



Effects of non-contributory social transfers in developing countries. A compendium

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Working Paper

**Effects of non-contributory social
transfers in developing countries:**

A compendium.

**International Labour Office
Geneva**

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Acknowledgments

This Compendium is part of a global effort conducted by ILO Social Security Department to review the existing evidence on the effects of non-contributory social transfers in developing countries. It has been elaborated alongside other knowledge resources, notably a Matrix presenting available information on the effects of different social transfers programs around the world. These and other resources are available on the knowledge-sharing platform of the ILO Social Security Department:

<http://www.socialsecurityextension.org>

This Compendium has been prepared by Prof. Armando Barrientos of the University of Manchester in close collaboration with ILO Social Security Department specialists and collaborators, namely Philippe Marcadent, Ian Orton, Luís Soares, Florence Bonnet and Krzysztof Hagemeyer.

Executive summary

While access to social security is first a matter of rights, it is also useful to review its effects on outcomes commonly found in development and anti-poverty agenda in developing countries. This review can help to better assess the relevance to invest public resources in social protection in a context where these resources are quite limited and the needs are many. This is the purpose of this Compendium. The focus has been placed on non-contributory programmes in developing countries.

In the last 15 years, large-scale non-contributory social transfer programmes have become a core component of poverty reduction strategies in many developing countries. The objectives, design and institutionalisation of these programmes differ, depending on their financial, administrative and research capacity.

Overall, these programmes make a significant contribution to addressing poverty and vulnerability amongst the poor and poorest households in developing countries. This compendium aims to provide a concise review of the known effects of non-contributory social transfer programmes in developing countries on poverty and vulnerability. A searchable compendium matrix provides detailed information on the effects of social transfers, including a full list of country programmes.

The compendium focuses on the main findings of available studies on the outcomes of social transfer programmes for key dimensions of wellbeing.

A. Enhancing human development

A.1. Nutrition and health

A range of studies on low and middle income households finds that social transfer programmes are effective in improving nutrition, access to health care, and health status among beneficiaries.

Studies of Mexico's *Oportunidades* find that children exposed to the programme gained one centimeter in height for age compared a control group, two years after the start of the programmes. Similar improvements in long-term nutrition have been found among children, especially girls, in pensioner households in South Africa. These findings on improvements in child nutrition suggest there will be medium- and long-term effects on these children's employment and productivity.

Households receiving support from *Bono de Desarrollo Humano* in Ecuador increased their spending on food by 25 per cent, and improved their nutritional status. In Colombia, a substantial increase in the intakes of protein-rich foods and vegetables was observed as a result of *Familias en Acción*.

Earlier studies of the *Maharashtra Rural Employment Guarantee Scheme* in India found that the programme played an important role in combating seasonal malnutrition and income variability among poor households¹ Similar findings emerge from Ethiopia's *Productive Safety Net Programme*, the *National Rural Employment Guarantee Scheme* in India, and

¹ Subbarao, K.; Bonnerjee, A.; Carvalho, S.; Ezemenari, K.; Graham, C. & Thompson, A. (1997). *Safety net programmes and poverty reduction. Lessons from cross-country experience*, Washington DC, World Bank.

Bangladesh's *Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor Programme*.

Transfers have significant impacts on access to health care and on health status, another key dimension of human development. Some transfers directly target improvements in health care access and utilization, while others affect health care indirectly, by supplementing household consumption. Findings from Colombia's *Familias en Acción*, Peru's *Juntos*, Chile's *Chile Solidario*, Nicaragua's *Red de Protección Social*, Mexico's *Oportunidades*, and South Africa's *Old Age and Disability Grant* confirm that social transfers have an important role in improving preventive health practices for the benefit of mothers and infants.

A.2. Education

Many social transfer programmes directly target improvements in the schooling of children in beneficiary households. This is the case of conditional cash transfer programmes. In high middle income countries in particular, where primary school enrolment rates were high prior to the introduction of transfer programmes, the impact has been more significant on secondary school enrolment and attendance. This is the case for Colombia's *Familias en Acción*; Brazil's *Bolsa Familia*, and Mexico's *Oportunidades*. In low middle income countries, similar effects have been reported, for example, in Bangladesh's *Cash for Education*, Nicaragua's *Red de Protección Social* and Ecuador's *Bono de Desarrollo Humano*.

Improvements in schooling are not restricted to conditional cash transfer programmes. Positive effects on schooling can also be observed for unconditional transfers or workfare programmes. In Namibia and South Africa, pensioners reported using their social pension benefits to pay grandchildren's school fees. Social transfers appear to be particularly effective in addressing gender disparities in schooling, as Bangladesh's *Cash for Education* programme has shown.

Use of education and health services is increasing, particularly in low income countries. There is therefore a need to ensure that service infrastructure is available to meet the growth in service demand, and that service quality is improved.

A.3. Child labour

Child labour is a significant factor in keeping generations in poverty and confined to the informal economy. In many developing countries, child labour can also be associated with hazardous employment. Reducing child labour can thus be a very positive step towards a sustained exit from poverty.

In Colombia, *Familias en Acción* is reported to have reduced child labour in rural areas. Similar effects have been reported from Nicaragua's *Red de Protección Social*, Ecuador's *Bono de Desarrollo Humano*, and Brazil's *Child Labour Eradication Programme*.

In Mexico, studies find small reductions in child labour, although marginal impacts for boys aged 16 to 17. This suggests an increasing opportunity cost of schooling, i.e. income opportunities forgone for the household, as children grow older. Similar results are reported from Costa Rica's *Superémonos*, Brazil's *Bolsa Familia*, and South Africa's *Child Support Grant*.

B. Supporting the full utilization of productive capacity

B.1. Employment and labour market participation

Impact studies of social transfers on the utilization of productive capacity provide strong evidence that the programmes facilitate improved resource allocation among poor households.

South Africa's *Old Age and Disability Grant*, for example, was found to reduce the labour supply of older people.

To the extent that social transfers lift credit and childcare constraints, they can enable other household members to work. In Brazil, a recent study finds that for the poorest 30 per cent, the labour market participation rate for beneficiaries of *Bolsa Familia* was significantly higher than among control groups. These findings are consistent with other impact studies of *Bolsa Familia*, South Africa's *Old Age and Disability Grant* and Mexico's *Progresa*.

Public works schemes have also made important contributions to employment generation. In India, for example, studies of the *Maharashtra Employment Guarantee Scheme* reports that the programme contributed to reducing unemployment and underemployment. In Argentina, studies of *Jefes y Jefas de Hogar Desempleados* attributed a reduction in the unemployment rate to the programme. In Chile, *Chile Solidario* was also found to improve attitudes towards work and vocational training.

Labour market conditions at the local level may nevertheless restrict the potential effects of social transfers on employment generation. If the full gains of social transfer schemes are to be realized, complementary employment policies may be necessary.

B.2. Social transfers and productive capacity

Most social transfers are designed to support household consumption, but they also facilitate productive investment. The effect is larger where regular, predictable and adequate transfers enable credit constrained households to reallocate their productive resources, and accumulate and protect their assets. There are indications across a variety of social transfers that beneficiaries are able to save and invest a fraction of their grant. A study of Bolivia's *Bono Dignidad*, a social pension, has estimated that among pension beneficiaries in rural areas, consumption rises by twice the amount of the benefit, which suggests that improved household production was facilitated by the transfer. Studies of Mexico's *Progresa* and Namibia and Brazil's social pension schemes have observed similar results.

Some programmes, such as Bangladesh's targeting the Ultra Poor programme, have been specifically designed to facilitate productive and financial asset accumulation. Recent studies reveal improvements over time in the incidence and size of loans held by programme beneficiaries. The effect appears to have an important gender dimension.

C. Enhancing and stabilising consumption

C.1. Raising consumption

The main objective of social transfers in developing countries is to reduce poverty and vulnerability. There is a large literature assessing the poverty reduction effectiveness of these programmes. The findings from these studies suggest that the programmes have made a significant contribution to reducing poverty and vulnerability.

Impact studies of Mongolia's *Child Money Programme* and South Africa's *Old Age Grant and Child Support Grant* report that they have contributed to a very significant reduction in poverty and vulnerability amongst the poorest.

C.2. Protecting consumption

Social transfers, if regular, reliable and adequate, can contribute towards protecting households against a variety of contingencies and hazards. Few social transfer programmes have explicit insurance components, but the supplementary income they provide enables households to cope with contingencies. Some variants of public works or employment guarantees are an important

exception. The *National Rural Employment Guarantee Scheme* in India is reported to have reduced the income variability of poor labourers by about 50 per cent.

Strengthening the insurance properties of social transfers is an important challenge for the future. Several social transfers in countries such as Mexico, Brazil, Jamaica, South Africa and Indonesia have responded to recent food, fuel and financial crises by raising benefit levels and extending coverage to vulnerable populations.

C.3. Social inequality

Social transfer programmes contribute to reducing income inequality among poor households. They can also contribute to reducing gender and social inequality. However, low level benefits and small programme budgets limit their capacity to reduce aggregate inequality.

D. Facilitating social inclusion and cohesion

D.1. Empowerment and gender

Anthropological studies of *challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor* in Bangladesh find that the programme represents a departure from old-style patronage in village society. Among the positive impacts is the inclusion of extremely poor people into village community social life.

In Chile, a study finds that beneficiaries of *Chile Solidario* improved their awareness of social services in the community. In Mexico, studies find that women's self-esteem and financial security was enhanced as a result of the transfers, and their status in the community was improved. Similar results are reported from *Brazil's Child Labour Eradication Programme*, now integrated into *Bolsa Familia*.

In India, the *Maharashtra Rural Employment Guarantee Scheme* contributed to changing exploitative patron-client relationships, as it enabled landless labourers to negotiate better wages. In Ethiopia, narrative evidence reports that women's participation in the *Urban Food for Work* programme increased their confidence in their own abilities.

Evidence from social pension schemes in Lesotho and Namibia indicates that elderly people have improved their financial self-reliance and hence their status within the household. Social pensions can thus play an important role in restoring dignity and conferred recognition to elderly people, in contexts where they would otherwise be perceived as economic burdens.

D.2. Social cohesion

Social transfers are linked to improvements in social inclusion and social cohesion. This in turn helps to reinforce the social contract. The extension of social transfer programmes in Southern Africa, notably in South Africa, embodies social and political commitments to greater equity and inclusion.

In Colombia, a study of *Familias en Acción* reports improved levels of social trust and collective altruism in beneficiary neighbourhoods. Studies of Mexico's *Progresa* show that social relationships between beneficiary women can potentially build new forms of social capital. For example, there are reports of women organising collectively against violent and abusive behaviour against women.

In conclusion, this review of the effects of non-contributory social transfers in developing countries finds that they can make a very significant contribution to reducing poverty and vulnerability in developing countries. The studies reviewed here confirm that social transfers have effects on a range of dimensions of wellbeing, depending on programme objectives,

design, and resources. Social transfers have proved effective in middle income countries, but their introduction in low income countries poses important challenges in terms of finance and delivery capacity. The main challenge ahead is to strengthen the institutional basis of social transfer programmes within the social protection systems in developing countries.

1. Introduction

Social security has been explicitly recognized as a basic human right, and enshrined as such in international legal instruments (e.g. *Universal Declaration of Human Rights*). The promotion of access to social security has been part of ILO mandate (ILO Constitution from 1919, and Philadelphia Declaration from 1944) and endemic to its historical action. This latter is manifested, notably, by an important standard setting activity behind some key international instruments on social security: the *Social Security (Minimum Standards) Convention, 1952 (No. 102)*; the *Income Security Recommendation, 1944 (No. 67)* and the *Medical Care Recommendation, 1944 (No. 69)*.

The materialization of access to social security has been a historical and gradual process that has played and continues to play a very important role in the development of what are now developed countries and their successes in reduction of poverty, inequality, stabilization and social cohesion. But despite the progress made in the materialization of the universal right to social security, very important gaps remain with still many countries in the world which have low or very low levels of social security coverage, particularly among those in the low and middle income categories.

Recognizing this problem, ILO's work on social security in recent years has been conducted within the framework of the Campaign on Social Security and Coverage for all, as mandated by the International Labour Conference of 2001. The strategy for this Campaign is based on a two-dimensional approach. The first dimension comprises the provision of income security and access to healthcare, even if at a modest basic level, to the entire population (horizontal extension) through a basic package of social transfers. In the second dimension, the objective is to seek to provide higher levels of income security and access to higher quality health care as countries achieve higher levels of economic development (vertical extension). The basic package of social transfers in combination with actions that guarantee access to adequate and affordable nutrition and essential social services forms a "social protection floor"². The Campaign is not prescriptive about what are the best social security mechanisms to extend social security. Different countries will envisage and implement different combinations of needs-based, insurance-based and non-contributory systems of social protection.

While access to social security is first a matter of rights, it is also useful to review its effects on outcomes of development and anti-poverty agenda in developing countries. This review can help to better assess the relevance to invest public resources in social protection in a context where these resources are quite limited and the needs are many. This is the purpose of this Compendium. The focus has been placed on non-contributory programmes in developing countries which have become a core component of poverty reduction strategies in many of them. They play a critical role today in extending income security to all in line with the horizontal dimension of the ILO Campaign. A searchable [compendium matrix](#) provides detailed information on the effects of social transfers, including a full list of country programmes³.

Non-contributory social transfer programmes in developing countries show considerable variety in programme design⁴. Some are *pure transfers*, such as South Africa's *Old Age and*

² The concept of a *social protection floor* has been adopted by the United Nations system Chief Executives as one component of its policy approach to address the global financial crisis, and was endorsed by the International Labour Conference 2009 as an element of the Global Jobs Pact.

³ The Compendium Matrix is available on the ILO's Global Extension of Social Security (GESS) website at: www.socialsecurityextension.org/gimi/gess/ShowWiki.do?wid=59

⁴ Information on the selected social transfer programmes referred to in this Compendium can be found in Annex I, and a Glossary of terms is in Annex II.

Disability Grant or its *Child Support Grant*. Increasingly, social transfer programmes in developing countries link transfers with *basic service provision*. Mexico's *Oportunidades* (previously known as *Progresa*), links income supplements with school attendance and health check-ups. Similarly, Brazil's *Bolsa Familia* provides income transfers to poor households, on condition that they regularly send their children to school and that household members attend health clinics. Other programmes offer transfers conditional on beneficiary households providing work in local infrastructure development, or guarantee paid employment. Examples of these programmes are the *National Rural Employment Guarantee Scheme* (NREGS) in India, and Ethiopia's *Productive Safety Net Programme* (PSNP). Finally, integrated anti-poverty programmes such as Chile Solidario combine transfers with a wide range of interventions in health, education, employment, income, registration, intra-household dynamics and housing⁵.

There is also diversity in programme objectives and in the selection of beneficiaries. All programmes aim to reduce poverty and vulnerability. Some focus to a greater extent on reducing extreme poverty, while others target intergenerational poverty persistence by focusing interventions on children. This has implications for the selection of beneficiaries. Categorical transfer programmes select children or older people, for example. In addition, most programmes select beneficiaries in poor or poorest households.

There are important differences between social transfer programmes in middle income countries and those in low income countries. On the whole, middle income countries have greater financial, administrative and research capacity to implement social transfer programmes to scale. In low income countries, on the other hand, the extension of social protection has been slower, programmes institutionalisation has been more precarious, and sustainability issues are important. In low-income countries in sub-Saharan Africa and lower middle income countries in Central America, programmes tend to be of fixed term, small-scale, and at the pilot stage⁶.

