Chapter 1

Introduction

The objective of this chapter is to establish the purpose and context for the guide and to introduce the key issues. This chapter also defines the main terms, discusses the main options for social transfer instruments, provides examples of them, and discusses the preconditions for social transfers.

The role of social transfers

Over the past ten years national governments, development partners and international organisations have focused on increasing investments in social transfer programmes (including social pensions, grants for children and families, public works schemes and other programmes). These initiatives have documented substantial impact in achieving the Millennium Development Goals and other social and human development impacts. Social transfers not only tackle income poverty; they also provide effective support for broader developmental objectives. Households in developing countries spend social transfer income primarily on food, improving nutritional outcomes. In many countries, social grants are distributed largely to women, promoting empowerment and more balanced gender relations. Better household living standards facilitate education and improve health outcomes – particularly for women and children. Social transfers also play a role in the protection strategy for those afflicted by HIV/AIDS, malaria and other debilitating diseases. Long a vital tool for industrialised countries, social transfers are increasingly recognised as an essential policy element for low- and middle-income nations.

The triple F crisis (food, fuel, financial) that peaked in 2008-09 and the ongoing economic downturn have intensified interest in appropriate social protection responses to address current and future vulnerability. The

global economic downturn has inflicted a cycle of shocks affecting poor and vulnerable people in low- and middle-income countries. Preceding shocks contributed to surging food and fuel prices that eroded the purchasing power of the limited incomes of poor people. The economic downturn threatens slowing or negative economic growth, falling remittances, eroding public capacity and potentially falling international aid. The global economic downturn affects the fiscal space not only of affected developing countries but also industrialised countries that provide development partner support (as well as global demand driving economic growth).

The downturn thus increases the demand for social protection (and a range of other responses) while simultaneously limiting fiscal capacity to respond – and triggering global economic changes that create additional negative pressures on pro-poor growth. Social transfers in particular have attracted attention in a number of countries as a cost-effective alternative to less effective responses such as generalised subsidies that are often expensive, poorly targeted and prone to creating economic distortions. This book complements a toolkit aimed at supporting policy decision-making that strengthens appropriate social protection responses to economic shocks and ensures continued progress against a range of MDGs.[1]

In addition to their vital social contribution, social transfers can support critical economic objectives. Many of the world's fastest growing economies over the past several decades have built social protection into their policies at early stages because of its potential to increase productivity, foster economic growth and wealth creation, and contribute to stabilising domestic demand. The failure to provide appropriate social protection limits prospects for growth and development at the very foundation of society because household poverty undermines children's nutrition and educational attainment, limiting their future prospects.[2] Poverty traps individuals and households – even entire countries – stifling human dignity and eroding potential. Poverty reproduces itself generation after generation, challenging policy makers to take imaginative and bold steps to transform their nations. Social transfers are increasingly acknowledged as an effective tool to reduce this inter generational poverty:

> "The Commission for Africa identified social transfers as a key tool in tackling extreme poverty in sub-Saharan Africa… The greater use of social transfers in developing countries worldwide is endorsed by the World Bank's World Development Report for 2006 which recognises their potential impact on poverty and inequality as well as their contribution to promoting and distributing growth."[3]

More recently, the global Group of Twenty (G20) committed $50 billion to support social protection responses to the global economic downturn, recognising the "disproportionate impact on the vulnerable in the poorest countries" and the "collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential".[4] Development partners have increasingly prioritised access to social protection programmes

for the poorest people in developing countries. For example, the U.K. government's Department for International Development's White Paper committed to help build social protection systems to support fifty million people in over 20 countries from 2009 to 2010. The Australian government's development agency (AusAID) has also established social protection as one of its new development priorities and is emerging as a leader in this sector in many countries, particularly in Asia and the Pacific.

This guide aims to assist government policy-makers and donor agency officials in designing, implementing and managing cash-based social transfer programmes. This guide is also of use to policy advocates who require evidence of the feasibility and desirability of social transfer programmes. More information on the benefits and challenges of social transfers is available in the DFID 2005 Practice Paper, "Social transfers and chronic poverty: emerging evidence and the challenge ahead".

This guide is part of an evolving global resource base that supports more effective social protection interventions. For example, OECD's Povnet recently published a policy guide on social protection and pro-poor economic growth which assesses the global lessons of experience on a broad range of social protection instruments.[5] The U.K. Government's Department for International Development has supported the development of several toolkits promoting more effective design and implementation of social protection interventions. The World Bank has recently published a book on the design and implementation of social safety nets.[6]

This guide benefits from the models and analysis of the existing literature, as well as the growing evidence base on social transfer programmes that has expanded substantially over the past several years. This guide updates and expands on the lessons of the first edition of this book, published in 2006 and distributed in over a hundred countries in Africa, Asia, Latin America and Eastern Europe.

