

Rooting social transfers within an evidence-based approach

The objectives of this chapter are to describe a framework for evidence-based design and implementation of programmes, outline the major elements of the evolving social transfers evidence base, and identify important gaps and unanswered questions that require further research.

A social transfers evidence base that can effectively inform decisions on priorities, approaches and actions requires two key elements:

- the evidence must be mobilised in a manner that facilitates an understanding of likely impact of the social transfers instruments, using both *ex ante* policy analysis (where household survey data is available) and *ex post* policy analysis (where relevant interventions – pilots, comparable programmes and relevant international examples – have already been implemented); and
- the information must be both relevant to the key questions facing policymakers and implementers and lead to actionable decisions.

The global evidence base for social transfers offers a number of lessons, particularly in terms of two main types of impacts which might be typologised as (1) social and (2) developmental. Figure 3.1 illustrates several of social protection's main social impacts, which represent the achievement of the main objectives of social protection interventions.

In addition to promoting core social and developmental objectives, social protection also serves secondary developmental priorities that, in turn, further the policy objectives of pro-poor and inclusive economic growth.¹ In particular, as illustrated in figure 3.2, the poverty reduction aim of social protection also builds, protects and promotes human capital and other productive assets,

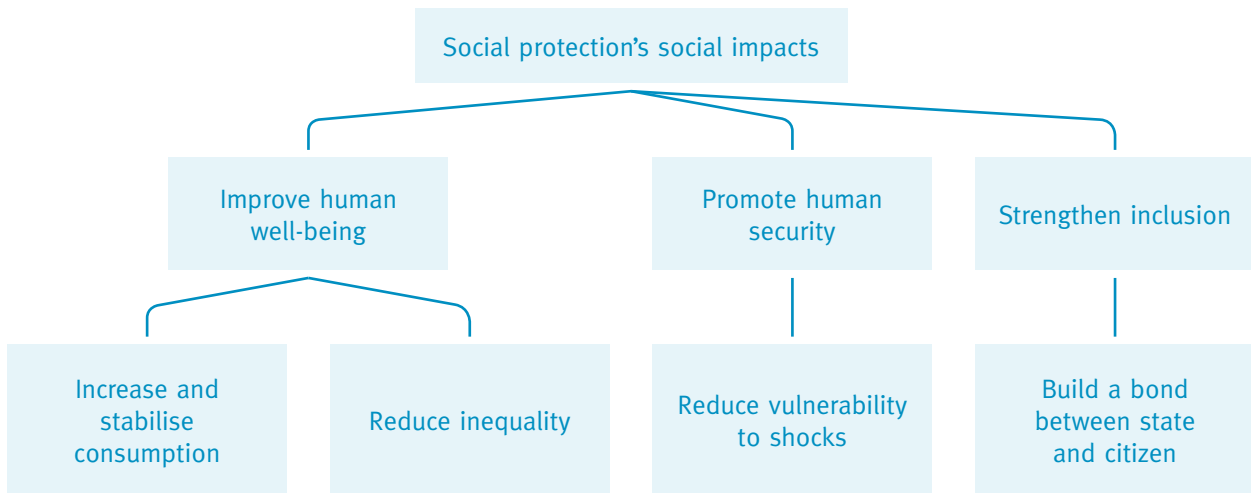


Figure 3.1 A typology of social protection's social impacts

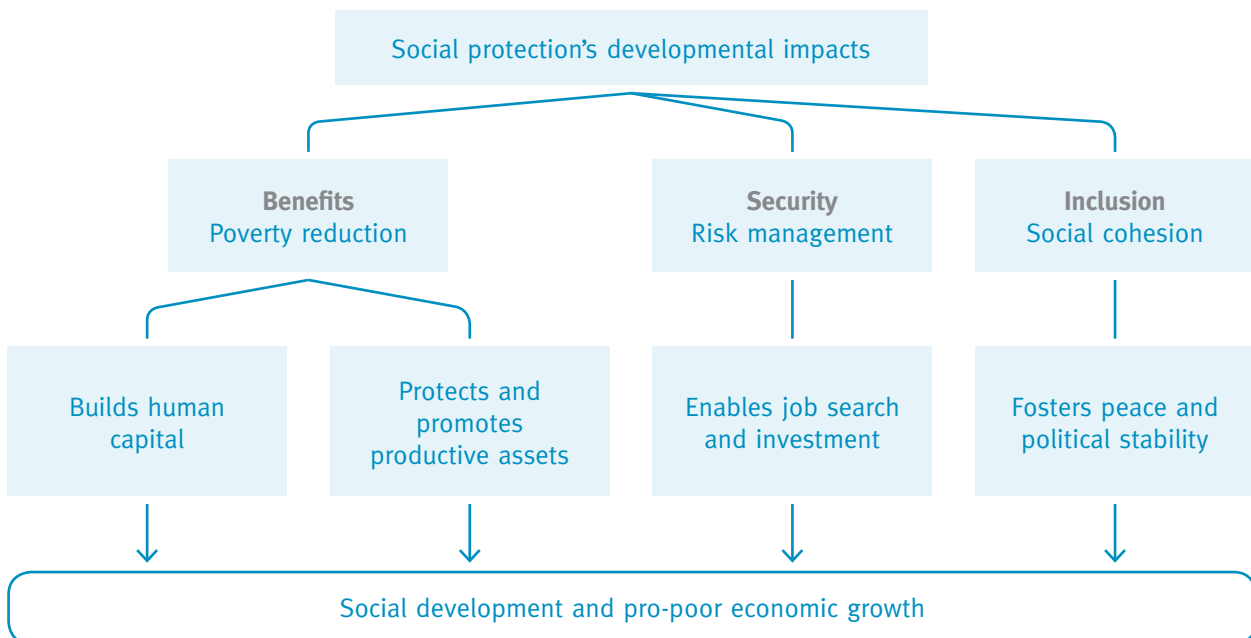


Figure 3.2 A typology of social protection's developmental impacts

enables people to more productively manage risks and shocks and promotes social cohesion.

These impacts are influenced by a number of distinct factors, as illustrated in figure 3.3. Both the policy environment and the social context inform impact results, through programme design and transmission mechanisms by which interventions generate impact. In addition, operations, including delivery systems, often determine the success or failure of the programme. Social policy analysts are also increasingly recognising the vital role complementary institutions play in determining impact.

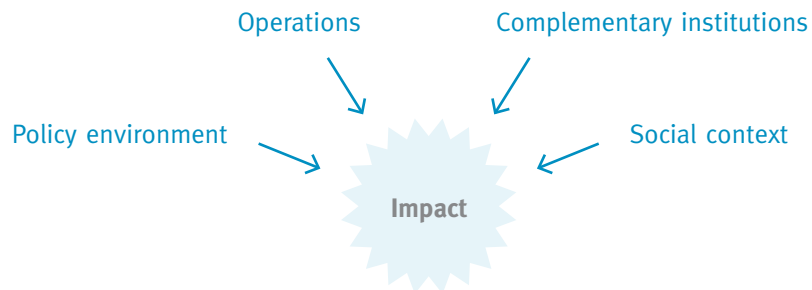