The compendium does not attempt to provide an exhaustive review of all available studies, but instead to outline the main findings. Where possible, the compendium relies on quantitative and qualitative studies of impact, based on household survey data and using appropriate analytical methods. The intention is to provide a well grounded and comparative review of the effects of social transfers, accessible to policy makers. The majority of existing programmes have been introduced in the last decade, and therefore research on their impact and effectiveness is just beginning to provide a comprehensive knowledge base, but knowledge gaps remain.

There are important limitations which apply to this compendium. The impact evaluation literature reviewed here normally focuses on assessing the extent to which social transfer programmes achieve their explicit objectives. Where programmes have the objective of improving school attendance, or facilitating asset accumulation, these effects are measured with relative precision. Less information is available on less direct effects – for example the impact of social transfers on social inclusion and empowerment. Fortunately, the research literature on the indirect effects of social transfers is growing fast. Larger-scale programmes in middle income countries have taken greater care in collecting evaluation data and commissioning relevant studies, than has been the case among low income countries. This

⁵ See Barrientos, A.; Holmes, R. & Scott, J. (2008). *Social Assistance in Developing Countries Database version 4*. Manchester, Brooks World Poverty Institute and CPRC. And, Barrientos, A. & Holmes, R. (2007). *Social Assistance in Developing Countries*. Manchester, Chronic Poverty Research Centre, Barrientos, A. & Hulme, D. (Eds.) (2008). *Social Protection for the Poor and Poorest: Concepts, Policies and Politics*, London, Palgrave.

⁶ See Barrientos, A.; Hulme, D. & Nino-Zarazua, M. (2009). Will the green shoots blossom? A new wave of social protection in Sub-Saharan Africa. Manchester, Brooks World Poverty Institute, University of Manchester, Barrientos, A. & Santibanez, C. (2009). Social policy for poverty reduction in low income countries in Latin America: Lessons and Challenges. *Social Policy & Administration*, 43, 409-424.

imposes a bias in the discussion below towards middle income countries and towards well-established programmes.

Whether the observed effects in middle income countries can be safely extrapolated to low income contexts requires careful consideration. The summaries at the end of the sections below note these biases explicitly. The discussion of effects is mainly focused on the short term, while longer- term effects are perhaps most important. At this point it is not possible to establish with certainty the likely longer-term effects of social transfers, at least in the context of developing countries. In developed countries, on the other hand, the crucial role of social transfers in eradicating absolute poverty, supporting improvements in well-being, and facilitating economic and social transformation is supported by a substantial body of evidence⁷.

The document does not examine budgetary issues or delivery effectiveness. The International Labour Office has undertaken detailed simulations, across a range of countries in sub-Saharan Africa with varying fiscal capacity and macroeconomic conditions, of the budgetary allocations required for different interventions⁸. It concludes that well designed programmes directed at children, older and disabled people and covering primary health provision could be affordable in most countries. Very roughly, their simulations suggest that one per cent of GDP could be sufficient to cover a basic pension, two per cent of GDP a child-focused transfer, and two to three per cent of GDP could finance primary health provision. These budget calculations assume categorical programmes, which extend entitlements to all in the respective age or categorical group. Targeted programmes, which focus on the poorest members of society, would require fewer resources, depending on scale. The budgets of existing conditional cash transfer programmes in Latin America are on average less than one per cent of GDP⁹.

The focus of this compendium is on the observed outcomes of social transfer programmes, including direct effects and indirect observable effects. To an important extent, outcomes from social transfer programmes reinforce each other. Improvements in nutrition as a direct result of income supplements will work to reinforce outcomes from schooling and health interventions. For simplicity, the discussion below largely focuses on distinct outcomes, but it is important to keep in mind the complementarities across outcomes.

The structure of the document is as follows: Section 2 covers the effects of social transfers in generating human development; then Section 3 discusses how social transfers ensure the full utilization of the productive capacity of beneficiary households; Section 4 examines the impact of social transfers in raising and protecting household consumption; a discussion of available evidence on the effects of social transfers on social inclusion and cohesion is presented in Section 5. Section 6 concludes.

⁷ Cornia, G. A. & Danziger, S. (1997). *Child poverty and deprivation in the industrialized countries, 1945-1995*, Oxford, Clarendon Press.; Atkinson, A. B. (1995). On targeting social security: theory and western experience with family benefits. IN VAN DE WALLE, D. & NEAD, K. (Eds.) *Public Spending and the Poor*. Baltimore, Maryland, the John Hopkins University Press.

⁸ Behrendt, C. (2008). Can low income countries in sub-Saharan Africa afford basic social protection? First results of a modelling exercise. In Barrientos, A. & Hulme, D. (Eds.) *Social Protection for the Poor and Poorest. Concepts, Policies and Politics*. London, Palgrave.

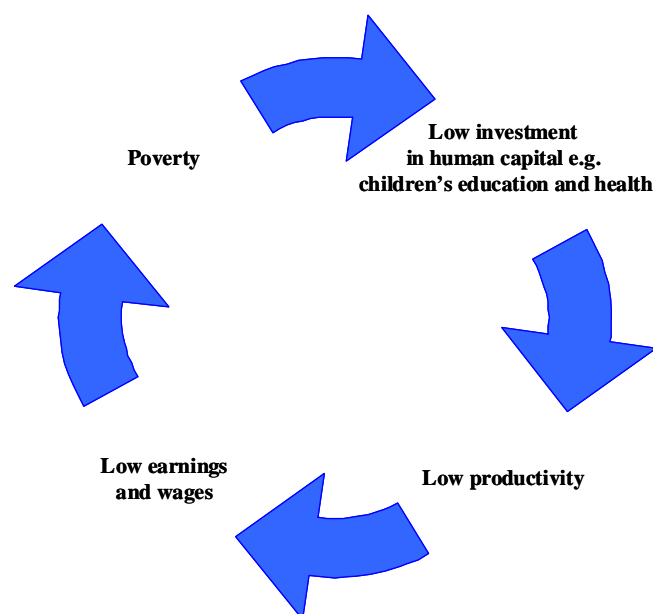
⁹ Barrientos, A. (2008b). Financing Social Protection. IN BARRIENTOS, A. & HULME, D. (Eds.) *Social Protection for the Poor and Poorest: Concepts, Policies and Politics*. London, Palgrave.

2. Enhancing human development

The important role of human development in social and economic development is now well understood. More than two centuries ago, Adam Smith denoted the significance of education and health in the process of capital accumulation and economic progress¹⁰. Healthier and better educated individuals have a higher productive capacity than those who are ill, illiterate and malnourished. They can adapt more easily as economic circumstances change, and thus exploit economic opportunities more effectively.

It is therefore not surprising that wealthier households show higher levels of investment in human capital – through, for example, expenditure on children’s education, nutrition and health – than poorer households. Poverty and persistent poverty are often associated with insufficient investment in nutrition, health and education. Figure 1 below shows the relationships linking low investment in children’s human capital to persistent poverty.

Figure 1. Intergenerational poverty traps



The design of recent social protection programmes has been shaped by the knowledge that reducing and preventing persistent poverty means tackling these deficits. A growing body of research confirms that social transfer programmes, especially those focused on human development, are effective instruments for improving schooling, as well as health and nutritional status, among poor and poorest households. The focus here on human capital investments provides a powerful framework for discussion about the relationship between social transfers and household wellbeing, whilst acknowledging the legitimate value that people intrinsically place upon good health, formal instruction and nourishment.

¹⁰ Adam Smith, for instance, referred to education as part of the ‘stock of any society’, denoting that: “the acquisition of ... talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labor, and which, though it costs a certain expense, repays that expense with a profit”, pp 115 in: Smith, A. (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations*, Electronic version edited by John Morrow.

This section outlines and discusses the main findings of recent impacts studies of social transfers on human capital. It focuses particularly on schooling, child labour, health and nutrition. Although these dimensions of human capital are interrelated and mutually reinforcing, we initially discuss them separately.

2.1. Nutrition and health

Transfers are primarily intended to raise and/or protect household consumption, and particularly food consumption, which is the largest expenditure item of poor and poorest households. Some transfer schemes specifically include nutrition-related interventions, usually focused on children. Mexico's *Oportunidades*, for example, distributes nutritional supplements for infants.

Improvements in child nutrition can be observed and measured with the use of anthropometric data. Weight for age provides insights into the short-term impact of improved nutrition, while height for age provides information on the long-term effects of improved nutrition. Height for age is particularly informative as regards the longer-term impact of transfers, including labour market opportunities, as studies have consistently found a height wage premium. Evaluation studies of Mexico's *Oportunidades* find that children exposed to the programme gained one centimeter in height for age compared a control group, two years after the start of the programmes. The gain was 0.65cm six years after the programme¹¹. Similar improvements in long-term nutrition have been found among children in pensioner households in South Africa, especially among girls¹². A study of the *Child Support Grant* in South Africa finds that children born to beneficiary mothers are predicted to be 3.5 cm taller as adults¹³. The authors estimate that the present value of increased future earnings is in the order of 60-130 per cent greater than the cost of the grant.

Households receiving support from *Bono de Desarrollo Humano* in Ecuador had a 25 per cent increase in food expenditure, which was also linked to improvements in nutritional status¹⁴. In Colombia, a substantial increase in intake of protein-rich foods and vegetables was observed as a result of *Familias en Acción*. It was estimated that the number of days per week children eat meat went from two to three in urban areas, while the number of days they eat vegetables more than doubled¹⁵. Those changes in consumption benefited small children in particular: 12-month-old boys grew 0.44 centimeters more than similar children who did not benefit from the transfer.

As regards food security, earlier studies of the *Maharashtra Rural Employment Guarantee Scheme* in India found that the programme played an important role in combating seasonal

¹¹ Neufeld, L.; Sotres Alvarez, D.; Gertler, P.; Tolentino Mayo, L.; Jimenez Ruiz, J.; Fernald, L. C.; Villapando, S.; Shamah, T. & Rivera Donmarco, J. (2005). Impacto de Oportunidades en el crecimiento y el estado de nutrición de niños en zonal rurales. IN HERNÁNDEZ PRADO, B. & HERNÁNDEZ AVILA, M. (Eds.) *Evaluación Externa de Impacto del Programa Oportunidades 2004: Alimentación*. Cuernavaca, Instituto Nacional de Salud Pública.

¹² Duflo, E. (2003) Grandmothers and Granddaughters: Old Age Pensions and Intrahousehold Allocation in South Africa. *World Bank Economic Review*, 17, 1-25.

¹³ Agüero, J.; M., Carter, M. R. & Woolard, I. (2007). The impact of unconditional transfers on nutrition: the South African Child Support Grant. Brasilia, International Poverty Centre.

¹⁴ Ponce, J. & Bedi, A. S. (2009). The impact of a cash transfer program on cognitive achievement: The Bono de Desarrollo Humano of Ecuador. *Economics of Education Review*, Forthcoming.

¹⁵ Attanasio, O. (2003). Baseline Report on the Evaluation of 'Familias en Acción'. London, Institute for Fiscal Studies

malnutrition and income variability among poor households¹⁶. Similar findings emerge from early impact evaluation of Ethiopia's *Productive Safety Net Programme*¹⁷ and the *National Rural Employment Guarantee Scheme* in India¹⁸.

The impact of transfers on nutrition is significant in low income countries, and in rural areas. Participants in Bangladesh's *challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor* programme reported a significant improvement in their overall calorie intake. At the baseline, 97 per cent of participants were reported to be malnourished. That percentage was reduced to 27 per cent after two years of participation in the programme¹⁹.

A study on the *Kalomo District Pilot Social Cash Transfer Scheme* in Zambia finds that the nutritional status of the beneficiary population showed a marked improvement. The incidence of households living on one meal a day decreased from 19.3 per cent to 13.3 per cent²⁰. Food intake also appeared to have improved in terms of quality: the intake of fats, proteins and vitamins increased.

Evidence on improvements in nutrition as a result of the introduction of transfer programmes is strong across a range of programmes, and across a range of countries. It confirms the direct link between income supplementation and food consumption among beneficiary households. Evidence is particularly clear and strong in terms of improvements in child nutrition, suggesting medium- and long-term effects on the children's lifetime opportunities.

Transfers have significant impacts on health status, another dimension of human development with direct implications for productive capacity. Some transfers directly target improvements in health care access and utilization. Others affect health care indirectly, through the supplementation of household income and the associated improvements in household consumption.

2.1.1. Child health

In Latin America, human development conditional transfer programmes (described in the international literature as conditional cash transfer programmes) explicitly target improvements in health care for beneficiary households. These programmes require participant households to utilize preventive health care facilities on a regular basis, particularly expectant mothers and infants. Overall, the programmes appear to have met their objectives. An evaluation of Colombia's *Familias en Acción* reports a rise in the percentage of children under 24 months attending health care check-ups, from 17.2 per cent to 40 per cent, and a corresponding rise

¹⁶ Subbarao, K.; Bonnerjee, A.; Carvalho, S.; Ezemenari, K.; Graham, C. & Thompson, A. (1997). *Safety net programmes and poverty reduction. Lessons from cross-country experience*, Washington DC, World Bank.

¹⁷ Gilligan, D.; O., Hoddinott, J. & Seyoum Taffesse, A. (2008). *the impact of Ethiopia's Productive Safety Net Programme and its linkages*. Washington, IFPRI.

¹⁸ Ravi, S. & Engler, M. (2008). *Workfare in low income countries: An effective way to fight poverty? The case of NREGS in India*. Indian Business School.

¹⁹ Rabbani, M.; Prakash, V. A. & Sulaiman, M. (2006). *Impact Assessment of CFPR/TUP: A descriptive analysis based on 2002-2005 panel data*. Dhaka, BRAC.

²⁰ Ministry of Community Development and Social Services & German Technical Cooperation (2006) *Evaluation Report. Kalomo Social Cash Transfer Scheme. Social Safety Net Project*. Lusaka.

from 33.6 per cent to 66.8 per cent for children aged between 24 and 48 months²¹. Improved utilization of health care facilities directly affects morbidity rates. The proportion of children affected by diarrhoea declined from 32 per cent to 22 per cent among children aged under 24 months, and from 21.3 per cent to 10.4 per cent among older children. The results are important. According to official statistics, approximately 1,300 children under 12 months of age die every year due to diarrhoea, which accounts for ten per cent of total deaths in that age group in the country²².

Similar improvements in health care utilization rates have been reported from other social transfer programmes operating in Latin America. The introduction of Mexico's *Oportunidades* led to a doubling of per capita health care visits in the rural population, from 0.5 to one visit per year on average²³. Similarly, the introduction of Peru's *Juntos* programme led to a 30 per cent increase in visits to health centres for immunizations among children under age one, and a 61 per cent increase for children aged one to five years. The impact of *Chile Solidario* on preventative health care visits was in the order of a four to six percentage points improvement for children living in rural areas²⁴. Nicaragua's *Red de Protección Social* improved timely immunization amongst children aged between 12 and 23 months by 18 per cent²⁵.