The definition of cash-based social transfers

Cash-based social transfers are operationally defined as regular, non-contributory payments of money provided by government or non-governmental organisations to individuals or households, with the objective of decreasing chronic or shock-induced poverty, addressing social risk and reducing economic vulnerability.[7] The transfers can be unconditional, conditional on households actively fulfilling human development responsibilities (education, health, nutrition, etc.), or conditional on recipients providing labour in compliance with a work requirement. The transfers can be universal, or explicitly targeted to those identified as poor or vulnerable. (The terms "transfers", "cash transfers" and "social transfers" are used interchangeably throughout this guide.)

Box 1.1: The role of social transfers in alternative frameworks for social protection

Cash-based social transfers provide a critical element for reducing vulnerability to poverty, regardless of the framework within which one understands social protection. A transformative approach defines social protection broadly, as "the set of all initiatives, both formal and informal, that provide: **social assistance** to extremely poor individuals and households; **social services** to groups who need special care or would otherwise be denied access to basic services; **social insurance** to protect people against the risks and consequences of livelihood shocks; and **social equity** to protect people against social risks such as discrimination or abuse" (Devereux and Sabates-Wheeler 2004). Alternatively, the social risk management approach focuses more explicitly on human capital and income risks, defining social protection as "a collection of measures to improve or protect human capital, ranging from labour market interventions, publicly mandated unemployment or old-age insurance to targeted income support. Social protection interventions assist individuals, households, and communities to better manage the income risks that leave people vulnerable" (World Bank 2004e).

Both frameworks (and many others) include essential roles for social transfers, which can operate at several levels. In the first approach, social transfers can be understood to support protective, preventive, promotive and transformative impacts. The dimensions of the social risk management framework can be compared to the transformative approach, as illustrated in the table below. Using risk management terminology, social transfers reduce poverty in three major ways: (1) enabling risk coping, (2) facilitating risk management and (3) promoting risk reduction.

The broader social protection context

Social protection rests on three pillars: social insurance (individuals pooling resources to provide support in the case of a shock to their livelihoods), social assistance (non-contributory transfers distributed on the basis of vulnerability or poverty), and the effective protection of minimum standards in the workplace.[8] Social transfers support the second of these pillars and are the main type of social assistance used in developed countries. They are increasingly recognised as the key to social solidarity and development in low- and middle- income nations. Cash-based transfers aim to provide social protection, which is defined as those "public actions – carried out by the state or privately – that address risk, vulnerability and chronic poverty."[9]

Social transfers provide an important risk management tool for the poor at three levels: they reduce the poverty resulting from shocks (drought, floods, sudden food price increases, and others), reduce vulnerability, and strengthen coping mechanisms.[10] Social transfers reduce the impact of shocks on livelihoods nationally by stimulating overall economic activity, and they protect households by reducing the impact of shocks on productive assets. For example, economic shocks are less likely to force poor households to sell their livestock – often their only productive asset – if social transfers help them cope with the shock. At the household level, transfers reduce risk by providing the security of a guaranteed minimal level of income. This better enables poor households to send children to school because they can afford for the child not to be working, as well as fees, uniforms and other school expenses. The unemployed and lowest paid workers can take a chance on riskier ventures that are likely to result in a higher income, or acquire human capital such as

Transformative Social Protection	Social Risk Management	Role of social transfers
Protective	Risk coping	Social transfers provide cash income to enable households to address the worst consequences of poverty. Even short term public works projects or temporary transfers provide important protective value, enabling households to cope (at least temporarily) with the circumstances of poverty.
Preventive	Risk mitigation	Social transfers can prevent poverty shocks from devastating households, mitigating the adverse consequences. Employment guarantee schemes and targeted programmes include many elements of risk insurance, helping to keep households from sinking deeper into poverty.
Promotive and transformative	Risk reduction	Social transfers strengthen the economic power of households, potentially enabling workers to negotiate higher wages. Transfers support accumulation of assets, particularly human capital. Public works programmes create productive infrastructure. The macroeconomic stabilisation effects of transfer programmes reduce the intensity of poverty shocks.

TABLE 1.1 Dimensions of alternative approaches to social protection and the role of transfers

SOURCES: Devereux and Sabates-Wheeler (2004).