Figure 3.3 Determining the of impact of social protection programmes

Operational questions include the design and implementation of social protection interventions, with particular focus on targeting effectiveness and the appropriateness and performance of any programme conditionalities. Operational effectiveness depends critically on administrative capacity and the accessibility of social protection interventions, which in turn depends on the functioning of payments systems and other delivery mechanisms.

Complementary institutions can affect market performance (particularly food markets) and supply responses, as well as the availability and quality of human capital services (particularly health and education). In addition, appropriate complementary programmes can strengthen livelihood opportunities and promote access to financial, information and communications services.

These factors operate within both a social and a policy context. Impacts are seriously compromised by discrimination and social exclusion, and are heavily influenced by intra-household allocation decisions. In addition, these impacts depend on the interaction between formal instruments and informal social protection systems. Social protection benefits strengthen opportunities for human capital development, but actual nutrition, health, education and other outcomes will depend on the household demand for human capital services. In addition, actual outcomes across the spectrum will depend on poverty dynamics.

This evidence base focuses on the above framework for understanding and organizing the key lessons of social transfers experience. In order to maximize its usefulness, this evidence base follows four basic principles, as illustrated in figure 3.4 below:

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- The evidence base should address the questions most relevant to the policy issues the government faces
 - The information should be available to government in a timeframe that facilitates effective policy decisions
 - The methodological approaches should be appropriate and rigorous
 - Evidence should be shared with all relevant stakeholders
 - Reports should be written in a broadly accessible style

Figure 3.4 Principles underlying the social protection evidence base

The analysis and synthesis that follows applies these principles and structures to the evolving evidence base through both a thematic view and a programme view. The thematic view cuts across multiple programmes to identify general lessons. The programme view summarises key lessons on a programme-by-programme basis.

