to pursue independent income-generating schemes, cash transfers actually enable people to do exactly that, by providing the requisite capital.

*Grants allow poor women in particular to transact within social networks from which they would otherwise have been excluded.*

Mexico's Progresa programme did not result in a reduction in labour-force participation rates.<sup>53</sup>

It has been noted that the current scale of most transfers, or those likely to be affordable in the medium term, are simply too small to deter chronically poor people from working.<sup>54</sup> However, even if transfers were more generous, a commitment to the labour market may prevent dependency. As to whether such commitment exists, research in South Africa illustrates a widespread belief in the value of paid work, among both the employed and unemployed, and, on the part of the latter, a willingness to relocate to find work.<sup>55</sup>

But suppose there were evidence that some cash transfers did have a deterrent effect, what would we then conclude about such transfers? Well, it is not obvious that all such effects are detrimental to aggregate wellbeing. Suppose cash transfers provided beneficiaries with sufficient financial security to obviate the need to resort to exploitative financial arrangements. Cash transfers in Ethiopia have enabled poor households to renegotiate contractual sharecropping and livestock arrangements with richer households.<sup>56</sup> Cash transfers to landless labourers in

India have also been found to transform the conditions of otherwise exploitative clientelistic relationships, by decreasing the beneficiaries' need for, and thereby bargaining power with respect to, such arrangements.<sup>57</sup> In Zambia, Kalomo beneficiaries were able to avoid selling their maize cheaply after harvest and buying it back at high cost later, instead using their transfer income to meet essential expenses.<sup>58</sup> The incidence of begging (i.e. dependency upon others) among Kalomo recipients was also noted to be reduced.<sup>59</sup> So, while cash transfers may not be sufficient to substitute for employment, and thereby do not produce dependency, they do seem capable of providing sufficient financial security to enable recipients to bargain for better rewards.

Of course, some chronically poor people are unable to participate in productive activities and require long-term support. Here as well, cash transfers can play an important role in transforming adverse forms of dependency. Older people, for example, often have no savings, assets or capacity to generate income and may thus be entirely reliant on their families for financial support. Perceiving oneself as a burdensome drain on scarce resources can erode self-esteem. Cash transfers can transform such perceptions, as financially self-reliant pensioners benefit from their newfound independence and capacity to contribute to the household (and thereby enjoy greater social respect and dignity).<sup>60</sup> Thus, it seems that cash transfers, far from encouraging recipients to be dependent on that one source of income alone, have enabled recipients either to generate additional income that would not have otherwise been possible, or to work on better terms than they would have otherwise been able to bargain for.

Social policy on welfare grants should be informed by, among other factors, the need for appropriate selection and the need to avoid welfare fraud. But, rather than minimising the negative, policy should focus on maximising the positive. This can be addressed in design: in addition to careful selection and mechanisms to avoid fraud, schemes can ensure that graduation mechanisms either occur naturally (e.g. the end of pre- and post-natal periods, graduating from school, death of a pensioner) or are induced whenever possible (through progression from receiving grants, to training and involvement in savings and insurance schemes, to access to credit and skill enhancement).

#### *Social protection to foster the social compact*

Ultimately, the strongest political underpinning for pro-poorest policies involves the formation of a social compact. The social compact reflects a core set of agreed values that become embedded in public institutions, and thus set parameters for the relationship between citizens and the state. This compact confers responsibility on the state to provide certain entitlements via policy, as well as conferring both rights and

duties on citizens. State failure to implement its duties has potentially serious political consequences. For example, the pension scheme in India (outlined in Box 23) is moving towards a position where it is expected and demanded by older citizens as an entitlement, as it is in South Africa and Namibia.<sup>61</sup>

Supporting the development and deepening of the social compact is not easy for external actors. Donors may need to focus initially on avoiding damaging compacts, where they exist, and on supporting stronger political institutions capable of developing constructive compacts (which requires a closer engagement with political society). Beyond this, it seems likely that a more politically informed approach to promoting social protection involves the following elements:

- integrating social assistance programmes within existing and well recognised policy channels;
- offering direct budgetary support for social assistance; and
- making links between chronic poverty, citizenship and nation-building.