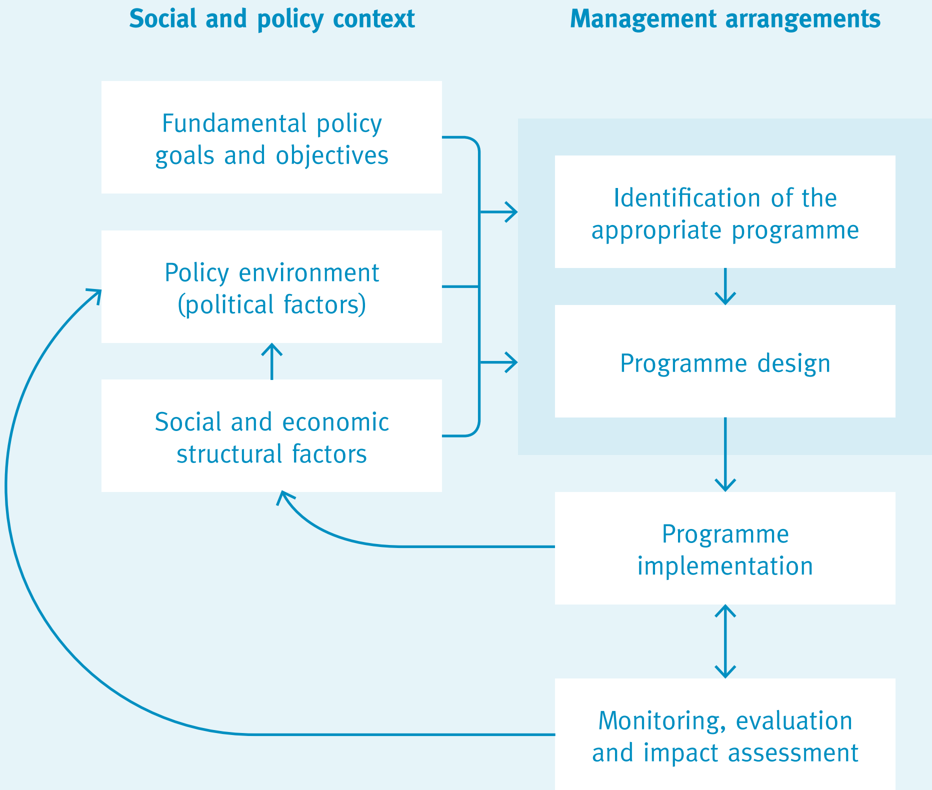
education in order find higher wage employment. The time and travel costs of job search – with its unpredictable outcomes – can lock vulnerable workers into poverty traps. Social transfers provide a coping mechanism for the least fortunate, supporting a minimal level of subsistence and allowing them to invest time and money to improve their chances of getting better employment. Box 1.1 discusses the role of social transfers in alternative frameworks for conceptualising social protection.

Countries around the world effectively build cash transfers into broader social protection strategies. Brazil complements investments in health and education with several social transfer programmes that promote social protection. Community referral centres identify, monitor and address the needs – both cash and non-cash – of the vulnerable, supporting social inclusion and poverty reduction.[11] In South Africa, the government's integrated approach combines social transfers with guaranteed access to basic social services, successfully reducing poverty and laying a foundation for future development.[12] Increasingly, policy-makers recognise the essential role for cash transfers in a comprehensive system of social security.

Overview of the guide: how do you manage social transfer programmes?

"Management arrangements" refer to the selection, design, implementation, monitoring, evaluation and impact assessment of a programme of social transfers aimed at providing social protection. This guide includes chapters on each of these major elements, with additional chapters addressing special

Box 1.2: Management arrangements and the social and policy context



features of specific classes of social transfer programmes (conditional cash transfers and public works).

The management arrangements of social transfer programmes reflect the social and policy priorities of government. The inter-relationships between management arrangements and this social and policy context are illustrated in Box 1.2. The policy environment and social and economic structural factors influence and constrain the design and implementation of the programme. Programme design largely determines implementation, which over time has an impact on social and economic factors – particularly poverty, vulnerability, human development and economic growth. Monitoring, evaluation and impact assessment reflect programme implementation, and can provide feedback for improving delivery. In addition, positive social and economic impacts as well as effective evaluations can strengthen the policy environment – and lead to further programme expansion.

An overview of the types of social transfers covered by this guide

This guide distinguishes three types of social transfer programmes with important operational distinctions: unconditional transfers, conditional cash

transfers (also know as "cash for development" programmes), and public works schemes. These categories include most of the non- contributory cash-based transfers commonly used in developing countries. This guide does not cover food assistance programmes (such as food stamps), contributory social insurance programmes (such as unemployment insurance), or programmes that provide social services.

Unconditional transfers

Unconditional social transfers are regular, non-contributory payments of money provided without active conditionalities by government (or non-governmental organisations) to individuals or households, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability. "Without active conditionalities" means that no one in the household of the recipient is expected to undertake an activity (like work, school attendance, etc.) in exchange for the transfers. ("Unconditional" does not exclude administrative requirements, such as proving one's identity or qualifications for the programme, or preclude the employment of targeting mechanisms such as age or income.)