Poverty profile

While the objectives of policymakers may reflect the conditions of poverty in the country, concrete evidence is required to identify appropriate social transfer instruments. A thorough understanding of the nature of poverty, vulnerability and social backlogs (health, education, housing and vital services) in the country importantly informs policy choices.²

The starting point is a demographic and spatial picture of poverty, deprivation and vulnerability. Understanding the nature of poverty in the country is the first step in targeting effective programmes: What is the incidence, depth and intensity of poverty for children, the elderly, those with disabilities and the unemployed? Is poverty disproportionately rural or urban? Are there racial, gender-based or other demographic features of poverty? The appropriate programme for a country with a 20% poverty rate is likely to be different from one with an 80% poverty rate.

A poverty profile will quantify the incidence of poverty in the country. Various measurement techniques will provide different pictures of poverty. Two

frequently used indicators are the “poverty headcount” and the “poverty gap”, which are discussed below. A variant of the poverty gap – the “squared poverty gap” – provides a measure more sensitive to the very poorest. An example of the various measures is provided in Box 3.1.

The most common measure of poverty – often problematically favoured by politicians and journalists for its simplicity – is the poverty headcount measure, which is generally reported as a percentage.³ This indicator reflects the proportion of the population (either individuals or households) whose income or expenditure falls below a specified level, called the “poverty line”. The poverty line varies depending on the size and structure of the households and the price level of goods purchased by the poor.⁴ The main shortcoming of the poverty headcount measure is that it does not reflect changes in well-being that occur below the poverty line.⁵ Given resource constraints and the policy priority of addressing the most severe poverty, social transfers frequently have their most important impact below the poverty line: improve the well-being of the poorest, but do not necessarily free them from poverty. The poverty headcount measure will not reflect these benefits.

A more useful indicator in these cases is the “poverty gap”.⁶ The simplest form of poverty gap measures the average additional amount of income (or expenditure) each person (or household) requires to meet the poverty line, expressed as a percentage of the poverty line, where that amount for non-poor individuals (or households) is zero.⁷

For example, if the individual poverty line is 500, a person with an income of 200 faces an individual income poverty gap of 60% (since the difference of 300 is expressed as a percentage of the poverty line of 500). A person with an income of 500 would have a poverty gap of zero. The average includes the gaps for the poor and the non-poor. (If these two people made up the entire population of a hypothetical country, the average poverty gap would be 30%.)

In order to appropriately weight the impact of policy on the poorest, other indicators can be used, such as the squared poverty gap measure.⁸ This measure multiplies the percentage poverty gap for each person by itself.⁹ Since each person’s poverty gap is less than or equal to one (100%), the square is also less than or equal to one – but the value of the squared poverty gap shrinks as the poverty gap gets smaller. As a result, this measure weights the poverty of the poorest more heavily in relation to the poverty of those closer to the poverty line. In the example above, the person with the income of 200 has a poverty gap of 60% and a squared poverty gap of 36% (0.6 times 0.6 expressed as a percentage). The example in Box 3.1 provides a more complete numerical example and demonstrates how different measures can provide very different analytical outcomes.

These conventional measures of poverty are all based on a measurable dimension of well-being, such as income or expenditure on consumption.¹⁰ In practice, per person measures are usually calculated as a per capita of the household measure.

An important issue arises in how the household resources are distributed among the members. Given difficulties in tracking how much is spent on each

Box 3.1: Measuring poverty: a simple numeric example

Suppose we want to compare two hypothetical countries – Lowinca and Baja Inga – both with the same per capita income. Each country has a population of four people, with incomes measured in comparable “units” as follows:

Lowinca	
Person	Income
A	280
B	400
C	1200
D	2000
Average	970

Baja Inga	
Person	Income
E	40
F	860
G	940
H	2080
Average	970

The per capita income of both countries is the same – 970 units. Which country has greater poverty? The answer depends on the definition of poverty, as well as the methodology used to measure it.

For example, if we establish a poverty line of 500 units, and we use a poverty headcount measure, then half (50%) of Lowinca is poor (since the incomes of A and B fall below the poverty line) while only a

quarter of Baja Inga is poor (only E’s income falls below the poverty line).

If, however, a new study shows the more appropriate poverty line is 1000 units, then the incidence of poverty using the headcount measure doesn’t change for Lowinca – only the incomes of A and B fall below the higher level. For Baja Inga, however, the incomes of E, F and G fall below the new poverty line, and the poverty headcount rate is three-quarters (75%).

This demonstrates that the ranking of poverty across countries can change as the poverty line changes. Since the identification of a poverty line is subjective, somewhat arbitrary and often political, the fact that measured poverty can be reduced simply by lowering the poverty line is cause for some concern.