Immunizations and regular health visits can play a significant role in reducing the incidence of illness that in extreme cases leads to premature deaths amongst toddlers. In Mexico, there was a 12 per cent lower incidence of illness amongst children receiving support from Progresa, compared to children of similar socio-economic characteristics who did not receive support from the programme²⁶. The positive change in parental behaviour towards children's preventative health care can have important long-term effects on children's physical and cognitive development. Ensuring that children enjoy good health in early years hence becomes critical for educational achievements, economic and social opportunities, and in general, for overall development throughout their future lifespan. It also contributes towards achieving the Millennium Development Goal (MDG) of reducing the global child mortality rate.

2.1.2. Maternal health

Recent studies have confirmed that investments in women's health are more important for future children's development than previously thought²⁷. Preventive health interventions which

²¹ Attanasio, O.; Battistin, E.; Fitzsimons, E. & Mesnard, A. (2005). How effective are Conditional Cash transfers? *The Institute for Fiscal Studies Briefing Note No. 54*. London, Institute for Fiscal Studies.

²² Diarrhoea is in fact the second leading cause of infant death worldwide. The World Health Organisation estimates that about 20 per cent of child deaths, about 1.5 million each year, is due to this condition. For further details see: United Nations Children's Fund & World Health Organization (2009) *Diarrhoea: Why children are still dying and what can be done*. New York, UNICEF and World Health Organization.

²³ Coady, D. (2003). *Alleviating structural poverty in developing countries: The approach of Progresa in Mexico*. Washington DC, International Food Policy Research Institute.

²⁴ Galasso, E. (2006). "With their effort and one opportunity" *Alleviating extreme poverty in Chile*. Washington DC, Development Research Group, World Bank.

²⁵ Maluccio, J. A. & Flores, R. (2004). *Impact Evaluation of a Conditional Cash Transfer Programmes: The Nicaraguan Red de Protección Social*. Washington, DC, IFPRI.

²⁶ Skoufias, E. (2005). *Progresa and its Impacts on the Welfare of Rural Households in Mexico. Research Report*. Washington, International Food Policy Research Institute.

²⁷ For a recent discussion on this issue, see Behrman, J. R.; Murphy, A.; Quisumbing, A. R. & Yount, K. (2009). *Are Returns to Mothers' Human Capital Realized in the Next Generation? The Impact of*

ensure regular antenatal visits can be potentially life-saving for many women in the developing world²⁸. The Millennium Declaration set the target of reducing by three-quarters the maternal mortality ratio. It is important therefore to look at evidence documenting the effects of social transfers on improving maternal health.

A study of Peru's *Juntos* reports an increase of approximately 65 per cent in pre-and postnatal visits to health clinics, as well as a reduction in home births. This is a significant achievement, given the very high levels of maternal mortality in the areas targeted by the programme. Similar findings are reported from Mexico's *Progresa*, with an increase in prenatal health care during the first three months of pregnancy of approximately eight per cent²⁹. Chile's *Solidario* led to an increase of seven per cent in cervical smears among rural women aged 35 and older, a fact that reflects improvements in women's knowledge and attitudes towards sexual health-related practices³⁰. Improvement in health care leads to reduced morbidity rates among adults too. An evaluation of Mexico's *Oportunidades* found a reduction in days in bed due to illness, of 22 per cent after two years of the programmes³¹. Social transfers can also be beneficial to other adult members of the family.

Improvements in health status have been observed in other regions and for different types of programme. Studies on the impact of social pensions in South Africa have found significant improvements in the health status of pensioners and their households³².

In middle income countries, income supplements from social transfers can be used to cover the costs of health care, while coordination between programme managers and service providers helps to ensure there is adequate supply to meet the increased demand. In low income countries, supply constraints can be a significant challenge. Studies of the allocation of household expenditure among beneficiary households report an increase in health care expenditures following the introduction of transfer programmes³³.

2.2. Education

Another route linking transfers and human development is schooling. Many social transfer programmes directly target improvements in the schooling of children in beneficiary households. This is usually done through specific programme objectives, improvements in supply, and co-responsibilities. Similar effects can also be observed in pure transfer

Mothers' Intellectual Human Capital and Long-Run Nutritional Status on Children's Human Capital in Guatemala. *IFPRI Discussion Paper 00850*.

²⁸ The UN Children's Fund (UNICEF) and the World Health Organization (WHO) recommend a minimum of four antenatal visits.

²⁹ Gertler, P. & Fernald, L. C. (2005). Impacto de mediano plazo del Programa Oportunidades sobre el desarrollo infantil en áreas rurales. In Hernandez Prado, B. & Hernandez Avila, M. (Eds.) *Evaluación Externa de Impacto del Programa Oportunidades 2004: Alimentación*. Cuernavaca, Instituto Nacional de Salud Pública.

³⁰ Galasso, E. (2006). "With their effort and one opportunity" Alleviating extreme poverty in Chile. Washington DC, Development Research Group, World Bank.

³¹ Skoufias, E. (2001). *Progresa and its impact on the human capital and welfare of households in rural Mexico. A synthesis of the results of an evaluation by IFPRI*. Washington DC, International Food Policy Research Institute.

³² Case, A. & Wilson, F. (2000). *Health and well-being in South Africa: evidence from the Langeberg Survey*. Princeton, Princeton University.

³³ Huijbregts, M. (2009). *Social cash transfers and their impact on food security, health and nutrition. 10th EDF Conceptualisation Workshop*. Lilongwe, Malawi.

programmes in countries with reasonable levels of school infrastructure. Most programmes target school enrolment and attendance. As with nutrition, there is strong evidence across a range of programmes that school enrolment and attendance objectives are being met. The issue of whether these improvements are sufficient in themselves to improve future opportunities is harder to confirm at this point.

In middle income countries, where primary school enrolment rates were high prior to the introduction of transfer programmes, the impact has been more significant on secondary school enrolment and attendance. Studies for Colombia, for example, do not find any discernible impact of *Familias en Acción* school attendance rates amongst children aged eight to 11; but the effect of the programme becomes significant and positive amongst children aged 12 to 17, with about ten per cent improvement in rural areas and 5.2 per cent improvement in urban areas³⁴. This is common among human development-focused programmes, such as conditional cash transfer programmes in Latin America. In Brazil, a study finds that school attendance amongst poor children rose by four per cent as a result of participation in *Bolsa Familia*, with an average effect of three percentage points among boys, which is highly significant considering the high school enrolment rates in Brazil³⁵.

In Mexico, participation in *Progresar/Oportunidades* is associated with higher school enrolment, less grade repetition and better grade progression, lower dropout rates, and higher school re-entry rates among dropouts. The impact was especially notable in rural areas, where the number of children entering the first grade of secondary school rose by 85 per cent and second grade by 47 per cent³⁶. Drop-out rates decreased by 24 per cent, with a corresponding rise in completion rates of 23 per cent for rural secondary schools³⁷. These results suggest an overall increase in completed years of schooling of about ten per cent for the cohort exposed to *Oportunidades*. This is predicted to increase children's future permanent earnings by about eight per cent when they reach adulthood³⁸. These findings have been confirmed by qualitative evaluations with a longer-term focus³⁹.

These findings also apply in lower income countries. In Nicaragua, *Red de Protección Social* achieved significant impacts on schooling, despite its modest scale when compared to other social transfers in Latin America. The programme increased school enrolment rates amongst children aged seven to 13 by 18 per cent, and reduced the incidence of child labour by five per cent⁴⁰. In Ecuador, a randomised study estimates that *Bono de Desarrollo Humano* (previously

³⁴ Attanasio, O., Battistin, E., Fitzsimons, E. & Mesnard, A. (2005). How effective are Conditional Cash transfers? *The Institute for Fiscal Studies Briefing Note No. 54*. London, the Institute for Fiscal Studies.

³⁵ Cardoso, E. & Portela Souza, A. (2003). The impacts of cash transfers on child labor and school attendance in Brazil Sao Paulo, Department of Economics University of Sao Paulo.

³⁶ Molyneux, M. (2007). Change and Continuity in Social Protection in Latin America: Mothers at the Service of the State? *Programme on Gender and Development*. Geneva, United Nations Research Institute for Social Development (UNRISD).

³⁷ Skoufias, E. & Di Maro, V. (2005). Conditional cash transfers, adult work incentives and current poverty. Washington DC, World Bank.

³⁸ See Freije, S.; Bando, R. & Arce, F. (2006). Conditional transfers, labour supply, and poverty: Microsimulating Oportunidades. *Economía*, 73-124. And Skoufias, E. & Di Maro, V. (2005). *Conditional cash transfers, adult work incentives and current poverty*. Washington DC, World Bank.

³⁹ Escobar Latapí, A. & González De La Rocha, M. (2009). Evaluación Cualitativa del Programa Oportunidades. Etapa urbana 2003. CIESAS - Occidente.

⁴⁰ Maluccio, J. A. & Flores, R. (2004). Impact Evaluation of a Conditional Cash Transfer Programmes: The Nicaraguan Red de Protección Social. Washington, DC, IFPRI.

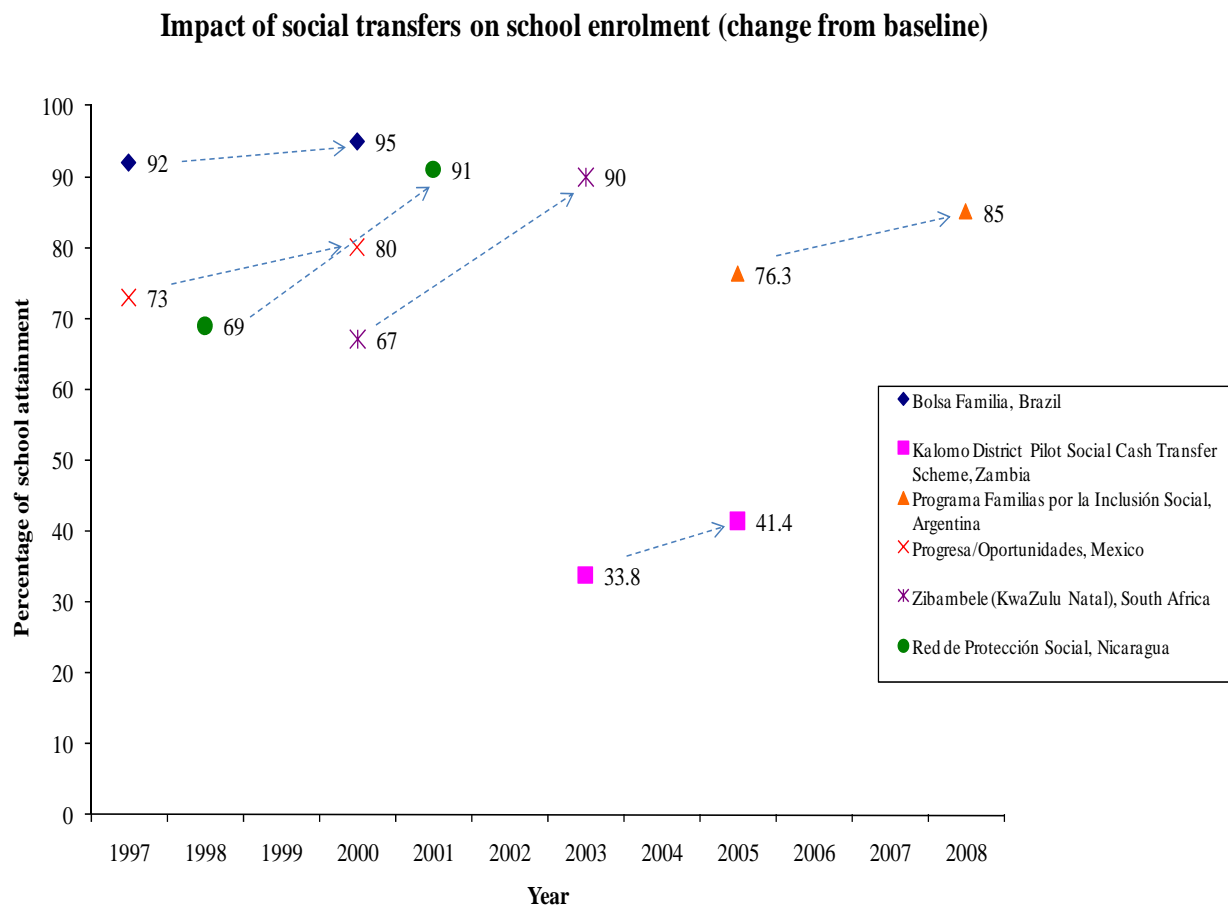
known as *Bono Solidario*) increased school enrolment for children aged six to 17 by about ten percentage points⁴¹.

Schooling improvements are not restricted to conditional cash transfer programmes in Latin America. Unconditional social transfers also often have important effects on children's education. In Namibia and South Africa, for example, it has been reported that social pensions paid to grandparents are regularly used to pay grandchildren's school fees and other associated expenses⁴². Figure 2 illustrates the impact of selected social transfer programmes on school enrolment across a range of countries.

⁴¹ Schady, N. & Araujo, M. C. (2006). Cash transfers, conditions, school enrolment, and child work: Evidence from a randomized experiment in Ecuador. Washington DC, World Bank.

⁴² Devereux, S. (2001). Social Pensions in Namibia and South Africa. Falmer, IDS.

Figure 2.



Social transfers appear to be particularly effective in addressing gender disparities in schooling, as girls often show disproportionately lower rates of school enrolment. In Bangladesh, the *Food for Education* programme is reported to have improved school enrolment amongst girls by about 44 per cent and amongst boys by 28 per cent, compared to children outside the programme. The programme also appeared to reduce school dropout rates: only about six per cent of beneficiary children dropped out of school, compared to 15 per cent of non-beneficiary children⁴³.

The findings suggest that school enrolment and attendance improve significantly where these are explicit programme objectives. Some transfers programmes without an explicit focus on schooling, such as social pensions, can make progress on these dimensions in middle income countries with reasonable service infrastructure. The extent to which these changes translate into improvements in knowledge and skills in the longer term is, however, more difficult to confirm at present. School enrolment and attendance are necessary, but not sufficient, conditions to ensure that current cohorts of children reach the labour markets with improved educational attainment levels. The quality of education and the transition from school to work are also important. These are research questions currently being pursued.

One aspect that could turn out to be significant in the context of social transfers is concerned with potential '*demonstration effects*'. In Mexico, the behaviour of beneficiary households appears to be emulated by non-beneficiary households. This in turn results in increased rates of

⁴³ Ahmed, A. U. & Del Ninno, C. (2002). *Food for Education Programme in Bangladesh: An evaluation of the Impact on Educational Attainment and Food Security*. Washington DC, International Food Policy Research Institute.

school enrolment and clinic visits among non-beneficiary households⁴⁴. Rising utilization of educational and health services by beneficiaries and non-beneficiaries can put significant pressure on available resources. It is important that attention is paid to ensuring the availability of adequate infrastructure. The value of increasing the years of education that a child receives can be diminished if the quality of that education is low⁴⁵. In order to address this issue, some transfer programmes have included complementary transfers to schools for each beneficiary child they enroll, to support the increase in demand for educational services.

2.3. Child labour

Many social transfer programmes explicitly target child labour. Child labour is an important factor in ensuring that poverty and confinement to the informal sector persist across generations⁴⁶. Early entry into the labour market usually involves early exit from school, which has long-term implications for labour outcomes. In many developing countries, child labour can also be associated with hazardous employment. Reducing child labour can be a very positive step towards sustained exit from poverty.