Unconditional transfers include social pensions, child support grants, family assistance, widows' allowances and grants for people with disabilities. Social pensions are non-contributory cash grants to older people, provided either universally (subject to age requirements) or with eligibility determined by a means test. Examples include pension programmes in Bangladesh, Brazil, Lesotho, Namibia, Nepal and South Africa. Child and family allowances provide cash (or near-cash[13]) transfers to poor households or families. Examples include South Africa's Child Support Grant, Namibia's Child Maintenance Grants and Foster Parent Grants, Zambia's Kalomo pilot cash transfer scheme, and Kyrgyzstan's Unified Monthly Benefit. Examples of other types of programmes – such as Disability Allowances and Widow's Allowances – include India's National Family Benefit Scheme (NFBS), Bangladesh's Assistance Programme for Widowed and Destitute Women (APWDW), Brazil's disability assistance programmes, and Namibia's and South Africa's disability grants. South Africa's system of unconditional grants is described in Box 1.3.

Unconditional cash transfers have significant advantages over alternative vehicles for social protection. With potentially lower administrative costs, they promise the least-cost solution to poverty reduction.[14] Unlike subsidies, they do not distort the price system. Unlike in-kind transfers, they enable households to decide on and meet their most critical needs. Further, it is easier to predict the budget for cash transfers than in-kind transfers because the benefits are fixed and do not depend on volatile commodity prices. Transfers can also help to provide one more macroeconomic stabiliser, since the net benefits to the poor tend to increase during a recession or in the face of an economic shock.

Unconditional transfers also pose important challenges to social analysts and policy makers. Information on their social and economic benefits is not always readily available, making the task of mobilising political support a

Box 1.3: South Africa's system of unconditional social grants

South Africa's system of unconditional social grants is the government's most effective intervention for reducing poverty, directly benefiting over ten million people while supporting household development and socio-economic progress. Poverty in South Africa continues to bear the imprint of apartheid's legacy – racially and spatially biased, and deeply embedded in a skewed allocation of social and human capital. According to the government's *Labour Force Survey*, in 2004 over half the households subsisted on expenditure of less than US$130 per month (with an average household size of 4).

Social security in South Africa consists of targeted social grants that provide support for older people, individuals with disabilities and children under the age of fourteen. The grants are fairly large by developing country standards: the social pension and disability grant are approximately equal to the household poverty line, while the child support grant is approximately a dollar per day. The Department of Social Development enforces an income-based means test, which varies according to the type of grant, the marital status of the beneficiary and other characteristics.

Up until a few years ago, problems with the targeting mechanisms created severe bottlenecks. Surveys of provincial social development offices identified contradictory interpretations of the means tests, and conditionalities for the child support grant severely undermined take-up. Single parents of a qualifying child had to provide 'proof of efforts' to obtain private maintenance from the other parent, proof of immunisation and health clinic registration, and proof of efforts to secure employment or to join a development programme. In 2000, 90.7% of poor children failed to receive the child support grant, and these children were concentrated in the poorest provinces. A study in 2001 of one of the country's poorest regions found less than 5% of qualifying children received the grant – in spite of such severe poverty that children in the sampled households were hospitalised for severe malnutrition.

In 2000 the South African Cabinet appointed a Committee of Inquiry into Comprehensive Social Security (the Taylor Committee), which examined the shortcomings of the existing system. Under the leadership of Prof. Viviene Taylor, the Committee recommended the introduction of a universal grant to all South Africans, beginning with the extension of the child support grant to all children. Following the government's acceptance of the report, the Department of Social Development extended the grant from age seven to age fourteen, doubling its scope. In the 2002 State of the Nation Address, President Thabo Mbeki announced a government-led campaign to "register all who are eligible for the child grant". A few weeks later the National Treasury declared a 45% increase in the size of the child support grant. Relaxation of the burdensome targeting mechanisms and conditionalities kicked away the stumbling blocks, and delivery accelerated.

In the 2003 State of the Nation address, the President also reinforced his support for the ongoing effort by publicly thanking all those "who had rolled up their sleeves to lend a hand in the national effort to build a better life for all South Africans", citing first "the campaign to register people for social grants". By 2004 the take-up rate

challenge. If targeted, poorly designed mechanisms can create distortions. Social transfers establish a new contract between citizens and the state – which means the government must be prepared to commit the resources necessary for a sustainable programme.

Conditional cash transfers (cash for human development programmes)

Conditional cash transfer programmes, often referred to as "cash for human development programmes", link monetary compensation to active compliance with health or education conditionalities. Proving support directly to households, they serve the same traditional functions as unconditional

for the child support grant had risen six-fold to 58%. The President's unequivocal commitment sent a clear message to the bureaucracy that social grants provided the central pillar for the poverty eradication strategy. Today, the grants are fairly well targeted, both geographically and at a household level. Less than one-fifth of the grants are paid to households with expenditure in excess of approximately US$200 per month. Nevertheless, gaping holes riddle the safety net. More than half the poorest households receive no social grants, mainly because no one in the households meets the targeting conditions.