All of these measures would also contribute to the wider project of deepening the social compact between states and citizens.

## **E. Country context**

Country (and local) context is important, both to understanding chronic poverty and poverty dynamics, and also to the business of finding appropriate and feasible pathways out of poverty. Context is particularly important to the analysis of social protection, as the majority of lessons come from middle-income countries, and from low-income countries where there are relatively strong tax bases (for example, from Partially Chronically Deprived Countries like South Africa and India, and Partial Consistent Improvers like Brazil, Mexico and Chile). Lessons cannot be 'read' straight from one set of countries to another, which may face much greater developmental challenges – a lack of administrative capacity, infrastructure, basic services, and/or security from conflict. Designing social

### **Box 28: Uganda's political class grapples with social protection**

Following the Uganda Chronic Poverty Report (2005), which highlighted the need for social protection to address chronic poverty, the CPRC has worked with the Government of Uganda Social Protection Working Group to develop a pilot cash transfer programme. If successful, this programme could be rolled out nationally. Research has played a role in raising the profile of this cash transfer programme. Uganda's target is to reduce poverty to 10% by 2017, and a small group of researchers and civil society organisations (CSOs) has played a key role in informing parliament and the media how the cash transfer scheme can contribute to this target. To demonstrate the feasibility of the initiative, local and international CSOs have arranged for key political actors to pay comparative visits to Zambia and South Africa. By early 2008, a pilot project had been designed and reviewed in the budget process by Parliament and the Ministry of Finance. This has stimulated a debate about whether the programme should be rolled out immediately, whether cash transfers to the poorest would create dependency, and the extent to which the programme is financially sustainable. The cash pilot programme has generated a healthy public debate about the causes of poverty and what specific types of instrument provide the best way forward.

Source: CPRC Uganda.

protection programmes requires detailed knowledge of the national and local context. However, it is clearly desirable to design different approaches to social protection, based on the extent of deprivation and the developmental trajectory of a country.<sup>62</sup>

There is an important question around whether a ‘low-income social protection trap’ exists.<sup>63</sup> Where most workers are employed at low wages and in the informal sector, with little security, there is no scope for formal social protection (although see Box 29 on social insurance for informal wage workers). The argument is that a critical mass of formal sector employment is required, before employment-related social protection (social insurance, pension plans, health insurance) can take off. Without this, the tax base may also be too small to finance social assistance. Clearly, this issue requires further political and economic investigation. Taxpayers have preferences for their own consumption, but also for the wellbeing of the poor and poorest. It is hard to conceive of a situation in which taxpayers had no interest in preventing destitution, or reducing a perceived risk of social unrest. For these preferences to translate into a willingness to pay taxes to fund social protection, citizens must trust the state to spend appropriately, and the dependency thesis must be effectively challenged. Generating revenue is discussed further in Chapter 6.

### Contextualising social protection

Can one envisage a social protection schema which might apply across countries’ deprivation categories and trajectories? Table 6 attempts to do this in a tentative manner. This is not based on a substantial research base – it is a simple tool to illustrate how social protection and social assistance could be tailored to country contexts. It is important to note that not all countries in each category have social protection policies or programmes currently in place.

#### Box 29: Social insurance for informal wage workers

Universal social insurance is not feasible in most low-income economies, since beneficiary and firm contributions would not be forthcoming. Specific product- or service-based social insurance, financed from a levy on the product or service, could be one way forward. In India the bidi (hand-rolled cigarette) industry has a welfare fund, organised by the Department of Labour, based on a levy on bidi exports. This provides medical care, education for children, housing, water supply and recreational facilities for at least some bidi workers. The levy is low, however, and not many bidi workers know about the scheme or belong to organisations which entitle them to benefit from the fund. However, the Government of India has designed a national policy on homeworkers which advocates the replication of such funds.

Source: Mehrhotra and Biggeri (2007)

Considering social protection according to country context is not straightforward. So far, social protection in Chronically Deprived Countries (CDCs) has most frequently taken the form of emergency social assistance, often dependent on international responses (which are notoriously poorly coordinated and delivered). However, a number of CDCs are attempting to move away from disaster relief, towards more permanent social assistance programmes. Examples include Ethiopia’s Productive Safety Nets Programme (see Box 13) and Uganda’s and Malawi’s commitments to develop social protection as a theme, under their Growth and Poverty Reduction Strategies.