It is important to identify the routes by which social transfers could lead to a reduction in child labour among beneficiary households. If child labour is taken to be primarily a reflection of the income needs of a household, income supplements will have a direct impact on child labour. However, the economic motivations behind child labour extend to non-income factors, and often emerge as responses to vulnerability among poor households. In this context, social transfers could help to modify or attenuate such adverse responses. The empirical evidence on the impact of transfers on child labour is mixed.

In Colombia, *Familias en Acción* is reported to have led to a significant reduction in child labour in rural areas, particularly amongst children aged between 10 and 13⁴⁷. Similar effects (8.8 per cent reduction in child labour) have been reported from Nicaragua's *Red de Protección Social* for children in the same age group⁴⁸. A study finds a reduction in child labour of 17 per cent as a result of participation in Ecuador's *Bono de Desarrollo Humano*⁴⁹. A study of the *Child Labour Eradication Programme* (PETI), a programme to eradicate the worst forms of child labour in rural Brazil, reports that the programme increased children's time in school, improved academic success, and reduced labour participation and hazardous work⁵⁰. In Mexico, small but significant reductions in child labour have been reported in the literature. However, no significant reduction was found for boys aged 16 to 17. This may reflect the

⁴⁴ Handa, S., Huerta, M. C., Perez, R. & Straffon, B. (2000) Poverty, Inequality and spillover in Mexico's education, health and nutrition program. Washington DC, IFPRI.

⁴⁵ See Dreze, J. & Gazdar, H. (1996). Uttar Pradesh: The Burden of Inertia. In Dreze, J. & Sen, A. (Eds.) *Indian Development: Selected Regional Perspectives*. Oxford, Oxford University Press.

⁴⁶ Emerson, P. & Portela Souza, A. (2003). Is there a child labor trap? Intergenerational persistence of child labor in Brazil *Economic Development and Cultural Change*, 51, 375-398.

⁴⁷ World Bank (2006). Colombia: Familias en Acción. World Bank.

⁴⁸ Barrientos, A. & Santibanez, C. (2009). Social policy for poverty reduction in low income countries in Latin America: Lessons and Challenges. *Social Policy & Administration*, 43, 409-424.

⁴⁹ Schady, N. & Araujo, M. C. (2006). Cash transfers, conditions, school enrolment, and child work: Evidence from a randomized experiment in Ecuador. Washington DC, World Bank.

⁵⁰ Yap, Y.-T.; Sedlacek, G. & Orazem, P. F. (2002). Limiting child labor through behavior-based income transfers: An experimental evaluation of the PETI program in rural Brazil. Washington DC, Inter-American Development Bank.

increasing opportunity cost of schooling, i.e. income opportunities forgone for the household as children grow older⁵¹.

In other cases, the impact of transfers on child labour has been at best marginal. In Costa Rica, for example, *Superémonos* increased school attendance and educational attainment among poor children, but there was no evidence of a reduction in child labour⁵². Overall, the studies on the impact of *Bolsa Familia* on child labour report small or marginal effects in both directions⁵³. In South Africa, a recent study found no significant changes in child labour among recipients of the *Child Support Grant*.⁵⁴ The effect of Bangladesh's *Cash for Education* programme on child labour only amounted to a small proportion of the effect on school enrolment⁵⁵.

In sum, it is apparent from this review that social transfer programmes have large effects on human development, especially where this is in fact their explicit objective. A distinguishing feature of new social transfer schemes is the fact that they target human development as a means to reduce the future incidence of poverty. Human development effects can also be observed in pure transfer programmes, where human development is not an explicit objective of the programme. Human development effects can be observed for both middle and low income countries. The effectiveness of the programmes in achieving human development objectives will be greater in contexts where appropriate service infrastructure is available, and is of reasonable quality. In low income countries, this is not always the case. Combining social transfers with interventions aimed at strengthening service infrastructure is essential there.

⁵¹ Rawlings, L. B. & Rubio, L. (2005). Evaluating the impact of conditional cash transfer programs. *World Bank Research Observer*, 20, 29-55.

⁵² Duryea, S. & Morrison, A. (2004). The effect of conditional transfers on school performance and child labor: Evidence from ex-post evaluation in Costa Rica. Washington DC, Inter-American Development Bank.

⁵³ Barrientos, A. & Santibañez, C. (2009). New forms of social assistance and the evolution of social protection in Latin America. *Journal of Latin American Studies*, 41, 1-26.

⁵⁴ Samson, M.; Heinrich, C.; Williams, M.; Kaniki, S.; Muzondo, T.; Mac Quene, K. & Van Niekerk, I. (2008). Quantitative Analysis of the Impact of the Child Support Grant. *Report compiled and produced for the Department of Social Development, the South African Social Security Agency (SASSA) and the United Nations Children's Fund (UNICEF)*. Cape Town, Economic Policy Research Institute.

⁵⁵ Ravallion, M. & Wodon, Q. (2000). Does child labour displace schooling? Evidence on behavioural responses to enrolment subsidy. *Economic Journal*, 110, C158-C175.

3. Supporting the full utilization of productive capacity

In the literature on social transfer programmes in high income countries, concern is often expressed that income transfers to poor households may adversely affect incentives to work, save and accumulate assets⁵⁶. The likely impact of transfers on labour supply disincentives, in particular, has informed policy discussions associated with recent welfare reforms in high-income countries⁵⁷. The impact of social transfers on the utilization of productive capacity among poor households has been examined in the context of developing countries. Earlier studies did find that in-kind food subsidies appeared to generate market distortions and some disincentives to work⁵⁸. More recent studies examining the incentive effects of income transfer tend to find, on the whole, few unintended adverse effects. On the contrary, these studies provide strong evidence that transfers facilitate improved resource allocation among poor households⁵⁹. The macroeconomic and political context is critical for the effectiveness of social transfers. Even well-designed social transfer programmes will struggle to achieve their intended goals if economic growth is modest, or unequally distributed, and the political context is adverse.

3.1. Employment and labour market participation

Economic theory suggests that, given competitive market conditions, income transfers reduce labour supply at the margin. They do this by raising the ‘reservation wage’ of beneficiaries – that is the wage needed to attract these workers into the labour market. Social pensions, for example, do reduce the labour supply of older people, even though few social pension schemes require recipients to be inactive in order to qualify⁶⁰. Co-responsibilities in human development transfer programmes do have some effects on child labour, through making school attendance a requirement for receipt of the transfer (see Section 2.3 above). However, these are wholly intended and desirable labour supply outcomes of the programmes. The more interesting issue is what happens to the labour supply of adults on receipt of the transfer.

Labour force participation rates have been found to decline among the elderly in response to social pensions, even in the absence of inactivity tests as a requirement of eligibility. Labour force participation rates for those eligible to receive a pension are very low in South Africa, and decline rapidly when individuals reach the age of pension entitlement⁶¹. This outcome is to be expected, as the combination of the generosity of the pension benefit and the means test

⁵⁶ For a discussion see Dilnot, A. & Stark, G. (Eds.) (1989). *The Poverty Trap, Tax Cuts and the Reform of Social Security*, Oxford, England, Clarendon Press.

⁵⁷ For a discussion, see Moffitt, R. A. (2002). Welfare Programs and Labour Supply. In Auerbach, A. J. & Feldstein, M. (Eds.) *Handbook of Public Economics*. London, Elsevier Science B.V.

⁵⁸ See e.g. Besley, T. & Kanbur, R. (1988). Food Subsidies and Poverty Alleviation. *Economic Journal*, 98, 701-719; Anand, S. & Kanbur, R. (Eds.) (1991). *Public Policy and Basic Needs Provision: Intervention and Achievement in Sri Lanka*, Oxford, England, Clarendon Press; and Sahn, D. & Alderman, H. (Eds.) (1995). *Incentive effects on Labor Supply of Sri Lanka's Rice Subsidy* Baltimore, Maryland, The John Hopkins University Press.

⁵⁹ Ardington, C.; Case, A. & Hosegood, V. (2007). Labour supply responses to large social transfers: Longitudinal evidence from South Africa. Cambridge MA, National Bureau of Economic Research.

⁶⁰ See Carvalho, I. (2000). Old-Age Benefits and the Labour Supply of Rural Elderly in Brazil. MIT, Lam, D.; Leibbrandt, M. & Ranchhod, V. (2004). Labour Force Withdrawal of the Elderly in South Africa. Cape Town, African Development and Poverty Reduction Forum.

⁶¹ Lam, D.; Leibbrandt, M. & Ranchhod, V. (2004). Labour Force Withdrawal of the Elderly in South Africa. Cape Town, African Development and Poverty Reduction Forum.

provide strong incentives to withdraw from the labour market. In other countries though, such as Namibia, studies reported improvements in the living standard of poor farmers as a result of the social pension. This suggests that people in old age continue to farm for a considerable period, until they are physically impeded⁶².

To the extent that social transfers lift credit and childcare constraints, they could enable other household members to work. Under these circumstances, the impact of social transfers on labour supply will be positive. In Brazil, a recent study finds that for the 30 per cent poorest, after controlling for the impact of age and family structure, the labour market participation rate for individuals belonging to beneficiary households of *Bolsa Familia* was significantly higher than that for individuals living in households not covered by the transfer programme⁶³. These findings are consistent with other impact studies of *Bolsa Familia*⁶⁴, which show a positive impact of the programme on the supply of labour. Similar results have been reported from Mexico's *Progresa*. There appears to be no evidence of a reduction in labour force participation rates as result of receiving support from the transfer programme⁶⁵. A small reduction in child labour appears to have been compensated for by an increase in the labour supply of adults⁶⁶. In fact, the programme appears to boost employment by helping people to meet essential transaction costs, such as transportation to work.

Labour market conditions at the local level may nevertheless restrict the potential effects of social transfers on employment generation. A recent study reports that about 85 per cent of new school graduates who received support from *Oportunidades* could not find work in their localities and, for that reason, were planning to emigrate⁶⁷. This means that in areas with a high poverty incidence, employability can be highly constrained. The impact of social transfers can be undermined in the absence of simultaneous efforts to improve labour opportunities and the quality of employment. If the full gains of social transfer schemes are to be realised, complementary employment policies will need to be implemented.

Indeed, spillover effects of social transfers have been reported in small and self-contained local economies. In Namibia, many grocery stores arose in even the smallest villages in response to the increased demand generated by the social pension programme. The study reports that *'even the smallest and most isolated settlement now has at least one village store, selling maize-meal and groceries even in times of food crises such as drought. The social pension has helped stabilize food supplies in a country of vast distances, dispersed populations and widespread rural poverty, thus offsetting the need for food aid deliveries during drought emergencies'*⁶⁸.

⁶² Devereux, S. (2001). Social Pensions in Namibia and South Africa. Falmer, IDS.

⁶³ Medeiros, M.; Britto, T. & Soares, F. (2008). Targeted Cash Transfer Programmes in Brazil. Working Paper 46. International poverty Centre.

⁶⁴ See e.g. (Cedeplar), C.D.D.E.P.R. (2006). Projeto de Avaliação do Impacto do Programa Bolsa Família. *Relatório Analítico Final, Mimeo*.

⁶⁵ See e.g. Parker, S. & Skoufias, E. (2000). The Impact of PROGRESA on Work, Leisure, and Time Allocation: A Final Report. Washington DC, International Food Policy Research Institute, Skoufias, E. & Di Maro, V. (2005). Conditional cash transfers, adult work incentives and current poverty. Washington DC, World Bank.

⁶⁶ Skoufias, E. (2001). Progresa and its impact on the human capital and welfare of households in rural Mexico. A synthesis of the results of an evaluation by IFPRI. Washington DC, International Food Policy Research Institute.

⁶⁷ Molyneux, M. (2007). Change and Continuity in Social Protection in Latin America: Mothers at the Service of the State? *Programme on Gender and Development*. Geneva, United Nations Research Institute for Social Development (UNRISD).

⁶⁸ Devereux, S. (2001). Social Pensions in Namibia and South Africa. Falmer, IDS.

Early studies of social pensions in South Africa also remark upon the fact that transfers stimulated local production and trade. In remote rural locations, transfers are delivered by armoured transport on a particular day and time, and on that day, traders bring their wares to that location, while moneylenders come to lend or collect money⁶⁹. Establishing whether social transfers have effects beyond the direct beneficiaries can help us to arrive at more accurate assessments of the aggregate benefit of social transfers.

There is also a complex set of effects of transfers on the allocation of household resources. One study in South Africa reported that pension income had significant effects on the hours of work and employment of 15-50 year-olds co-residing with pension beneficiaries⁷⁰. Using 1993 cross-section data from three-generation African households, the authors estimated that 15-50 year-olds living with a pension-eligible person undertake on average 6.4 fewer hours of work and have a 4.3 per cent lower probability of employment. Critically, however, the study samples co-residents only, and misses out non-resident household members.

Another study noted a high incidence of labour migration – as many as 30 per cent of rural households in South Africa have a migrant⁷¹. Replicating the study reported above, but now including migrant household members, this study finds that the negative association between pension receipt and labour supply in that study becomes positive, and conclude that 15-50 year-old individual members of a household with a pension-eligible person have a 3.2 percent higher probability of employment. Breaking this down by gender, they find that when pension income is received by male pensioners there is no significant effect on the labour supply of adult household members, but that there is a strong and positive effect when the pension recipient is female. The study suggests that pension income received by women is particularly important for rural households, because it makes it possible for grandmothers to support their families. A recent study has confirmed this finding, with longitudinal data⁷² helping to track household changes around pension receipt⁷³. Social pensions relax income and childcare constraints and enable the household to improve their allocation of labour resources.

Particular types of social transfers that rely upon self-selection, such as public works schemes, if properly designed, can help to minimize the potential adverse effects of transfers on labour markets. It is argued that, because wages are set below the market rate, only the jobless poor will participate in such programmes. These programmes have the added advantage that potential benefit leakages to the non-poor will be reduced. However, the opportunity cost can also be significant, if by participating in the programme, the household beneficiary forgoes income-generating opportunities⁷⁴.

In India, for example, the *World Development Report 1980* reported that, due to the *Maharashtra Employment Guarantee Scheme*, unemployment and underemployment in

⁶⁹ Ardington, E. & Lund, F. (1995). Pensions and development: social security as complementary to programmes of reconstruction and development. *Development Southern Africa*, 12, 557-577.

⁷⁰ Bertrand, M.; Mullainathan, S. & Miller, D. (2003). Public Policy and Extended Families: Evidence from Pensions in South Africa. *World Bank Economic Review*, 17, 27-50.

⁷¹ Posel, D.; Fairburn, J. A. & Lund, F. (2004). Labour Migration and Households: A Reconsideration of the Effects of the Social Pension on Labour Supply in South Africa. *Economic Modelling*, 23, 836-853.

⁷² A dataset containing observations on households observed over multiple time periods.

⁷³ Ardington, C.; Case, A. & Hosegood, V. (2007). Labour supply responses to large social transfers: Longitudinal evidence from South Africa. Cambridge MA, National Bureau of Economic Research.

⁷⁴ Ravallion, M. & Datt, G. (1995). Is Targeting through a Work Requirement Efficient? Some Evidence for Rural India. In Van Del Walle, D. & Nead, K. (Eds.) *Public Spending and the Poor*. Baltimore, Maryland, the John Hopkins University Press.