Social grants are financed through general tax revenues collected on a national basis. The grants are directly deposited into a beneficiary's bank account – or more frequently, given South Africa's exceptionally high personal banking fees and low rates of bank access for the poor, they are paid in cash at specified pay points. Legislation in 2004 established a national government social security agency, centralising responsibility from the provinces. While the national Department for Social Development remains accountable for social security, the agency becomes the implementing provider, managing and administering grant delivery, while the department acts as assuror. As assuror, the Department develops and implements policies, norms and standards, and monitors and evaluates the impact and quality of the Agency's service delivery. High priorities include a more effective national information management system, delivery-improving infrastructure, improved economies in grant payments and fraud reduction.

Extensive evaluations have documented the substantial impact of social grants. Children (particularly girls) in households receiving grants demonstrate better weight-for-height indicators, improved nutrition, less hunger and better school attendance than children in comparable households that do not receive grants. Grant recipient households spend a greater proportion of their income on food and education, and less on alcohol, tobacco and gambling than similar households not receiving grants. Analysis of household survey data shows that the grants reduce South Africa's poverty gap by 47%.

Social grants also provide potential labour market participants with the resources and economic security necessary to invest in high-risk/high-reward job search. Workers in households receiving social grants have higher labour force participation rates and greater success rates in finding employment than those in comparable households not receiving grants. The redistribution of spending power from upper income groups to the poor shifts the composition of demand toward labour intensity and domestic production, improving the demand for labour and the trade balance. The tripling of spending on social grants since 2000 has been associated with South Africa's longest economic expansion in decades, low inflation, a trade surplus in spite of an appreciating currency and the first significant upturn in job creation since the dawn of the nation's democracy. Social grants not only reduce income poverty – they support sustainable social and economic progress. South Africa's experience demonstrates that investments in social grants are developmental.

SOURCE: Samson et al (2005).

transfers, aiming to decrease chronic or shock-induced poverty, provide social protection, address social risk or reduce economic vulnerability. However, the conditionalities endeavour to provide a further impact: by encouraging the accumulation of human capital through education, health and nutrition, the programmes aim to break the inter-generational transmission of poverty. In order to obtain the transfer, households must actively satisfy certain conditions, such as ensuring their children attend school regularly or visit health centres. The cash provides immediate social assistance, and the compliance with conditionalities can foster longer-term investments in human capital.[15] In addition, these programmes are often linked to infrastructure investment

Box 1.4: Mexico's Oportunidades conditional cash transfer programme

Mexico's *Oportunidades* programme provides incentives for poor families to invest in *human capital* – education, health and nutrition – in order to improve their long-term economic prospects and reduce future poverty. The incentives take the form of cash transfers to households, where payment depends on clinic visits and school attendance. By providing social transfers to promote human capital investment, the scheme aims to reduce both current and future poverty. Government officials in different ministries conceived the programme with strong presidential support, and education, health, finance, and social security ministries collaborate effectively on the operation of the scheme. Originating as Progresa (the Programa de Educación, Salud y Alimentación – the Education, Health, and Nutrition Programme) in 1997, the programme was renamed Oportunidades in 2002.

Oportunidades pays cash grants, usually to the mother or female family head, for each child (21 years old or younger) enrolled in school from the third primary grade to the third grade of high school. The benefits increase at higher grades (this is not because older children have greater priority for poverty reduction but because they are more likely to leave school in order to work). Likewise, grants for girls are higher than for boys in secondary school because of the higher female drop-out rate. Health and nutrition components provide incentives and resources for basic health care (particularly preventive care) and improved food consumption, including supplements for pregnant and lactating women and young children. More than five million families (both rural and urban) benefit from Oportunidades, and the Mexican government has committed approximately half of its poverty reduction budget to this programme. Mexico borrowed its largest-ever loan from the Inter-American Development Bank – one billion dollars – in 2002 in order to help finance the expansion of the programme.

The targeting process required three steps. Census data provided a statistical measure of deprivation that identified the poorest communities. Within these geographically targeted areas, household surveys provided proxy indicators of poverty that fed a statistical analysis identifying those most likely to be poor. The third stage involved

initiatives that improve the supply of educational and health services.[16]

Established examples include Brazil's Bolsa Familia, which consolidated four similar pre-existing programmes, and Mexico's Oportunidades programme (formerly Progresa, and described in Box 1.4). Other countries in Latin America and the Caribbean have followed these models, setting up similar programmes in Ecuador, Honduras, Jamaica and Nicaragua. While less common outside of Latin America, the approach has been adopted in Bangladesh and pilots have been established in some African countries.

While this social transfer vehicle is relatively young, and further critical evaluations are required, the initial evidence on social impact makes it a popular option for social policy analysts.[17] Evaluations of conditional cash transfer programmes in several Latin American countries document positive impacts on health and education. Successful programmes can be administratively efficient and fairly well-targeted, and most of them integrate monitoring and evaluation into the design and implementation phases of the project with successful results. The programmes tend to promote linkages across social sectors in order to meet the needs of the poor.[18]

However, there is a strong argument against conditional transfers because the imposition of conditionalities may unnecessarily undermine household autonomy and presumes that the poor will not make rational choices that

a community meeting to review and approve the list of selected households. In practice, the combination of geographical targeting, proxy means tests and community participation initially led to under-coverage of poor households, particularly since the programme failed to serve areas without health and education services (usually the poorest and most remote areas).