In many CDCs it may be difficult to overcome obstacles to the introduction and expansion of social protection. These include resource limitations and administrative constraints, as well as likely political disinterest, where there are few incentives to respond to the poorest groups. However, with sustained external commitment – in terms of advocacy at the highest levels, improved and accessible data for policymakers, advocacy by civil society, and external resources to support experiments and new schemes – there is every chance that social protection (and state-provided social assistance in particular), can help to tackle chronic poverty in these most deprived contexts.

The next stage is to develop social assistance schemes with significant reach and depth of impact. Pressure for increased public expenditure is likely to come from better-represented social groups, which are often urban in character. Thus, the MLSS in China, which was originally a response to ‘old style’ urban poverty, expanded significantly, from 2.6 million in 1999 to 20.6 million in 2002, as the ‘new’ poverty, generated by rapid economic transformation, threatened social unrest. (Arguably, the institution of rural health insurance in China was a response to a similar increase of vulnerability in rural areas due to increased exposure to market forces).<sup>64</sup>

We identify two problematic stages in the evolution of low-income social assistance:

- First, how can ‘the social protection trap’ be escaped in a situation where there is a history of chronic deprivation, and no developmental state committed to an inclusive national development ‘project’?
- Second, at a later stage, how can the revenue base be expanded to enhance coverage of the population, in a situation where there are few willing taxpayers, and where revenue-raising administrative capacity remains limited?

The second challenge is taken up in Chapter 6. We address the first challenge below.

**Table 6: Country trajectories and social protection approaches**

Country category	Approach to social protection	Comments
<b>Chronically Deprived Countries</b> e.g. Cambodia, Ethiopia, Mozambique, Zambia	<ul style="list-style-type: none"> <li>Insurance covers only the small formal sector. Safety nets dominate.</li> <li>An initial focus on social assistance, using external resources.</li> <li>Resilience to vulnerability is to be built through access to assets.</li> <li>Beneficiary selection is critical.</li> <li>Advocates of initiating and expanding social protection, focusing on building constituencies.</li> </ul>	<ul style="list-style-type: none"> <li>Dominant debates are on the relative costs and benefits of temporary social assistance (e.g. relief) vs. permanent social protection.</li> <li>In-kind transfers may work better than income/cash if markets do not function well, but food aid can be problematic.</li> <li>Educational and health transfers (e.g. infrastructure, staff, materials) to communities may play a role.</li> </ul>
<b>Partially Chronically Deprived Countries</b> e.g. Bangladesh, Bolivia, India, Namibia, Nepal, Uganda	<ul style="list-style-type: none"> <li>Selection remains critical.</li> <li>Outreach of social assistance gradually increases.</li> <li>External resources remain important.</li> </ul>	<ul style="list-style-type: none"> <li>Difficult, but not impossible, to grow and universalise schemes. 'Local' successes important (e.g. India's Rural Employment Guarantee Scheme: from Maharashtra to national).</li> <li>Urban deprivation can lead to policy development.</li> </ul>
<b>Partial 'Consistent Improver' Countries</b> E.g. Brazil, Mexico	<ul style="list-style-type: none"> <li>Access to social assistance and insurance markets is broadened.</li> <li>Labour employment risks are treated as a serious issue.</li> <li>Countries like Brazil and Mexico are shifting government resources from social insurance to social assistance programmes, to reach poorer groups outside formal employment.</li> </ul>	<ul style="list-style-type: none"> <li>Health insurance introduced, but social assistance is key mechanism against poverty and impoverishment.</li> <li>Increasingly full coverage of basic health and education infrastructure makes lack of access mainly a demand issue (direct and transactional costs).</li> </ul>
e.g. Malaysia, Singapore, Thailand	<ul style="list-style-type: none"> <li>Countries like Malaysia, Singapore and now Thailand are progressively switching from assistance to social insurance, once certain levels of GDP and wealth per capita have been achieved.</li> </ul>	<ul style="list-style-type: none"> <li>In the meantime, social assistance can be spread dramatically, as the economy grows and access to social services improves.</li> </ul>
<b>All-round 'Consistent Improver' Countries</b> e.g. China	<ul style="list-style-type: none"> <li>Astonishing growth of social assistance has arisen because strong social insurance institutions were undermined by the restructuring of state-owned enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>China has been more successful in (re)building social assistance than other transitional economies.</li> </ul>