Maharashtra was reduced by approximately 20 per cent in the late 1970s⁷⁵. Dev finds, however, that the scheme contributed to reducing unemployment by about seven per cent in the late 1980s⁷⁶. Patel points out that this sharp reduction in person-days generated under the *Maharashtra Employment Guarantee Scheme* was partly due to an increase in the wage rate that led to job rationing, with poor people being the most affected by the reduction. Another factor was that during the 1980s activists, who had previously put pressure on the scheme to be implemented effectively, disassociated themselves⁷⁷. Nonetheless, Osmani and Dev conclude in separate studies that the *Maharashtra Employment Guarantee Scheme* contributed to reducing unemployment and underemployment. Estimates vary from less than one-tenth to one-third, depending on the period under examination⁷⁸.

In Argentina, it has been estimated that *Jefes y Jefas de Hogar Desempleados* – a transfer programme conditional on labour supply or training – reduced the unemployment rate by about 2.5 percentage points⁷⁹. Another study argues that the programme could have generated incentives for beneficiaries to work in the informal sector⁸⁰. In Chile, an impact study of Chile Solidario concludes that the programme may have altered attitudes towards work amongst beneficiaries. In particular, enrolment in the local employment office, a precondition for eligibility to various public training programmes, appears to have increased the incidence of labour re-insertion and participation in training by 30 per cent in urban areas, and about 14 per cent in rural areas. However, while these changes in behaviour can increase employment prospects amongst beneficiaries, significant effects on labour force participation are only observed in rural areas⁸¹.

In summary, the labour supply responses of households benefiting from social transfer programmes have been studied for a variety of countries. Programmes in Brazil, Mexico, South Africa, Ethiopia and Bangladesh have been examined. The studies find reductions in work among children and older people, where programmes are focused on these groups, but these are compensated for by increased adult labour. Among adults themselves, labour supply effects were found to be positive for Brazil and South Africa. They worked through a reallocation of household resources, which was facilitated by the regularity of the transfer.

⁷⁵ World Bank (1980). *World Development Report*, New York, Oxford University Press.

⁷⁶ Dev, S. M. (1992). Poverty Alleviation Programmes: A Case Study of Maharashtra with Emphasis on Employment guarantee Scheme. *Discussion Paper 77*. Bombay, Indira Gandhi Institute of Development Research.

⁷⁷ Patel, S. (2006). Empowerment, Co-option, and Domination: The Politics of Employment Guarantee Scheme of Maharashtra. *Economic and Political Weekly*, 50, 5126-5133.

⁷⁸ Dev, S. M. (1995). India's (Maharashtra) Employment Guarantee Scheme: Lessons from Long Experience. IN VON BRAUN, J. (Ed.) *Employment for Poverty Reduction and Food Security*. Washington, DC; International Food Policy Research Institute; Osmani, S. R. (1991). Social Security in South Asia. in Ahamad, E., Drèze, J., Hills, J. & Sen, A. (Eds.). *Social Security in Developing Countries*. Oxford, Clarendon Press.

⁷⁹ Galasso, E. & Ravallion, M. (2003). Social Protection in a Crisis: Argentina's Plan Jefes y Jefas. Washington DC, World Bank.

⁸⁰ Gasparini, L.; Haimovich, F. & Olivieri, S. (2007). Labour informality effects of a poverty-alleviation program. Buenos Aires, CEDLAS, Universidad de la Plata.

⁸¹ Galasso, E. (2006). "With their effort and one opportunity" Alleviating extreme poverty in Chile. Washington DC, Development Research Group, World Bank.

3.2. Social transfers and productive activity

Most social transfers are designed to support household consumption, but they can facilitate productive investments. Where transfers are regular, their effects can be greater. Regular transfers enable households affected by credit and liquidity constraints to reallocate their productive resources, and to accumulate and protect their assets.

For credit-constrained households, investment requires raising savings and therefore reducing current consumption. Among low income households, especially those with uncertain or volatile sources of income, savings may be difficult to achieve. Poor households also have difficulties in providing collateral to secure loans from formal financial institutions. This is especially true in developing countries, where credit markets are highly fragmented. This is well documented in the micro credit literature, pointing to the difficulties in reaching the poorest households⁸². In that context, social transfers can play an important complementary role in lifting credit constraints for the poor and poorest households.

Firstly, as social transfers are regular and reliable, they can encourage small-scale savings and thus investment decisions. However, the importance of providing an adequate size of transfer must be stressed. This is illustrated by Ethiopia's *Productive Safety Net Programme*, which provides income transfers for a maximum period of six months per year. While it was intended to significantly increase household income, the programme is reported to have lost its purchasing power due to rises in food prices and it therefore became too small to address the needs of the poor⁸³. Similarly, in Zambia, studies of the *Kalomo District Pilot Social Cash Transfer Scheme* reported that, although the community welcomed the scheme, because it alleviates the overwhelming social burdens of destitute people, complaints about the small amount of the transfer are common⁸⁴.

Secondly, social transfers can prove more effective, in combination with other interventions, in enabling access to credit. There are indications across a variety of social transfer programmes, in middle and low income countries that beneficiaries are able to save and invest a fraction of their income following the receipt of transfers, and also that access to credit can be facilitated by the transfer.

In Bolivia, a social pension, *Bonosol* – recently renamed *Bono Dignidad* – is paid once a year to persons aged 65 and older. At around US\$246, it represents a significant injection of liquidity to rural farmers. Although they have land, they often lack access to credit markets to purchase seeds and other agricultural inputs. A study has estimated that among pension beneficiaries in rural areas, overall consumption rises by twice the amount of the benefit, suggesting that improved household production was facilitated by the transfer. The effect is observed only among rural households with land, and is stronger for goods which are typically produced by these households, such as dairy, meat and vegetables⁸⁵.

⁸² For a discussion, see Amin, S.; Rai, A. & Topa, G. (2003). Does microcredit reach the poor and vulnerable? Evidence from northern Bangladesh. *Journal of Development Economics*, 70, 59-82. Armendariz De Aghion, B. & Morduch, J. (2007). *The Economics of Microfinance*, Cambridge, Massachusetts, The MIT Press. and Nino-Zarazua, M. (2009). *Microcredit and Poverty in Mexico: An Impact Assessment in Urban Markets*, Munich, Germany, VDM Verlag.

⁸³ Gibson, J. & Nyhus, C. (2009). Joint Save the Children - Unicef study. Ethiopia Country Report.

⁸⁴ See Devereux, S.; Marshall, J.; Macaskill, J. & Pelham, L. (2005). Making Cash Count. Lessons from cash transfer schemes in east and southern Africa for supporting the most vulnerable children and households. Save the Children UK, HelpAge International and Institute of Development Studies.

⁸⁵ Martinez, S. (2007). Invertir el Bonosol para aliviar la pobreza: Retornos económicos en los hogares beneficiarios. In Aponte, G.; Jemio, L.C.; Laserna, R.; Martinez, S.; Molina, F.; Schulze, E. & Skinner, E.

Similarly, studies have observed a rise in investment by beneficiary households compared to non-beneficiaries in Mexico's *Progresa*. One study estimates that, on average, around 12 per cent of transfers to beneficiaries were invested in productive assets⁸⁶. A separate study compares the impact of *Progresa* with an asset accumulation programme directed at small and medium-sized farmers called *Procampo*. It finds the latter had income multipliers of around 1.5 to 2.6.⁸⁷

In Namibia, the social pension is also reported to lift credit constraints in southern areas of the country. Pensioners are in a better position to access informal credit arrangements from, for example, shopkeepers, as they receive regular monthly incomes that act as a guarantee to back the loans⁸⁸. Along similar lines, Brazil's non-contributory pension programme for informal workers in rural areas, *Prêvidencia Rural*, has been shown to enable beneficiaries to access formal credit by showing the magnetic card which is used by them to collect their pensions⁸⁹. Another study on the Brazilian social pension programme shows that an important proportion of beneficiaries invest part of their transfer in seeds, tools and other productive assets. These strengthen small-scale economic activities and thus employment amongst beneficiary households⁹⁰.

In Bangladesh, BRAC's *Targeting the Ultra Poor Programme* has been specifically designed to facilitate productive and financial asset accumulation through the combination of income transfers and human capital interventions with micro credit and skills training. This programme provides a mix of transfers in kind and cash to households in extreme poverty, in preparation for more standard micro credit programmes after 18 months. An internal evaluation showed significant improvements over time in the incidence and size of loans held by programme beneficiaries. In addition, the study noted a shift in motivation for credit among selected households. Initially credit was used primarily a means of smoothing out consumption; three years later the study found a refocus on credit for investment in productive assets. Moreover, credit access for beneficiary households shows a significant improvement, both over time and in relation to non-beneficiary households⁹¹. This effect appears to have an important gender dimension, suggesting that programme design should consider whether channeling the transfer through particular household members, notably women, has an effect on household investment.

To summarize, whilst providing important insights, the evidence reviewed is not comprehensive across all social transfer programmes. In many transfer programmes, facilitating savings and improving access to credit is a by-product of the income transfer, and not an explicit design feature. The capacity of social transfers to help lift credit constraints is likely to vary across programmes, target groups, and environments. These effects are stronger

(Eds.) *La Inversión Prudente. Impacto del Bonosol sobre la familia, la equidad social y el crecimiento económico*. La Paz, Fundación Milenio.

⁸⁶ Gertler, P.; Martinez, S. & Rubio-Codina, M. (2005). Investing cash transfers to raise long term living standards. Washington DC, World Bank.

⁸⁷ Sadoulet, E.; De Janvry, A. & Davis, B. (2001). Cash transfer programs with income multipliers: PROCAMPO in Mexico. *World Development*, 29, 1043-1056.

⁸⁸ Devereux, S. (2001). Social Pensions in Namibia and South Africa. Falmer, IDS.

⁸⁹ Schwarzer, H. (2000). Impactos socioeconômicos do sistema de aposentadorias rurais no Brazil - Evidências empíricas de un estudio de caso no estado de Pará. Rio de Janeiro, IPEA.

⁹⁰ Delgado, G. C. & Cardoso, J. C. (2000a). Principais Resultados da Pesquisa Domiciliar sobre a Previdência Rural na Região Sul do Brasil. Rio de Janeiro, Instituto de Pesquisa Econômica Aplicada. And Delgado, G. C. & Cardoso, J. C. (Eds.) (2000b). *A Universalização de Direitos Sociais no Brazil: a Previdência Rural nos anos 90*, Brasília, IPEA.

⁹¹ Rabbani, M.; Prakash, V. A. & Sulaiman, M. (2006). Impact Assessment of CFPR/TUP: A descriptive analysis based on 2002-2005 panel data. Dhaka, BRAC.

among rural households which lack complementary 'productive' assets (e.g. inputs, labour), and where credit constraints are directly targeted. Programmes that target asset accumulation tend to be focused on moderately poor households, and only a handful of programmes of this type reach the extreme poor. The issue of how to strengthen the synergies between social transfer programmes and savings and investment among poor households is being actively researched, especially as many social transfer programmes are maturing.

4. Enhancing and stabilising consumption

The main objective of social transfer programmes in developing countries is to reduce poverty and vulnerability. There is a large literature assessing the poverty reduction effectiveness of these programmes. The findings from these studies cover social transfers of different types and operating in different settings. They suggest that transfer programmes have the potential to make a significant contribution to reducing poverty and vulnerability, through raising and protecting household consumption with regular and predictable transfers.

In addition, social transfers have an important insurance function – they protect basic household consumption from a variety of contingencies and hazards. Poor households adopt a range of strategies to protect their consumption and assets from the impact of shocks. Security is important to those in poverty, especially as insecure and precarious livelihoods are bound to limit household investment⁹². Insecurity could also lead to inefficient use of resources, by forcing poor rural households to opt for low-risk, low-return crops⁹³, to hold liquid but less productive assets⁹⁴, or, as discussed in Section 2, to withdraw children from school in response to crises. The absence of insurance can thus lead to poverty persistence. Social transfers can contribute to improving household security, by stabilising and protecting consumption, which in turn facilitates investment.

4.1. Raising consumption

In South Africa, it is reported that the *Expanded Public Works Programme* (EPWP) has particularly benefited the ultra-poor, whose income increases by over 63 per cent when the programme is effectively targeted. In general, households living in urban slums appear to benefit the most from the programme⁹⁵. In KwaZulu Natal, the *Zibambele Public Works Programme* was reported to reduce the poverty gap and food insecurity. The net benefit ratio of participating in the programme was positive in income terms for 98 per cent of the total sample, and the percentage of households in which adults frequently skipped meals fell from 49 to one per cent⁹⁶. The programme is also reported to have improved the ability of poor households to access other government grants⁹⁷.

⁹² The theoretical and empirical literature finds that insurance markets seldom reach those in poverty, with the implication that they remain insufficiently protected. See Dercon, S. (Ed.) (2005). *Insurance against Poverty*, Oxford, Oxford University Press. and Jalan, J. & Ravallion, M. (1999). Are the poor less well insured? Evidence on vulnerability to income risk in rural China. *Journal of Development Economics*, 58, 61-81.

⁹³ See, Barrientos, A. (2007a). Does vulnerability create poverty traps? Manchester, IDPM/Chronic Poverty Research Centre, Morduch, J. (1995). Income Smoothing and Consumption Smoothing. *Journal of Economic Perspectives*, 9, 103-114.

⁹⁴ Dercon, S. (2003). Risk and poverty: a selective review (or: can social protection reduce poverty?). Oxford, Department of Economics, Oxford University.

⁹⁵ See Antonopoulos, R. (2007). The Right to a Job, the Right Types of Projects: Employment Guarantee Policies from a Gender Perspective. *The Levy Economics Institute Working Paper Collection No. 516*. New York, The Levy Economics Institute of Bard College.

⁹⁶ Mccord, A. (2004). Policy Expectations and Programme Reality: The Poverty Reduction and Labour Market Impact of Two Public Works Programmes in South Africa. *ESAU Working Paper 8*. London, Overseas Development Institute.

⁹⁷ Mccord, A. (2002). Public Works as a Response to Labour Market Failure in South Africa. *SALDRU/CSSR Working Paper No. 19*. Cape Town, University of Cape Town.

In Argentina, *Jefes y Jefas del Hogar Desempleados* is reported to have attenuated the sharp fall in income as a consequence of the acute financial crisis and the devaluation of the peso in 2001⁹⁸. The programme was particularly effective in protecting those in extreme poverty. A study reports that, although the programme had a small impact on the overall headcount poverty rate, it achieved a significant effect on the incidence of extreme poverty and on the poverty gap of those in extreme poverty⁹⁹. A World Bank study estimates that, in the absence of the transfer, nearly ten per cent of the beneficiary households would have fallen below the poverty line¹⁰⁰.

Social transfers conditional on human capital investments are also reported to have significant effects on consumption poverty and vulnerability. Brazil's *Bolsa Familia* is reported to have contributed, together with other social assistance programmes, to a 16 per cent fall in extreme income poverty¹⁰¹. In Ecuador, a recent study reveals that households receiving *Bono de Desarrollo Humano* experience a 25 per cent increase in food expenditure¹⁰². In Colombia, *Familias en Acción* is estimated to have produced a rise in the consumption of participating households of 19.5 per cent in rural areas and 9.3 per cent in urban areas¹⁰³.