Evaluations showed that organisers of community reviews sometimes invited only selected beneficiaries and generally failed to encourage the participation of non-beneficiaries, potentially turning the reviews into legitimising exercises rather than checks on transparency and accountability. A common perception at the grassroots level was that the targeting system often excluded the poorest households and sometimes included non-poor households. While some mis-targeting is a natural consequence of the statistical errors of a proxy means test, practical problems with surveying exacerbated the problem. Survey techniques suffered from language problems, biases in reporting income, the poor being away from home or not answering their door, and a lack of sufficient follow-up.

Oportunidades invests considerable resources in a rigorous evaluation process, whose positive results have strengthened the programme's political legitimacy, won international recognition and supported its expansion. While the use of randomized experiments has generated some controversy, the political benefits have exceeded their costs. The results have documented increased school enrolments (particularly at the secondary level), better nutrition and improved health. Oportunidades combines three key mechanisms: grants that increase the income of poor households, awareness promotion that emphasises the importance of human capital, and conditionalities that link the two – making the grants conditional on behaviours that reinforce human capital development. The evaluations have successfully demonstrated that all three of these ingredients together can generate very positive results. However, the studies so far have been unable to identify which is most important – the income, the awareness or the conditionality.

SOURCES: Britto (2005), World Bank (2004d), Santibañez et al. (2005).

improve their livelihoods. Policy analysts point out that the transfers do not always reach the poorest. Conditional transfers depend on the presence of adequate health and education services. Areas where services are poor are often inhabited by the country's most vulnerable people, and these areas may well not be chosen for conditional transfer schemes. The monitoring requirements can be administratively burdensome, particularly in lower income countries.[19] In addition, the conditionalities can be costly for the households to satisfy, particularly for the very poor.

Public works

This guide defines "public works" as programmes that involve the regular payment of money (or in some cases, in-kind benefits) by government or non-governmental organisations to individuals in exchange for work, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability. Examples include Argentina's Trabajar public works programme, Bangladesh's Cash-for-Work and Food-for-Work public works programmes, Ethiopia's Productive Safety Net Programme, India's Employment Guarantee Scheme in Maharashtra (described in Box 1.5), Malawi's public works programmes run by its social fund (MASAF), and South Africa's Expanded Public Works Programme (EPWP).

Box 1.5: The Maharashtra Employment Guarantee Scheme (EGS)

India's Employment Guarantee Scheme (EGS) in the state of Maharashtra aims to address the problem of transient poverty during the agricultural lean season. The programme provides guaranteed employment at a subsistence-level wage while constructing productive infrastructure and other assets. The developmental projects seek to address short-term poverty while supporting longer-term development. The work requirement and the low wage intend to target the poor – and the exclusionary impact on those unable to work is offset somewhat by the government's social pension and food subsidies.

In order to participate, individuals must register a "demand for work" with the local village authority, which is then obliged to offer work within 15 days or else to provide an unemployment allowance. The work project site must make available potable water, childcare, first aid, a shaded place for rest breaks, and other amenities. Projects must be labour-intensive, spending at least 51% of their budget on unskilled labour. In addition, they must generate productive assets, with a priority given to water conservation. The law requires the creation of a new project when at least 50 workers who have demanded jobs cannot be accommodated in existing public works.

Committees at the state, district and block council (Panchayat Samiti) levels implement the Employment Guarantee Scheme. The Panchayat Samiti is an elected block council which plans, co-ordinates and implements development policy initiatives and social welfare programmes of the state government. The state Planning Department manages overall responsibility for the programme, with district-level authority vested in the Collector, who receives quarterly budget allocations from the state. Dedicated taxes (including taxes on urban formal sector employees), together with a matching contribution from the state government, finance the scheme. Launched in 1965, the government expanded the programme after the extended drought in 1971 and legally institutionalized it with the Employment Guarantee Act of 1979. The most

Public works programmes are particularly appropriate for addressing transient poverty by employing workers whose employment or livelihoods are disrupted by a seasonal, climatic or economic shock or cyclical downturn. Public works can be productive, holding the potential to create valuable assets that further reduce poverty or otherwise contribute to programme cost-effectiveness. The projects often have political appeal, supporting their implementation and sustainability. The project orientation facilitates geographic targeting to areas of high unemployment and poverty.[20]

Offsetting these advantages are several potential pitfalls.[21] Often they are expensive and difficult to administer, taxing government capacity. They are not appropriate for many of the most vulnerable (children, older people, those with disabilities) who are unable to accept the kind of employment offered. In some countries the work requirement fosters a gender bias. It is often difficult to target those of the poorest who live in remote and inaccessible locations. In most cases the projects offer employment of only a short duration, which undermines the delivery of a sustainable social impact. Sometimes the assets created by the projects are of poor quality, failing to contribute the expected productivity impact.