### How to escape the 'social protection trap' in a Chronically Deprived Country?

Despite a limited evidence base, we can hypothesise that making social protection a strong aspect of national growth, as well as poverty reduction policies, could help to lay some foundations for, and directly contribute to, building a more inclusive social compact. A substantial, targeted social assistance programme (or set of programmes) could help develop civil service and programme delivery capacity, make government (not just a particular government in power) more legitimate, and provide a visible and immediate return to taxpayers.

Today's developmental states – the East Asian Tigers – did not have a very strong record on social protection prior to the financial crisis of the late 1990s, which in general exposed the thinness of both public and private provision. It is widely recognised, however, that stronger social protection would have helped the poor bounce back more quickly from crises.

The key argument is that in today's more globalised economy, where states have less capacity to protect their populations against negative impacts of global or regional economic change through trade tariffs and quotas, social protection may provide an alternative approach. Regional underdevelopment is a frequent source of state fragility (see Chapter 6), and the ability to target social assistance at poor regions may also help integrate those regions politically into the nation-state.

A key constraint is a lack of willingness among donors to fund social assistance. In principle, this has been achieved in Zambia, at least for a five-year period. However, it may be necessary for donors to make a much longer-term commitment, covering a generation or more (15–25 years). There is extreme reluctance to make such a commitment before recipient governments, with low revenue generation and collection capacities, make the necessary commitments on their side. Donors can play an important role here, through improving



the predictability and stability of aid flows. Commitments by donors are frequently not matched by disbursements, and pledges are often not implemented in full or on time. Improving the predictability of aid improves the likelihood of long-term investments in social protection, as such aid flows can smooth the high volatility of the revenue base in many low-income countries (see Chapter 6).<sup>65</sup>

A further hypothesis can also be made: that social protection, in the form of cash transfers, could play a role in stimulating economic growth. In principle, putting more cash into the hands of poor people should be good for growth, especially in sub-national regions that are in spatial poverty traps. However, the long-standing debate, on whether to provide famine relief in cash or in-kind (food), cautions that cash has an inflationary effect (thereby diluting the real gain to recipients) when the local economy's supply-side is rigid (due to low-productivity agriculture and limited infrastructure) and when integration between local and national markets is weak (especially when transport infrastructure limits interregional movement of food grains). To have their desired growth effects, cash transfers must be accompanied by infrastructure investment, financial development (including microfinance), and other measures to relax supply-side constraints.

To understand the direct and indirect economy-wide effects (regional, national and even spillovers across country borders), modelling is essential. A pioneering study of the effects of a project on the regional economy used a Social Accounting Matrix (SAM) that can potentially be applied to simulate social protection's economic effects.<sup>66</sup> Subsequent work by IFPRI, the World Bank and others highlighted the strong indirect effects on off-farm employment of agricultural growth – especially important for the chronically poor, who have no land.<sup>67</sup> Social protection could potentially stimulate off-farm employment, and the non-farm rural economy, but as yet there is little evidence.

The potential value of modelling is demonstrated by a recent study of social protection in Cambodia, a Chronically Deprived Country, using a Social Accounting Matrix.<sup>68</sup> This simulates the economy-wide impact of cash transfers and food aid to three types of households with characteristics typical of the chronically poor: those unable to engage in productive activity; farmers who sell their labour to larger farms; and subsistence farmers who have no marketable surplus. The scale of the transfer simulated is relatively modest (up to 2.5% of household income). Initial results suggest that as the transfer raises consumption, the rise in demand boosts production and therefore growth. This growth effect is partially offset by the resulting rise in prices that makes Cambodian exports less competitive (and imports more competitive) through a real exchange-rate effect. Internal demand therefore becomes more important to driving growth than external demand. The scale of this effect will depend on whether investments

in infrastructure are simultaneously put in place to raise the responsiveness of the economy's supply side to the rise in demand (thereby dampening the rise in prices).