In Mexico, the evaluation of *Progresa* two years after the start of the programme showed a small reduction in the poverty headcount ratio, around ten per cent, but a large reduction in the poverty gap and the squared poverty gap, a reduction in the order of 30 and 45 per cent, respectively¹⁰⁴. Similar results have been reported from Honduras' *Programa de Asignación Familiar Phase II*, where its effect on the squared poverty gap was found to be twice as high as the effect on the other indicators¹⁰⁵. This is consistent with research findings reported in elsewhere¹⁰⁶.

The impact of *Progresa* on household income is reflected in the level and pattern of consumption. The level of consumption was reported to have increased on average by

⁹⁸ Barrientos, A.; Holmes, R. & Scott, J. (2008). Social Assistance in Developing Countries Database version 4. Manchester, Brooks World Poverty Institute and CPRC.

⁹⁹ Galasso, E. & Ravallion, M. (2003). Social Protection in a Crisis: Argentina's Plan Jefes y Jefas. Washington DC, World Bank.

¹⁰⁰ World Bank (2009). *Argentina: income support policies toward the bicentennial*, Washington DC, World Bank Publications.

¹⁰¹ Lindert, K.; Linder, A.; Hobbs, J. & De La Brière, B. (2007). The Nuts and Bolts of Brazil's Bolsa Família Program: Implementing Conditional Cash Transfers in a Decentralized Context. *World Bank Social Protection Discussion Paper No. 0709*. World Bank.

¹⁰² Ponce, J. (2008). *Education policy and performance. Evaluating the impact of targeted education programs in Ecuador*, Maastricht, Shaker Publishing.

¹⁰³ Attanasio, O.; Battistin, E.; Fitzsimons, E. & Mesnard, A. (2005). How effective are Conditional Cash transfers? *The Institute for Fiscal Studies Briefing Note No. 54*. London, The Institute for Fiscal Studies

¹⁰⁴ Skoufias, E. (2005). *Progresa and its Impacts on the Welfare of Rural Households in Mexico. Research Report*. Washington, International Food Policy Research Institute.

¹⁰⁵ Osorio, R. G. (2008). The Recent Impact of Government Transfers on Poverty in Honduras and Alternatives to Enhance their Effects. *International Poverty Centre Working Paper*. Brasilia.

¹⁰⁶ Coady, D. & Morley, S. A. (2003). *From Social Assistance to Social Development. Targeted Education Subsidies in Developing Countries* Washington, DC, International Food Policy Research Institute (IFPRI).

approximately 15 per cent following receipt of the benefits¹⁰⁷, with an increase in median food expenditure of recipient households of around 10.6 per cent compared to equally eligible but non-recipient households. The increase in household food consumption was largely driven by increased expenditures on fruit, vegetables, meat, and animal products, which have a positive impact on nutritional status. This improvement in the level and quality of nutrition is predicted to have long-term effects on the lifetime productivity and potential earning capacity of recipient children¹⁰⁸.

In Mongolia, an impact study of the *Child Money Programme*, a categorical child transfer, finds that during its targeted phase, the programme helped reduce the child poverty headcount by almost four per cent, from 42.2 per cent to 38.5 per cent, as well as the child poverty gap by about two per cent¹⁰⁹. In South Africa, the old age and disability grants, together with the *Child Support Grant*, have a significant impact on poverty¹¹⁰. It is estimated that if all the eligible children under the age of seven had been registered on the programme, the incidence of child poverty would have fallen from 42.7 to 34.3 per cent, whereas the incidence of children in extreme poverty would have fallen from 13.1 per cent to 4.2 per cent¹¹¹. In Mozambique, the *Cash Payments to War-displaced Urban Destitute households* (GAPVU) is reported to have increased household incomes in poor towns by up to 41 per cent and contributed to reduce the poverty headcount index from 71 per cent to 66 per cent¹¹².

A comparative study of social pensions in Brazil and South Africa has found that, in the absence of non-contributory pension income, the poverty headcount amongst households with older members would be 5.3 and 1.9 percentage points higher in Brazil and South Africa, respectively, whereas the incidence of indigence (or extreme poverty) would be 8.9 and 2.3 percentage points higher, correspondingly. The study also finds that the impact on the poverty gap is much larger. In the absence of social pensions, the poverty gap would be a third larger in Brazil, and two-thirds larger for South Africa, whereas the indigence gap would be 1.5 times larger in Brazil and one-fifth larger in South Africa. In terms of vulnerability to poverty, measured as the probability of becoming poor, the study shows that having a non-contributory pension recipient in the household reduces the probability of poverty among household members in Brazil and South Africa by 21 and 11 per cent, respectively¹¹³. South Africa's social pension appears to be especially important for the 35 per cent of blacks who survive on

¹⁰⁷ Hoddinott, J.; Skoufias, E. & Washburn, R. (2000). The Impact of PROGRESA on Consumption: A Final Report. Washington DC, IFPRI.

¹⁰⁸ Ibid.

¹⁰⁹ Hodges, A.; Dufay, A.-C.; Dashdorj, K.; Jong, K. Y.; Mungun, T. & Budragchaa, U. (2007). Child Benefits and Poverty Reduction: Evidence from Mongolia's Child Money *MGSOG Working Paper No. 002* Maastricht, Maastricht Graduate School of Governance, Maastricht University, UNICEF.

¹¹⁰ Barrientos, A. (2008a). Cash Transfers for Older People Reduce Poverty and Inequality. In Bebbington, A. J.; Dani, A. A.; De Haan, A. & Walton, M. (Eds.) *Institutional Pathways to Equity. Addressing Inequality Traps*. Washington DC, World Bank, Barrientos, A. & Dejong, J. (2006). Reducing child poverty with cash transfers: A sure thing? *Development Policy Review*, 24, 537-552.

¹¹¹ Woolard, I. (2003). Impact of government programmes using administrative data sets. *Social Assistance Grants. Project 6.2 of the Ten Year Review Research Programme*.

¹¹² Devereux, S. (2002). Can social safety nets reduce chronic poverty? *Development Policy Review*, 20, 657-675.

¹¹³ Barrientos, A. (2003). What is the impact of non-contributory pensions on poverty? Estimates from Brazil and South Africa. Manchester, IDPM, University of Manchester.

less than US\$1 a day, as that proportion would increase to 40 per cent in the absence of the pension¹¹⁴.

Similar positive effects of social pensions on poverty are found in Chile, Argentina, Uruguay and Bolivia. In Chile, *Programa de Pensiones Asistenciales*, a non-contributory and unconditional social pension programme, is found to have reduced poverty amongst people in old age by about 9.2 per cent¹¹⁵, although the largest impact was found on indigence, which was reduced by 69 per cent as a direct result of the pension¹¹⁶. In Argentina, *Pensiones Asistenciales* is reported to have reduced the incidence of poverty in recipient households by 31 per cent and indigence by 67 per cent. For the smaller group, represented by households with a recipient over the age of 65, the effect is still considerable, given that poverty is reduced by five per cent and indigence by 16 per cent. The greatest impact was observed amongst households with young members, such as mothers of seven or more children¹¹⁷. In Uruguay, the reduction in poverty incidence found amongst households with a beneficiary of the *programa de Pensiones no-Contributivas* social pension was in the order of 33 per cent¹¹⁸.

4.2. Protecting consumption

Social transfers, if regular, reliable and adequate, could contribute to protect household consumption against shocks or crises. They could thus prevent asset depletion or the adoption of short-term strategies with long-term adverse consequences, such as economizing on health care or taking children off school. Few social transfer programmes have an explicit insurance component aside from the shield that the supplementary income could provide to beneficiary households. Transfers are normally fixed in level and therefore unable to respond to idiosyncratic or aggregate shocks¹¹⁹.

Some variants of public works could be an important exception, particularly during seasons of high unemployment. *The National Rural Employment Guarantee Scheme* in India, which provides entitlement to up to 100 work days for unemployed rural households, on demand¹²⁰, is reported to have reduced the income variability of poor labourers living in villages with access to the programme by about 50 per cent relative to labourers living in *non-Maharashtra*

¹¹⁴ Case, A. & Deaton, A. (1998). Large Scale Transfers to the Elderly in South Africa. *Economic Journal*, 108, 1330-1261.

¹¹⁵ Bertranou, F.; Solorio, C. & Van Ginneken, W. (2002). *Pensiones no-contributivas y asistenciales. Argentina, Brazil, Chile, Costa Rica y Uruguay*, Santiago, ILO.

¹¹⁶ Bertranou, F. & Grushka, C. O. (2002). *The Non-Contributory Pension programme in Argentina: Assessing the impact on poverty reduction*. Geneva, International Labour Organization.

¹¹⁷ Ibid.

¹¹⁸ Bertranou, F.; Solorio, C. & Van Ginneken, W. (2002). *Pensiones no-contributivas y asistenciales. Argentina, Brazil, Chile, Costa Rica y Uruguay*, Santiago, ILO.

¹¹⁹ When the value of social transfer programmes is not periodically adjusted to the inflation rate, there is a risk for programmes to see their effectiveness seriously eroded in terms of poverty reduction. In Mozambique, for example, the Food Subsidy Programme, which was originally set at one-third of the minimum wage, has lost its value down to approximately 5 per cent. Unsurprisingly, beneficiaries households complain about the transfer for being insufficient or even insignificant (For more details, see Devereux, S., Marshall, J., Macaskill, J. & Pelham, L. (2005) *Making Cash Count. Lessons from cash transfer schemes in east and southern Africa for supporting the most vulnerable children and households*. Save the Children UK, HelpAge International and Institute of Development Studies.

¹²⁰ Kannan, K. P. (2006). *Employment and social security for the working poor. Two major initiatives in India*. New Delhi, National Commission for Enterprises in the Unorganized Sector, Government of India.

Employment Guarantee Scheme villages¹²¹. The programme has also reduced seasonal malnutrition and poverty severity amongst the poor¹²², although a high percentage of recipient households remained with income levels below or close to the poverty line¹²³. Social transfers conditional on schooling or preventive health care might also work to reduce the incidence of short-term strategies with long-term adverse effects on poverty¹²⁴.

Strengthening the insurance properties of social transfers is an important area for further research, and one which has been highlighted by the impact of the global crisis. Several social transfers in countries such as Mexico, Brazil, Jamaica, South Africa and Indonesia have responded to recent food, fuel and financial crises by raising the level of benefits and extending coverage to vulnerable populations.

A key area for further research and policy development is the coordination and integration of social assistance programmes with social insurance, in those countries where the latter is significant. In Brazil, for example, there is concern regarding the possible disincentive effects of social pensions on social insurance and contributions¹²⁵. The two social pensions in Brazil, the *Prêvidencia Rural*, available to informal workers, and the *Beneficio de Prestação Continuada*, available to older people across rural and urban areas, provide transfers equivalent to the minimum wage, which is also the minimum guaranteed pension in social insurance schemes¹²⁶. Improving the coordination of social insurance and social assistance programmes could extend the consumption protection available to low income households in informal employment¹²⁷.

4.3. Social inequality

There is often an expectation that social transfer programmes could have effects beyond the reduction of poverty and could help to reduce social inequalities. In Scandinavian countries, social transfers are very effective in reducing income disparities, although the reach and scale of the transfer programmes is of a different order of magnitude to that shown by transfer programmes in developing countries. In reducing poverty, these programmes will reduce

¹²¹ Bhende, M. J.; Walker, T. S.; Leiberman, S. S. & Venkatram, J. V. (1992). The EGS and the poor: Evidence from longitudinal village studies. *Economic and Political Weekly*, 28, A19-A28, Walker, T. S. & Ryan, J. G. (1990). *Village and household economies in India's semi-arid tropics*, Baltimore, Md., USA, Johns Hopkins University Press.

¹²² Dev, S. M. (1995). India's (Maharashtra) Employment Guarantee Scheme: Lessons from Long Experience. In Von Braun, J. (Ed.) *Employment for Poverty Reduction and Food Security*. Washington, DC, International Food Policy Research Institute.

¹²³ Shah, A. & Mehta, A. K. (2008). Experience of the Maharashtra Employment Guarantee Scheme: Are there Lessons for NREGS? *CPRC-IIPA Working Paper Series*. Chronic Poverty Research Centre.

¹²⁴ Sadoulet, E.; Finan, F.; De Janvry, A. & Vakis, R. (2004). Can conditional transfer programs improve social risk management? Lessons for education and child labour outcomes. Washington DC, World Bank.

¹²⁵ Bonturi, M. (2002). The Brazilian pension system: recent reforms and challenges ahead. Paris, OECD, Clements, B. (1997). Income distribution and social expenditure in Brazil. Washington DC, IMF.

¹²⁶ Schwarzer, H. & Querino, A. C. (2002). Beneficios sociales y los pobres en Brazil: Programas de pensiones no convencionales. in Bertranou, F.; Solorio, C. & Van Ginneken, W. (Eds.) *Pensiones no contributivas y asistenciales*. Santiago, Oficina Internacional del Trabajo.

¹²⁷ Barrientos, A. (2007b). Social assistance and integration with the labour market. IN ILO/STEP (Ed.) *Social protection and inclusion: Experiences and policy issues*. Geneva, ILO/STEP, Levy, S. (2008). *Good intentions, bad outcomes. Social policy, informality and economic growth in Mexico*, Washington DC, The Brookings Institution.

inequality among households in poverty. In countries with high income inequality, changes in income inequality among the poor brought about by transfer programmes will, at best, show very small effects at the aggregate level. In addition, the low level of the benefits and the overall programme budget will further reduce the impact of the programme on aggregate income inequality.

Some studies do report social transfer programme effects on inequality. Studies from Brazil, Mexico and Chile suggest that social transfer programmes there have helped reduce inequality¹²⁸. In South Africa, the combination of grants is reported to have contributed to a small reduction in income inequality¹²⁹. Further research is needed to identify with greater precision and certainty the magnitude of these effects, while throwing light on how the design and implementation of these programmes can help to maximize these effects¹³⁰.

In sum, social transfer programmes are effective in protecting consumption among participant households. Transfers have the effect of improving purchasing power, while at the same time providing greater stability to consumption. Few transfer programmes have explicit insurance properties, but these are important in public works or employment guarantee schemes. There is some evidence that social transfer programmes reduce inequalities at the bottom of the income distribution, but their budgets are too small to ensure reductions in aggregate inequality. In some middle income countries, recent studies have suggested that social transfers are responsible for marginal reductions in income inequality. Social transfer programmes have stronger effects in reducing social inequalities, for example in terms access to services.

¹²⁸ Santiago Levy, one of the architects of Progresa/Oportunidades has noted that *'The Programme can contribute to growth as it gradually fosters a healthier and more educated labour force and it allows poor households to make more productive investments that have longer horizons and higher expected returns. But that will not have a first order effect on the country's growth rate. This is because the first two deciles of the income distribution receive less than 2.5 percent of aggregate income in Mexico...If all poor households' income (net of Progresa-Oportunidades transfers) increased by 5 percent a year, aggregate income would increase, at most, by an additional 0.12 percent a year over the growth rate without the program'*. See Levy, S. (2006) *Progress against poverty. Sustaining Mexico's Progresa-Oportunidades Program*, Washington DC, Brookings Institution Press , pp 19-20.

¹²⁹ Woolard, I. (2003). Impact of government programmes using administrative data sets. *Social Assistance Grants. Project 6.2 of the Ten Year Review Research Programme*.

¹³⁰ For a discussion on this issue see Barrientos, A. (2008c). *Social Transfers and Growth*. Manchester, Brooks World Poverty Institute.