Public works programmes are more likely to succeed when the link between poverty and unemployment is exceptionally strong. Since most programmes offer only short-term employment, they are more appropriate for transient rather than chronic poverty.[22] It is also important that the value of assets produced through public works substantially offset the cost of the programme.

significant poverty reduction programme in the state of Maharashtra, the scheme created 90 million person-days of employment in 1997.

Reaching the poor, however, has posed significant challenges. From 1979 to 1989, the non-poor participation rate rose from 39% to 55% while the proportion of the poor not participating rose from 81% to 86%. Low overall participation rates do not reflect a lack of demand for jobs, but rather complicated registration procedures, inaccessible work-sites and poor programme management. The proportion of female participation significantly lags their share of registration due to the programme's failure to provide childcare, discriminatory wages and the particular burden long distances to work sites place on women. Many of the benefits of the productive assets accrue to large landholders, encouraging their political support but missing an opportunity to accelerate pro-poor development.

Nevertheless, the programme provides substantial benefits. Studies of household data indicate that the employment guarantee has contributed to higher market wages for agricultural workers – both through the improved productivity generated by the assets created, and the improved economic power and worker solidarity the programme promotes. The scheme successfully improves the income stability of poor rural households, reducing reliance on usurious credit, productive asset sales and hunger as responses to income shocks. The programme generates few disincentive effects – workers seek higher wage employment and take advantage of better opportunities when they become available. The relative success of the programme has inspired the implementation of a national Employment Guarantee Scheme.

SOURCES: Gaiha and Imai (2005), Gaiha and Imai (2006).

Public works can be an expensive way to deliver social protection. The net income gains to the workers from the Trabajar programme in Argentina have been estimated to be just a quarter of the benefits paid by the government.[23] Due to their high implementation costs, unless programmes generate substantial production-related benefits, they are unlikely to deliver social transfers in a cost-effective manner.

Public works often aim to provide a safety net – to prevent the poor from falling deeper into poverty and liquidating their assets in order to survive. Policy-makers employ public works in the face of economic shocks and natural disasters, and even for cyclical downturns in employment. For chronic poverty and deep structural unemployment, however, short term public works have limited impact. In these circumstances, regular and predictable employment aimed at creating pro-poor assets is likely to provide more effective social protection.[24]

Is a social transfer programme appropriate for my country?

While social transfers offer substantial potential to reduce poverty and foster development, the capacity of a country to deliver on this depends on several important preconditions. First, the country needs to mobilise substantial resources, either from domestic sources or through international assistance. The significant cost implies the need for political commitment to effective social

Box 1.6: Is a social transfer programme appropriate for a fragile state rebuilding from war?

During the conflict situation of the early 1990s the Government of Mozambique successfully implemented a social transfer programme supporting those disabled or displaced by the country's civil war. The scheme – known by its acronym GAPVU (Gabinete de Apoio à População Vulnerável, loosely translated as "the Cash Payments to War-Displaced Urban Destitute Households Programme") – provided very small but significant cash transfers to more than 70,000 households by 1995. Initiated in 1990 by the Ministry of Finance and later managed by the Ministry for Coordination of Social Action, its purpose was to reduce destitution in Mozambique's 13 principal urban centres.

With a staff of 92 people in 1995, GAPVU reached 16% of all households living in Mozambique's cities and towns, providing the only functioning programme to broadly address the needs of the urban poor, particularly older people and individuals with disabilities. In some areas GAPVU increased household income by up to 41%. While the transfer was very small – about US$6 per person each month – it contributed significantly to food security and promoted trading activities and supported home gardens. It reduced the headcount poverty rate by approximately six percentage points, and the poverty gap by even more.

One problem with programme implementation

protection. Practically, there must be appropriate implementation capacity to ensure automatic and robust delivery of the transfers. The government must be committed to a transparent targeting process which supports a clear understanding of the entitlements of beneficiaries.[25] A wide range of countries have effectively implemented social transfer programmes – often adapting institutional features to most appropriately address their specific circumstances. Low-income countries including Lesotho, Nepal and Nicaragua demonstrate that transfers are affordable and that the more important factor is the commitment to poverty reduction as a central policy priority.

It is difficult to identify clear standards for these preconditions. Even a small amount of resources can create a significant social impact. Nepal grants a social pension equal to approximately US$2 per month (about 10% of per capita GDP), India pays a monthly pension benefit equal to approximately US1.50, and Honduras' PRAF programme provides children with $3 per month.[26] A study of Nepal's social pension found only 1.3% of the participants believed the amount was too low to have an impact, although most agreed the programme would benefit from expansion.[27] This evidence of usefulness is corroborated by the pension's high take-up rate – over 80%.[28] While India's national social pension benefit is very low, individual states are able to increase the amount or provide other benefits, usually with a more significant impact.[29] The low benefit in Honduras' PRAF programme may explain the relatively poor performance of the scheme in achieving human capital development outcomes.[30] For unconditional social transfer programmes, low initial benefit levels may provide an affordable starting point for evolving a more developmental programme.