Of course, the construction of such infrastructure can itself provide employment for the poor. And other supply-side measures can also be pro-poor, including microfinance to facilitate investment. The macroeconomics of cash transfers must therefore be viewed in a dynamic, not a static, context. Every effort needs to be made to expand the supply side through investment and infrastructure, so that any adverse effects (on the balance of payments in particular) remain short-term, and are resolved as higher growth kicks in.

The simulation suggests that both the poverty reduction and growth impacts may be higher when poorer, but economically active, Cambodian households are targeted, in particular those

*Social protection, in the form of cash transfers, could play a role in stimulating economic growth.*

who sell their labour to others, because they have very few productive assets to derive much of an income from their own farms. They can partially use the cash transfer to build their assets, thereby starting to participate more directly in growth. Subsistence farmers would be the next largest beneficiaries among the chronically poor, being enabled to produce and sell a surplus, again raising their growth participation. Both groups could then make transfers to the third group, those unable to work (e.g. older and disabled people). Investment responses are raised insofar as financial development occurs as well, thereby better mobilising and using domestic savings.

Modelling also helps us think through the relative merits of cash vs. in-kind (food and subsidised health and education) transfers to chronically poor households. In-kind transfers raise total household expenditure so that, irrespective of the type of transfer, the household can raise its consumption of all goods. When trade is relatively easy and markets are integrated, as in South East Asia, cash is better than in-kind transfers. In these circumstances, trade dampens the (growth-inhibiting) price effect of cash transfers – and households generally prefer cash transfers, because they can use them to get what they really need.

The Cambodia simulations support the idea that social protection works best when accompanied by public investment in agriculture and infrastructure. This raises the domestic economy's ability to respond to increased food demand by chronically poor households, while reducing the need for imports (a positive balance of payments effect). This would be especially beneficial for regions that are otherwise net food importers (those on the Thai border for example). Public infrastructure investment in transport can also reduce the rents earned by middlemen in the food market (which they derive from the market's inefficiency), redistributing those rents back to consumers and producers, including the chronically poor. Since price volatility also falls when transport infrastructure improves market integration, this also benefits the chronically poor, by reducing their vulnerability to price shocks.





Chicken seller in the early morning market (Phnom Penh, Cambodia).  
Photo © Mark Henley/Panos Pictures.

All of this is promising, but far from definitive. The evidence is not yet extensive enough, in part because there have been too few research efforts. We need more data collection to study the output and employment effects in areas where households receive cash transfers. This report urges the development community to make this an urgent research priority, bringing to bear the full range of techniques necessary to pinpoint the growth effects, as well as the poverty reduction effects, of social protection. Social protection addresses poverty and vulnerability in ways that few strategies can, and it does not have adverse effects on incentives to work – that it is likely to foster pro-poorest growth is icing on the cake.

## F. Conclusion

We know that vulnerability keeps people poor, and drives others into poverty. Social protection offers an important solution to vulnerability. Moreover, it can reduce chronic poverty through numerous channels:

- First, social protection prevents people entering into poverty, and reduces the duration of poverty, through maintaining minimum consumption levels;
- Second, social protection is capable of providing a basis for escaping poverty, both for the present generation and the next – through facilitating asset accumulation, increasing demand for health and education, and creating ‘multipliers’ in local economies, through enhanced demand for locally produced goods and services; and

- Third, social protection helps build the social compact between citizen and state, through moving towards a minimal standard of wellbeing, below which people should not fall. Moreover, it can increase agency, economic choice and a sense of entitlement, thus enhancing the bargaining power of chronically poor groups.

Therefore, we argue that in addition to tackling the insecurity trap that is so characteristic of chronic poverty, social protection can also play a significant role in challenging the other chronic poverty traps.