5. Facilitating social inclusion and cohesion

Household, community and societal conditions are important determinants of the impact and effectiveness of social transfers. Intra-household dynamics are an important factor in determining whether transfers enhance the capacity of poor households to access economic opportunity. To be effective, transfers focused on children require the active participation and support of parents and carers. BRAC's Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor usually starts implementation in a district by setting up a Poverty Committee, which engages the local elites in the programme. Brazil's Bolsa Familia is implemented by municipalities able to adapt and supplement the programme with other interventions. Transfer programmes in Brazil and South Africa were significantly influenced by 'social contracts'¹³¹; whereas the implementation of social transfer programmes in low income countries in Africa is hampered by the lack of political support.

At the same time, social transfer programmes have effects on social inclusion and social cohesion, and can help embed and reinforce social contracts. The extension of social transfer programmes in South Africa embodies social and political commitments to greater equity and inclusion, and contributes to greater social cohesion. There is an emerging literature examining the impact of transfers on intra-household resource allocation and dynamics, with implications for women's empowerment. It is common for transfers to be paid to the mother, in the expectation that children will benefit directly¹³². An interesting issue is whether this modality of transfer payment has any effect on intra-household resource allocation¹³³. In Mexico, for example, studies of the impact of Progresa on patterns of consumption observe a shift in consumption towards children-related goods and services, as mothers are the direct recipients¹³⁴.

5.1. Empowerment and gender

Anthropological studies of Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor in Bangladesh find that the programme represents a departure from old-style patronage in village society. The study reports, for example, that ultra-poor women who previously had no chance of gaining access to local government resources (warm clothes in cold weather, relief goods) are better placed to secure such statutory rights. And this has also contributed to qualitative changes in the lives of the ultra-poor. Positive impacts include their inclusion within the village community social life. Some programme beneficiaries reported being invited to festivals and weddings from which they had previously been excluded: 'now they call us to eat'¹³⁵. The programme has also gained a degree of local legitimacy and ownership. Interviews and discussions with village members reveal some pride in the achievements of ultra-poor

¹³¹ Barrientos, A. (2008a). Cash Transfers for Older People Reduce Poverty and Inequality. In Bebbington, A. J.; Dani, A.; De Haan, A. & Walton, M. (Eds.) *Institutional Pathways to Equity. Addressing Inequality Traps*. Washington DC, World Bank.

¹³² Haddad, L., Hoddinott, J. & Alderman, H. (Eds.) (1997). *Intrahousehold resource allocation in developing countries*, London, John Hopkins University Press.

¹³³ Molyneux, M. (2006). Mothers at the Service of the New Poverty Agenda: Progresa/Oportunidades, Mexico's Conditional Transfer Programme. *Social Policy and Administration*, 40, 425-449.

¹³⁴ Rubalcava, L.; Teruel, G. & Thomas, D. (2002). Welfare Design, Women's Empowerment and Income Pooling. CIDE.

¹³⁵ Hossain, N. (2005). *Elite Perceptions of Poverty in Bangladesh*, Dhaka, University Press.

people. Elite groups now provide support for the poorest women, whose living conditions and prospects meant that they were previously routinely written off as 'beyond help'¹³⁶.

In Chile, a study finds that beneficiary households of Chile Solidario are more aware of social services in the community. This result is important, given that social inclusion is one of the main objectives of the programme. Households in urban areas were also reported to look proactively for help from local institutions, reflecting a growing awareness of their entitlements as members of society¹³⁷.

In Mexico, anecdotal evidence suggests that women feel that their self-esteem and financial security is enhanced as a result of the transfers. Self-confidence, awareness and control over household resources were also improved, with important consequences for women's empowerment¹³⁸. Other studies report that women have acquired more status in their communities, with shopkeepers, for example, treating them with more respect as they became creditworthy¹³⁹. Anecdotal evidence is supported by econometric analysis. A study of Progresa reports a decreasing probability of husbands being the sole decision maker in five out of eight decision-making outcomes, particularly those that affect children. In this sense, by giving transfers to women, Progresa appears to be influencing intra-household bargaining in favour of women, which in turn has benefits for children¹⁴⁰.

Similar results are reported from Brazil. Here the Child Labour Eradication Programme now integrated into Bolsa Familia, improved mothers' sense of independence and responsibility for their children and family, as they were the direct recipients of the transfer¹⁴¹.

Studies on public works programmes also report empowerment improvements as a result of programme participation. In India, for example, the Maharashtra Rural Employment Guarantee Scheme is found to change exploitative patron-client relationships in some communities as well, as landless labourers are empowered to negotiate better wages¹⁴². Women seem to have benefited too, as their economic power has enabled them to improve their social status and confidence within their families and communities¹⁴³. However, the lack of provision of

¹³⁶ Ibid.

¹³⁷ Galasso, E. (2006). "With their effort and one opportunity" Alleviating extreme poverty in Chile. Washington DC, Development Research Group, World Bank.

¹³⁸ Escobar Latapí, A. & González De La Rocha, M. (2009). Evaluacion Cualitativa del Programa Oportunidades. Etapa urbana 2003. CIESAS - Occidente.

¹³⁹ Molyneux, M. (2007). Change and Continuity in Social Protection in Latin America: Mothers at the Service of the State? *Programme on Gender and Development*. Geneva, United Nations Research Institute for Social Development (UNRISD).

¹⁴⁰ Skoufias, E. (2005). Progresa and its Impacts on the Welfare of Rural Households in Mexico. *Research Report*. Washington, International Food Policy Research Institute.

¹⁴¹ World Bank. (2001). Brazil: Eradicating Child Labor in Brazil. Washington, DC, Human Development Department, Brazil Country Management Unit, Latin America and Caribbean Regional Office.

¹⁴² For a discussion, see Dfid (2005). Social transfers and chronic poverty: emerging evidence and the challenge ahead. London, DFID.

¹⁴³ Dev, S. M. (1995). India's (Maharashtra) Employment Guarantee Scheme: Lessons from Long Experience. In Von Braun, J. (Ed.) *Employment for Poverty Reduction and Food Security*. Washington, DC, International Food Policy Research Institute.

institutional childcare has meant a lag in female participation¹⁴⁴. Other studies have also found positive effects of public works on empowerment. In Ethiopia, for example, narrative evidence has reported women noting that participation in the Urban Food for Work programme have increased their confidence in their own abilities¹⁴⁵.

Social pensions, in addition to improving income security, have contributed to raising the social status of the elderly. In Lesotho, for example, anecdotal evidence indicates that old age pensions have enabled the elderly to improve their financial self-reliance, and hence their status within the household: “*Before we were treated as if we were dead. People now respect me*”¹⁴⁶. The fact that the elderly contribute to their families with income, particularly in times of need, enhances their position as valuable members of society. In Namibia, pensioners’ income often represents the only secure income for entire families, and as a result, pensioners are kept within families and well looked after¹⁴⁷. Old age pensions can play an important role in restoring elderly people’s dignity and conferred recognition, in contexts where they would otherwise be perceived as economic burdens. At the same time they may also exert moral pressure on the elderly, who are now obligated to support their families.

5.2. Social cohesion

To the extent that social transfer programmes are supported by, and embed, shared values of solidarity, they can contribute to greater social cohesion¹⁴⁸. Social transfers could strengthen social networks and community organisations, both pre-requisites for the effective functioning of society¹⁴⁹. Through Gram Shahayak Committees, formed with members of local elites, the Bangladesh Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor programme is reported to have contributed to building social cohesion at the village level. In some cases, that process has meant a widening of social networks, and improvements in the extent of social inclusion of poor people in village social life. Studies have noted a reduction in the risk of assets held by programme beneficiaries being damaged or stolen; and when assets have been threatened, committee members are reported to have effectively managed conflicts through available dispute resolution practices and institutions¹⁵⁰.

In Colombia, a study of Familias en Acción has reported improved levels of social trust and collective altruism in beneficiary neighbourhoods, when compared with control

¹⁴⁴ See Samson, M.; Van Niekerk, I. & Macquene, K. (2006). *Designing and Implementing Social Transfer Programmes*. Cape Town, EPRI.

¹⁴⁵ Garrett, J. L. (2001). *Lessons from the Urban Food-for-Work Program: CARE Ethiopia*. Notes and Observations. Washington, DC, IFPRI.

¹⁴⁶ Save the Children, Hai & Ids (2005). *Making cash Count*. Lessons from cash transfer schemes in east and South Africa for supporting the most vulnerable children and households.

¹⁴⁷ Schleberger, E. (2002). *Namibia's Universal Pension Scheme: Trends and Challenges*. Geneva, International Labour Organization.

¹⁴⁸ Gough, I. & Olofsson, G. (Eds.) (1999). *Capitalism and Social Cohesion: Essays on Exclusion and Integration*, London, Palgrave Macmillan.

¹⁴⁹ Lockwood, D. (1999). Civic integration and social cohesion. IN GOUGH, I. & OLOFSSON, G. (Eds.) *Capitalism and Social Cohesion: Essays on Exclusion and Integration*. London, Palgrave Macmillan.

¹⁵⁰ Hossain, N. (2005). *Elite Perceptions of Poverty in Bangladesh*, Dhaka, The University Press.

neighbourhoods¹⁵¹. In South Africa, studies on the Zibambele programme in KwaZulu Natal report the formation of social capital associated with the programme, with co-workers offering mutual support at times of need, and establishing informal savings associations¹⁵². In Namibia and South Africa, social pensions are reported to have inhibited rural-urban migration and constrained levels and rates of urbanisation, enabling rural communities to manage economic transformation¹⁵³.

Studies of Mexico's Progresa show that social relationships between beneficiary women can potentially build new forms of social capital. For example, there are reports of women organising collectively against violence and abuse, as there is evidence of violent behaviour against women over the control of social transfer¹⁵⁴.

In sum, there is evidence across a range of programmes and contexts that social transfers can contribute to improved intra-household dynamics, stronger social ties and inclusion, and greater social cohesion. The evidence is not systematic. There is anecdotal information, and often expressed concerns, that in communities with limited disparities, social transfers which reach some but not all of the poor should strive to provide clear and transparent justifications for the selection of beneficiaries in order to avoid resentment and conflict. In low income countries in sub-Saharan Africa, where the incidence of poverty is high and the differences among the poor small, concerns are often expressed about the potentially negative effects of narrow targeting. Public perceptions of the programmes, and transparency in the selection of beneficiaries, become important. Further research on the empirical significance of these concerns is urgently needed.

¹⁵¹ Attanasio, O.; Pellerano, L. & Reyes, S. P. (2009). Building Trust? Conditional Cash Transfer Programmes and Social Capital. *Fiscal Studies*, 30, 139-177.

¹⁵² Mccord, A. (2004). Policy Expectations and Programme Reality: The Poverty Reduction and Labour Market Impact of Two Public Works Programmes in South Africa. *ESAU Working Paper 8*. London, Overseas Development Institute.

¹⁵³ Barrientos, A.; Lloyd-Sherlock, P.; Ferreira, M.; Gorman, M.; Legido-Quigley, H.; Møller, V.; Saboia, J. & Werneck Vianna, M. L. T. (2003). Non-contributory pensions and poverty prevention. A comparative study of Brazil and South Africa. Manchester, IDPM and HelpAge International.

¹⁵⁴ Molyneux, M. (2007). Change and Continuity in Social Protection in Latin America: Mothers at the Service of the State? *Programme on Gender and Development*. Geneva, United Nations Research Institute for Social Development (UNRISD). and Adato, M.; De La Brière, B.; Mindek, D. & Quisumbing, A. (2000). The Impact of Progresa on Women's Status and Intrahousehold Relations. Washington, DC, International Food Policy Research Institute, Food Consumption and Nutrition Division.

6. Conclusions

The rapid emergence of large-scale social transfer programmes in developing countries raises important issues about their role and effectiveness as a core component of poverty reduction and development strategies. These programmes show considerable diversity in objectives, design and institutionalisation, and have the potential to make a significant contribution to the reduction of global poverty. With a few exceptions, the extension of social transfer programmes has taken place in the last decade. A compendium of knowledge on the outcomes of these programmes is essential at this stage, in order to assess their future role and to improve their effectiveness. This compendium provides a comprehensive review of current knowledge on the effects of social transfers in generating human development; supporting the full utilization of productive capacity; raising and protecting consumption; and facilitating social inclusion and cohesion.

Section 2 focused on human development. It reviewed a broad range of findings, across programmes and countries, confirming that social transfer programmes are effective instruments for improving nutritional and health status and schooling among poor and poorest households. These findings apply in particular to social transfer programmes focused on human development interventions, such as Oportunidades and Bolsa Familia; but they also extend to pure income transfers, such as South Africa's Child Support Grant. These findings apply, with some expected variation, to programmes in both low and middle income countries. Improvements in height for age among children benefiting from Oportunidades are particularly noteworthy, because they provide information on the longer-term effects of improved nutrition, and suggest cumulative improvements in future productive capacity.

Many social transfers implicitly target child labour, through a direct focus on school attendance. Child labour is usually associated with early exit from school, and therefore with long-term consequences in terms of productivity and life-time earnings. However, the evidence on the impact of social transfers on child labour is mixed, as the observed increase in school attendance appears to displace child labour only partially.

There is scarce evidence to support the view that social transfers in developing countries create disincentives to work and save. On the contrary, the weight of the findings from studies in Brazil, Mexico and South Africa reviewed in Section 3 suggest that regular, reliable and adequate transfers facilitate improvements in household resource allocation. These reflect a reduction in labour supply from children and elderly household members, and a compensating increase from adult members. In South Africa, detailed studies of the impact of the social pension on labour supply suggest that regular transfers lift income and childcare constraints, enabling labour migration. As regards savings and credit constraints, the effects are likely to vary across programme design. These effects are stronger amongst rural households with deficits in complementary 'productive' assets, as in the case of Bangladesh's challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor programme or Bolivia's social pension. Current research on integrated approaches to poverty alleviation is expected to identify strategies to incorporate asset accumulation and employment interventions into existing programmes.

Social transfers aim to raise and protect household consumption directly, through regular and predictable income transfers. A review of knowledge on outcomes from existing programmes in Section 4 concludes that transfers make a significant contribution to reducing poverty. The effects apply across most programmes and settings. The effects of transfers on the poverty gap of households in extreme poverty are stronger. Regular and adequate transfers also help to protect household consumption against shocks. Among current programmes, however, these effects are limited by the fixed levels of transfers. Many programmes have responded to food, fuel and financial crises by increasing their level of transfers.

Intra-household dynamics is an important factor in determining the capacity of poor households to access economic opportunity. The evidence reviewed in Section 5 suggests that social transfers are contributing to boosting women's bargaining power within the household, as well

as strengthening community and societal institutions. The findings are not systematic across programmes and regions, and derive in the main from qualitative and localised studies.

Social transfers are also linked to reductions in inequality in countries like Brazil, Mexico and Chile. These aggregate effects are nonetheless contingent on the macroeconomic and political context. Decisions about programme design, including delivery and monitoring systems, also play an important role in ensuring the effectiveness of social transfers.

In conclusion, this compendium of effects of social transfers in developing countries provides a range of evidence in support of the important role of transfer programmes in reducing poverty and facilitating growth and development among poor and poorest households. There is a growing knowledge base around the direct and indirect effects of social transfer programmes, which should guide policy makers in strengthening existing programmes and establishing new ones. Conditions in low income countries provide a strong challenge to the expansion of social protection. Development and adaptation of knowledge and practice from middle income countries, combined with learning from existing pilots, can provide an effective way forward.