Likewise, implementation capacity constraints need not deter a committed government from implementing a social transfer programme. Even in fragile states – such as Nepal and early-1990s Mozambique – governments have effectively delivered social transfers. During the reconstruction period in the

was the means test – the income threshold for programme eligibility was only about 25% of the poverty line. With strict enforcement, the programme would have served a tiny fraction of the poor. In practice, the means test appeared to be largely ignored, and this contributed to programme success. Another problem resulted from the urban focus – with 85% of Mozambique's population in rural areas, their exclusion limited the potential social impact.

Given the low state capacity and limited fiscal resources, the programme worked remarkably well in the first five years, but grew increasingly strained as pressures built for more rapid expansion. With overheads and administrative expenses limited to 7%, administrators and phantom beneficiaries seized opportunities for corruption, and widespread fraud caused government to suspend the programme in 1997. It re-emerged as the National Institute for Social Action programme shortly thereafter, and continued similar operations on a smaller scale. GAPVU's failure does not discredit the capacity of a fragile state to successfully implement a social transfer programme, but rather underscores the need to properly resource sound administrative systems and effective monitoring and supervision.

SOURCES: Devereux (2002b), (2003), (2005); DFID (2005); Datt et al. (1997).

early 1990s, Mozambique's GAPVU programme delivered very small transfers with a significant impact, promoting food security and significantly reducing poverty. Box 1.6 describes this programme in greater detail. Nepal chose a universal social pension to reduce the administrative burden.

In many ways, cash transfers require less government bureaucracy and administrative resources than other mechanisms for social delivery. The option of administratively feasible and affordable social transfers makes it easier for governments to consider implementing direct income support for the poorest. The critical prerequisite is the political commitment to undertake meaningful poverty reduction. The positive impact of cash-based social transfers works through market processes and reinforces them. Countries that rely on markets and face significant problems with poverty are most likely to find social transfer programmes an effective instrument for developmental social protection.

Endnotes

1 EPRI (forthcoming).
2 Asian Development Bank (2003), page 50.
3 DFID (2005), page 2.
4 Group of Twenty (2009).
5 OECD (2009).
6 Grosh et al. (2008).
7 This adapts DFID's and Devereux's definitions (DFID 2005, page 6 and Devereux et al. 2005, page 3) and incorporates McCord's definition of public works programmes (McCord 2005c).
8 DFID (2005), page 6.
9 Ibid.
10 This discussion follows the framework set out in Holzmann and Jorgensen (2000).
11 Inter-American Development Bank (2004),page 6.

12 The head of the South African Social Security Agency is on record noting that "the unequivocal commitment of the state to an integrated approach to social protection that combined on the one hand, minimum income services for vulnerable categories and job creation schemes, and on the other, guaranteed access to basic social services, had made it possible to reduce poverty considerably in some developing countries". International Social Security Association (2004).

13 This guide focuses on social transfers in the form of cash, although some countries have effectively delivered social transfers with cash-like substitutes like food stamps. Near-cash substitutes usually increase transaction costs and can create distortions, such as when households must convert food stamps into cash in order to pay for essential medical treatment. Issues with food as a transfer medium are discussed in Chapter 7.

14 These arguments are drawn from del Ninno (2005), page 6 and Blomquist (2005), page 12, but with further elaboration.

15 Lindert (2005b), page 1.

16 Sedlacek et al. (2000), page 4.

17 "In terms of results, although CCTs are quite recent initiatives, initial evaluations have shown positive effects on school enrolment and nutrition patterns". [Rawlings and Rubio (2003), Morley and Coady (2003), Guerrero (2001), Sedlacek et al. (2000); cited in Britto (2005), page 13.]

18 Rawlings (2005), page 18 and Ayala Consulting (2003), page 60.

19 Rawlings (2005), page 18.

20 For more details, see Subbarao (2003), pages 3-4.

21 For more details, see Coady et al. (2004).

22 See Jones (2005), page 2.

23 Ronconi et al. (2006), page 21; Jalan and Ravallion (1999).

24 See McCord (2005c).

25 For more details, see Schubert (2005), Hanlon (2004), Harvey et al. (2005), Rawlings and Rubio (2003), ODI (2005).

26 Rajan (2002), page 2; Barrientos and Smith (2005), pages 24–34.

27 Shresth and Raj (2003), page 43.

28 Rajan (2002), page 8.

29 Government of India (2002), page 300.

30 Glewwe et al. (2003), page 22.