Social protection offers a broad menu of instruments to address different vulnerabilities. While in any given situation there will be no magic bullet capable of dealing with all varieties of vulnerability, social assistance in the form of cash transfers is particularly effective in reaching and including the chronically poor. We know that modest, targeted social assistance schemes are not only desirable, but also feasible and affordable in most country contexts. They can also be initiated now, whereas developing more long-term social insurance programmes can take much longer, and do not effectively address poverty, let alone chronic poverty, in the early decades.

While knowledge of what needs to be done is increasingly available, initiating and sustaining social protection is ideologically, politically and institutionally challenging. For these reasons progress is slow, especially in Chronically Deprived Countries. There are a number of key challenges which include:

- First, the views of elites that social protection will lead to dependency – these can be challenged through contributions to an informed public debate on the nature and causes of poverty and how to address it.
- Second, the concerns of civil servants in Ministries of Finance that the long-term commitments required will be fiscally destabilising – these can be challenged through detailed analysis of the interactions between poverty, vulnerability, social protection and growth.

Making social protection a central pillar of strategies to eradicate poverty is one of the two major development challenges of the coming decade. The other is how to engage with this agenda in fragile or, in our terminology, Chronically Deprived Countries. Here, we hypothesise that social protection contributes not only to a social compact between citizens and the state, but also to economic growth, with substantial benefits at the lowest strata of society. While countries undergoing or recently recovered from conflict may find the social protection agenda difficult to engage with, countries with even a modicum of government can develop schemes with a relatively high degree of visibility and accountability.

The importance of social protection, and the number of ongoing policy experiments, means that monitoring and evaluation is critical – we need to know what works best where, and to provide solid evidence for public and political

debates. By 2010 the world should be able to produce a social protection strategy which would contribute strongly to poverty eradication in a large number of low income countries by 2025.<sup>69</sup>

## Notes

1. Barrientos, Hulme and Moore (2006); Devereux and Sabates-Wheeler (2007)
2. Note that we used 'solidarity' in a broad sense, without referring specifically to its connection with political socialism.
3. Devereux and Sabates-Wheeler (2007)
4. Jalan and Ravallion (2005)
5. Suryahadi and Sumarto (2003)
6. Chambers and Conway (1992)
7. Moser (1998)
8. Schubert (2005)
9. Cutler *et al.* (2000)
10. Emerson and Portela Souza (2003); Guarceli, Mealli and Rosati (2003)
11. Lund (2001)
12. Morduch (1995)
13. Wood (2001)
14. Elbers, Gunning and Kinsey (2003)
15. Chen and Barrientos (2006): 2
16. Chen and Barrientos (2006)
17. <http://nrega.nic.in>
18. Ayala (2006)
19. <http://www.oportunidades.gob.mx/>
20. E.g. Samson, van Niekerk and MacQuene (2006)
21. Morley and Coady (2003); Rawlings and Rubio (2005)
22. Barrientos (2006)
23. Farrington *et al.* (2003)
24. The age of eligibility varies between states, with several paying pensions at 60.
25. Kumar and Anand (2006): 46-47
26. Irudaya Rajan (2004): 68. Indeed, individual states offered pensions as early as the 1960s.
27. Government of India (2006a): 3
28. HelpAge International (2007): 6
29. Irudaya Rajan (2004): 54-58
30. Farrington *et al.* (2003): 4
31. Farrington *et al.* (2003): 4
32. Kumar and Anand (2006): 50-52
33. Corbridge *et al.* (2005) cited in Hickey *et al.* (2007)
34. Hickey *et al.* (2007). The following sections draw heavily on this review paper. The 'Politics of What Works' background work was intended to provide a fuller understanding of the 'political space' within which policies that successfully reduce chronic poverty are promoted, shaped, implemented and sustained, and to develop a series of policy implications from this. A team of expert researchers produced the case studies; Hickey coordinated the process and produced the synthesis report. Case studies included the Vulnerable Group Development Programme, Bangladesh; the Office for Assistance to Vulnerable People/National Institute of Social Action, Mozambique; the National Old Age Pension Scheme, India; the Old Age Pensions in Lesotho and Namibia; the Old Age Grant in South Africa; and the mainstreaming of social protection in PRSP processes in Uganda and Zambia.
35. Hickey *et al.* (2007)
36. Hulme and Green (2005)
37. Samson *et al.* (2004): 2
38. Woolard (2003): 6
39. Barrientos and Holmes (2006): 65
40. Republic of South Africa (2002): 59
41. Samson *et al.* (2004): 3
42. Barrientos and Lloyd-Sherlock (2002): 19
43. Barrientos and Holmes (2006): 65; Barrientos and Lloyd-Sherlock (2002): 18
44. Samson *et al.* (2004): 29
45. Gelbach and Pritchett (1997)