Annex

Summary information on selected social transfer programmes in developing countries

Programme	Country	Date started	Type of transfer	Target group	Coverage	Transfer level
Challenging the Frontiers of Poverty Reduction/ Targeting the Ultra Poor	Bangladesh	2002	Input grants - asset transfers, cash transfers, health, microcredit	Women in the poorest households.	100,000 women benefited between 2002 and 2007.	Taka 300 a month. Also enterprise development training, asset transfers.
<i>Bono Dignidad</i>	Bolivia	1997, changed in 2008	Cash	Elderly	0.7 million	US\$320 a year.
<i>Bolsa Familia</i>	Brazil	2003, replaced Bolsa Escola, PETI and Gas Subsidy	Cash	Households in extreme poverty and poor households with children	12 million households by December 2009	Households in extreme poverty (per capita income below US\$22) receive R\$50 (US\$22) a month plus US\$7 per child below 16 years of age up to three. Households in poverty (income between R\$50 and R\$100) receive R\$15 per child below 16 age up to three.
Chile Solidario	Chile	2002	Cash plus access to services	Households in extreme poverty	225,000 households	Equivalent to fixed and variable costs of water and sewage up to a ceiling, plus a schooling subsidy.
Productive Safety Net Programme	Ethiopia	2005	Cash/Food for work	Provides cash or food transfers to chronically food insecure households	7.2 million people	Cash transfer amounts to around 30 Birr (around US\$3.30) per person per month, raised in January 2008.
National Rural Employment Scheme	India	Bill approved in 2005	Cash	Self-selected unemployed heads of household in rural areas	48 million households supported in 2008/9.	Wages will be paid in cash or in kind or both – not less than Rs. 60 a day (around US\$1.50).
Programme of Advancement through Health and Education	Jamaica	2002	Cash	Monthly cash benefit to households with vulnerable members conditional on school and health centre attendance	Target of 236,000 beneficiary households	US\$6.20 per month.
Pension Scheme	Lesotho	2004	Cash	Unconditional cash transfer to citizens over 70 years old	69,046 direct beneficiaries.	M150 or US\$25 per month.

Programme	Country	Date started	Type of transfer	Target group	Coverage	Transfer level
Mchinji Social Cash Transfer Pilot Scheme	Malawi	2006	Cash	Targeted to the ultra poor and the labour constrained	By the end of 2008 12,000 households will be reached.	Between MK600 and MK1800 (US\$4–13) according to household size. Plus MK200 for children in primary school and MK400 for those in secondary school.
Progresa. Renamed <i>Oportunidades</i> in March 2002	Mexico	1997	Cash	Households in extreme poverty	5 million households	US \$11-21.50 a month per child in primary school and \$21.50 on school materials per year. US\$ 31.5-35 a month for boys and US\$ 33-40.5 for girls in secondary school, and US\$ 53-60.5 a month for boys and US\$ 60.5-69 for girls in high school. US\$ 27 for school materials. US \$23 per adult aged 70 and older. Up to maximum of monthly US \$181 per household
Child Money Programme	Mongolia	2005	Cash	Targeted to the poor in 2005, made near universal in 2006. Paid to households on condition of children being immunized, not engaged in hazardous labour and enrolled	By the end of 2005, 647,500 children (63% of total) in 292,400 households	US\$31 a year. An increase to US\$117 a year was approved in the 2007 budget
Social Pension	South Africa	Early 1990s	Cash	Elderly and disabled	2.2 million beneficiaries	Means tested up to maximum of \$75 per month
Child Support Grant	South Africa	1998	Cash	Children in poor households	10 million children	Around US\$21 per month
Pilot cash transfer scheme Kalomo district	Zambia	2004	Unconditional cash transfer	Households in extreme poverty without capacity to work	1027 households, 3865 individuals	US\$10 per month

Glossary

Social protection and social security

The terms “social protection” and “social security” are used in divergent, and not always consistent, ways, differing widely across countries, international organizations, and also across time. The purpose of this annex is not to assert any universal definitions, but simply to clarify terms and concepts as they are used in this compendium and other ILO documents.

Social security

The notion of social security adopted here covers all measures providing benefits, whether in cash or in kind, to secure protection, inter alia, from (a) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; (b) lack of access or unaffordable access to health care; (c) insufficient family support, particularly for children and adult dependants; (d) general poverty and social exclusion. Social security thus has two main (functional) dimensions, namely “income security” and “availability of medical care”, which are identified specifically in ILO Recommendations Nos. 67 and 69, respectively, as “essential elements of social security”. These Recommendations envisage that, firstly, “income security schemes should relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of the breadwinner”. Secondly, “a medical care service should meet the need of the individual for care by members of the medical and allied professions” and that the “medical care services should cover all members of the community”. This duality is also reflected in the formulation of the Declaration of Philadelphia that speaks of “social security measures to provide a basic income to all in need of such protection and comprehensive medical care”.

Access to social security is, in its essential nature, a public responsibility, and is typically provided through public institutions, financed either from contributions or taxes. However, the delivery of social security can be and often is mandated to private entities. Moreover, there exist many privately run institutions (of insurance, self-help, community-based or of a mutual character) which can assume a number of roles in social security, and important modalities of income security, including, in particular, occupational pension schemes, which complement, and may substitute in considerable measure, for elements of public social security schemes. Entitlements to social security are conditional either on the payment of social security contributions for prescribed periods (i.e. contributory schemes, most often structured as social insurance arrangements) or on a requirement, sometimes described as “residency”, under which benefits are provided to all residents of the country, which also meet certain other criteria (i.e. non-contributory schemes). Such other criteria may make benefit entitlements conditional on age, health, labour market, income or other determinants of social or economic status and/or even conformity to certain forms of behaviour. Means-tested social assistance is a special case, envisaged under the provisions of Recommendation No. 67 concerning income security.

What distinguishes social security from other social arrangements is that: (1) benefits are provided to beneficiaries without any simultaneous reciprocal obligation (thus it does not, for example, represent remuneration for work or other services delivered); and (2) that it is not based on an individual agreement between the protected person and provider (as, for example, a life insurance contract) but that the agreement applies to a wider group of people and so has a collective character.

Depending on the category of applicable conditions, a distinction is also made between non-means-tested schemes (where the conditions of benefit entitlement are not related to the total

level of income or wealth of the beneficiary and his family) and means-tested schemes (where entitlement is granted only to those with income or wealth below a prescribed threshold).

A special category of “conditional” schemes includes schemes which, in addition to other conditions, require beneficiaries (and/or their relatives or families) to participate in prescribed public programmes (for example, specified health or educational programmes). In recent years, schemes of this type have become known as Conditional Cash Transfer (CCT) schemes.

The “branches” (or functions) of social security, as defined in Convention No. 102 include protection in case of sickness (medical care and income support), disability (medical care, rehabilitation, income support, long-term care), maternity (medical care and income support), employment injury (medical care, rehabilitation, income support), unemployment (income support, active labour market policies), old age (income support, long-term care), or death of a family member (income support). Countries aiming, however, to provide the broadest support to citizens would typically add to their portfolio of social provision, functions including income support to secure housing and income support in case of general poverty and social exclusion.

Social protection

The term “social protection” is used across the world and institutions with an even greater variety of meanings than “social security”. It is often interpreted as having a broader character than social security (including, in particular, protection provided between members of the family or members of a local community), but is also used in some contexts with a narrower meaning than social security (understood as comprising only measures addressed to the poorest, most vulnerable or excluded members of the society). Thus, in many contexts the terminology of “social security” and “social protection” may be largely interchangeable, and the ILO (following the European tradition) certainly uses both in discourse with and the provision of relevant advice to its constituents.

In this report, accordingly, reference is made to “social protection” as having the following aspects: (1) as “protection” provided by social security in case of social risks and needs; (2) in relation to a “social protection floor” as envisaged by the family of UN agencies to include not only social (security) transfers, but also access to a range of basic social services.

Social transfers

All social security benefits comprise transfers, either in cash or in kind, i.e. they represent a transfer of income or (most often health care) services. This transfer may be from the active to the old, the healthy to the sick, the affluent to the poor, among others. The recipients of such transfers may be in a position to receive them from a specific social security scheme because they have contributed to such a scheme (contributory scheme), or because they are residents (universal schemes for all residents), or they fulfil specific age criteria (categorical schemes), or they experience specific resource conditions (social assistance schemes) or because they fulfil several of these conditions at the same time. In addition, it is a requirement in some schemes that beneficiaries accomplish specific tasks (employment guarantee schemes, public works) or that they adopt specific behaviours (CCTs). In any given country, several schemes of different types generally co-exist and may provide benefits for similar contingencies to different population groups. The more specific characteristics of these different schemes are outlined below.

In contributory schemes the contributions made by beneficiaries directly determine entitlement to benefits (acquired rights). The most common form of contributory scheme is of a statutory social insurance scheme for formal wage-employment and, in some countries, for the self-employed. Other common contributory schemes include national provident funds that usually pay a lump sum to beneficiaries when particular contingencies occur (typically old-age, invalidity or death). In the case of wage employment, contributions are usually paid by both employees and employers (by and large, employment injury schemes are fully financed by

employers). Contributory schemes can be wholly financed through contributions but often are partly financed from tax or other sources (either in the form of a subsidy to cover the deficit, or in the form of a general subsidy supplanting contributions of all contributors, or subsidizing only specific groups of contributors) or beneficiaries (those not contributing because of caring for children, studying, in military service, unemployed or those with too low a level of income to fully contribute or too sub-minimum benefits because of low contributions in the past).

Insurance schemes, in the context of social security, refer to schemes that guarantee protection through an insurance mechanism. Insurance is based on: (1) the prior payment of premiums or contributions, i.e. before the occurrence of the insured contingency; (2) risk sharing or “pooling”; and (3) the notion of a guarantee. The premiums paid by (or for) insured persons are pooled together and the resulting fund is used to cover the expenses exclusively incurred by those persons affected by the occurrence of the relevant (clearly defined) contingency or contingencies. It is common that contributory schemes make use of an insurance vehicle (usually social insurance), but the reverse is not necessarily true (national provident funds, for example, do not generally feature risk-pooling). It should be noted that social insurance is distinguished in strict technical terms in that the risk-pooling is based on the principle of solidarity, as against insurance arrangements of a more familiar, commercial type, based on individually-calculated risk premiums.

Many social security schemes of the contributory type are presented and described as “insurance” schemes (usually “social insurance schemes”), despite being, in actual fact, of mixed character, with some non-contributory elements in entitlements to benefits; this allows for a more equitable distribution of benefits, particularly for those with low incomes, short or broken work careers among others. These non-contributory elements take various forms, being financed either by other contributors (redistribution within the scheme) or by the State.

Conversely, non-contributory schemes or social assistance schemes (normally) require no direct contribution from beneficiaries or their employers as a condition of entitlement to receive relevant benefits. Non-contributory schemes include a broad range of schemes including universal schemes for all residents, some categorical schemes or means-tested schemes. Non-contributory schemes are usually financed through tax or other State revenues.

Universal schemes for all residents provide benefits under the single condition of residence. Such schemes are mostly put in place to guarantee access to health care. They are generally tax-financed, but may require a co-payment by users of health services; sometimes with exemption for the poorest (typically the latter may receive vouchers).

Categorical schemes target specific groups (categories) of the population. The most frequent forms of categorical schemes are those that transfer income to the elderly above a certain age or children below a certain age. Some categorical schemes also target households with specific structures (one-parent households for example) or occupational groups (such as rural workers). Categorical schemes could also be grouped as universal, if they cover all residents belonging to a certain category, or include resource conditions (social assistance schemes). They may include other types of conditions such as performing or accomplishing certain tasks. Most categorical schemes are tax-financed.

Means-tested schemes target people whose means (usually their assets and income) fall under a certain threshold. Such targeted schemes are very diverse in terms of their design and the features they possess. This diversity may manifest itself through the methods of targeting that are employed, the supplementary conditions required for beneficiaries to access benefits and the inclusion of other interventions that are delivered on top of the actual income transfer itself.

Conditional cash transfers are social assistance schemes that provide cash to families subject to the condition that they fulfil specific “behavioural” requirements. This may mean they must ensure their children attend school regularly (typically 85-90 per cent attendance) or that they utilize basic preventative nutrition and health care services; CCTs are usually means-tested.

Employment guarantee schemes ensure access to a certain number of workdays a year to poor households, generally providing wages at a relatively low level (typically at the minimum wage level if this is adequately defined). Such programmes generally take the form of “public works” activity.

Social security schemes (programmes, measures) should be seen as a distinct body of rules and, therefore, characterized by at least a certain degree of “formality”, supported by one or more social security institutions, governing the provision of social security benefits and their financing. It should, in general, be possible to draw up a separate account of receipts and expenditure for each social security scheme. It is often the case that a social security scheme provides protection against a single risk or need, and covers a single specific group of beneficiaries. Typically, however, one institution will administer more than one benefit scheme.

All the social security schemes and institutions in the country are inevitably interlinked and complementary in their objectives, functions and financing, and thus form a national social security system. For reasons of effectiveness and efficiency (and the ILO will always recommend this to its constituents), it is essential that there is a close coordination within the system, and that – not least for coordination and planning purposes – the receipts and expenditure accounts of all the schemes are compiled into one social security budget of the country so that future expenditure and its financing of the schemes, comprising the social security system, are planned in an integrated way.

Risks, contingencies, insecurity and risk management

Contingencies are events that might or might not occur (having an accident or winning the lottery, for example). Risks are contingencies that are perceived as having a negative or detrimental effect on individuals, groups or societies – or even more complex entities, such as the environment. Risks, in this sense, include a broad range and variety of contingencies such as flood, earthquake, conflict, loss of job, the death of an income-earning household member or chronic illness.

An individual (or group) is exposed to a risk if a certain event can occur and affect that individual. An example might be living in an environment where a certain illness can be contracted. An individual, who moves to a country where that particular illness does not exist, is no longer exposed. The individual (or group) is vulnerable to a certain risk if they have no means of coping with the consequences of that risk once it has occurred: for example, not being able to afford medical care that would help to restore health. Those who are vulnerable to a certain risk are in need of a protection mechanism that reduces their vulnerability. Social security reduces vulnerability to the financial consequences of certain risks if and when they materialize, i.e. it provides security or reduces insecurity. While steps may be taken where possible to avoid accidents or illness, the direct contribution of social security to reducing exposure to risks is necessarily limited.

Not all risks are unforeseeable and beyond control. For example, the probability of contracting a certain illness can be reduced by health-conscious behaviour, the risk of unemployment by moving to a region where the individual’s skills are in greater demand, and their family’s exposure by sending them out of a country that is beset by political unrest or poor health conditions. This is risk reduction, avoidance or prevention. The payment of insurance contributions that guarantee entitlement to a cash benefit, should a certain contingency occur, helps to mitigate the relevant risk. Social assistance benefits provided in case of poverty are regarded as a means to cope with the risk (although the degree of coping is clearly reflected in the adequacy or otherwise of the benefits). The whole portfolio of strategies and arrangements ranging from risk reduction, avoidance or prevention to risk mitigation and risk coping is called risk management.