46. It can be politically expedient to include significant numbers from 'vulnerable groups' (e.g. older people, children, war disabled) in the population selected for social protection programmes, as their cases can be widely empathised with. However, such a 'vulnerable groups approach' to social protection often results in fragmented, poorly resourced and poorly targeted programmes, with the inclusion of some non-poor people and the exclusion of many chronically poor people. For such stigmatised groups it is often necessary to devote time and resources (research, advocacy, public education) to gaining them a constituency. Moreover, a significant factor in the success of recent forms of social protection is that it has moved away from this 'vulnerable groups approach' towards a focus on households and their agency.
47. i.e. those poor people who are excluded from a benefit for which they are eligible, or those non-poor who are included, despite being ineligible.
48. This section is based on Andries du Toit, personal communication. The research report is not yet available. Box 27 reviews earlier research on this topic.
49. In an OECD-country context, dependency has a lot to do with the combination of benefits and taxes, the latter preventing some of those on benefits from taking up short-term, badly paid, or precarious employment. The issue of taxation is not so strong in developing countries, so accessing social assistance entitlements seldom leads to withdrawal from the labour market.
50. Devereux *et al.* (2005)
51. Devereux *et al.* (2005)
52. Marcus (2007): 3
53. Skoufias and McClafferty (2001): 44
54. Marcus (2007): 3
55. Noble, Ntshongwana and Surrender (2008)
56. Adams and Kebede (2005): 22-23
57. Greenslade and Johnstone (2004)
58. Devereux *et al.* (2005)
59. Samson, van Niekerk and MacQuene (2006)
60. Devereux *et al.* (2005): 32
61. The ways in which pension schemes developed in those two countries reflects the wider development of a social compact between citizens and states, 'from its origins as a racially defined policy that privileged whites over coloureds and blacks ... through to the 1990s when these policies were transformed into a progressive form of social protection aimed at reversing previous discrimination' (Hickey *et al.* 2007: 40). Thinking about social protection in terms of a social compact reflects the importance of extending existing commitments and responsibilities towards protecting vulnerable members of society.
62. Country performance over time should not be the only criterion on which types of social protection are suggested. The political, financial and administrative feasibility and utility of social protection policies and programmes are clearly affected by institutional factors – in particular, fiscal surpluses (representing quality of economic management and tax effort), the rule of law (representing the quality of administration), and political rights (representing the level of accountability). Indeed, some World Bank research has gone as far as devising a benchmarking system, involving an analysis of institutional and fiscal capacity, as a guide to working out how much particular types of country are able to spend on social protection policies (Besley *et al.* 2003). However, such approaches are problematic, given the fact that Chronically Deprived Countries arguably have the greatest need for social protection, but the least capacity to deliver it. Here external support may play a role.
63. Barrientos (2006)
64. Chen and Barrientos (2006): 2. By comparison, Mozambique's food subsidy programme for the urban destitute (originally GAPVU, then later INAS – the National Institute for Social Action) expanded from 2,000 to 80,000 between 1990 and 1995, when it was a purely urban programme, but covered an estimated 8% of all destitute people by 2003, with close to complete coverage of the estimated destitute in Maputo and its province. However, INAS has not yet garnered the political strength to allow recipients to meet their basic needs through the programme, particularly as a high-level corruption scandal led to the closure of GAPVU in 1997, and the development of the new organisation from scratch.
65. Nick Highton, personal communication
66. Bell *et al.* (1982)
67. Haggblade *et al.* (1989); Lanjouw and Lanjouw (1995)
68. Levy (2007)
69. For a detailed review of social protection and case studies of successful programmes see Barrientos and Hulme (2008).