Suppose that we continue to define the poor as those with an income of less than 1000 units, but we measure the extent of poverty using the poverty gap methodology. In this case, the poverty gap measures the average additional amount of income each person requires to meet the poverty line, expressed as a percentage of the poverty line, where that amount for non-poor individuals is zero. This indicator is more sensitive to changes below the poverty line.

For example, if a social transfer improved the livelihoods of the poor but did not raise them above the poverty line, the poverty headcount measure would reflect no impact at all. The poverty gap measure, however, would reflect the associated

household member, an alternative approach tracks non-income measures of well-being – such as nutritional status, height-for-weight, school attendance and other broader indicators of household development. In addition, considering qualitative assessments can improve the analysis.¹¹ This multi-dimensional information will provide greater insight into how household resources broadly affect all the members.

In addition, information on poverty dynamics is critical. Is poverty chronic or transitory? For example, public works more effectively address transitory shocks that increase unemployment than chronic poverty disproportionately affecting children and the elderly. Dynamic information is important at both an aggregate level (how does the country’s poverty rate change over time?) and at an individual level (how many people move in and out of poverty each year?). The use of longitudinal studies, which track how households evolve over time, can provide important insight into different kinds of poverty traps that afflict the poor.¹²

reduction in poverty.

The poverty gaps for each person are calculated in the third column for each country below (labeled “Poverty Gap”). For example, for person A, with an income of 280 units, the gap to the poverty line is 720 – or 72% when expressed as a percentage of the poverty line. The average poverty gap for Lowinca is 33%, while for Baja Inga it is 29%. Using the poverty gap in this example reverses the poverty ranking of the poverty headcount index, even using the same poverty line.

This demonstrates that the ranking of poverty across countries can change as the poverty indicator changes.

Lowinca			
Person	Income	Poverty Gap	Squared
A	280	72%	52%
B	400	60%	36%
C	1200	0	0
D	2000	0	0
Average	970	33%	22%

Baja Inga			
Person	Income	Poverty Gap	Squared
E	40	96%	92%
F	860	14%	2%
G	940	6%	<1%
H	2080	0	0
Average	970	29%	24%

Finally, consider a third measure, which weights the poverty of the poorest greater than the poverty of the poor near the poverty line. This “squared poverty gap” measure squares the calculated poverty gap for each poor person – which increases the relative weight of poorer individuals compared to those who are less poor. This measure is appropriate when policies aim to target the very poorest in a country, since the impact of policy changes that benefit them will be weighted more heavily.

These calculations for each person are shown in the last column for both country tables, in the column labeled “squared”. In all cases, the squared poverty gap measure is less than the poverty gap – but the measure shrinks more for people near the poverty line. For example, person E’s poverty measure falls just slightly from 96% to 92%, while person F’s measure nearly disappears, falling from 14% to just 2%. Once again, the ranking of poverty across countries reverses, from the result we obtained using the poverty gap measure.

These examples demonstrate that poverty lines and measurement methodologies matter – both for comparisons across countries and for the appropriate assessment of policy impacts.

SOURCE: This example adapts and extends the framework developed by Duclos (2002).

To evaluate the feasibility of targeting, it is important to have an understanding of coping mechanisms. If individuals in a household pool most of their resources, then directing grants to specific classes of the vulnerable (young children, the elderly, those with disabilities) will not effectively target them. For example, an old age pension paid to a poor elderly person caring for seven grandchildren will benefit the whole household, but might not lift the pensioner out of poverty. The same pension paid to a single elderly person living alone might raise him or her well above the poverty line.

Concrete quantitative measures are required for analysis and advocacy. These include headcount poverty measures, poverty gap measures, measures of the incidence of public expenditure, linkages between poverty and unemployment and HIV/AIDS (as well as other critical social conditions), a profile of the major sources of income for the poor, and other information.

A thorough understanding of the nature of poverty in the country will

enable policymakers to better identify social needs and more accurately predict the likely impact of social transfer programmes. There are a number of structured options for harnessing the required information for policy analysis. Whether through household economy assessments, vulnerability and risk profiles¹³, or less structured mechanisms, the information generated will illuminate the country's specific needs for social protection and the potential role for social transfers. Key factors include assessments of the profile of poverty, major social risks (HIV/AIDS, natural disasters, unemployment), the demographic structure of the population (age and geographic distributions), economic factors (including both the formal and informal sectors) and existing social protection institutions (discussed further in the next section).

Dynamic analysis can identify trends affecting social priorities – growing dependency ratios, a more rapidly aging population, increasing unemployment, intensifying vulnerability from HIV/AIDS – and model how policy responses can make an impact. Distributional analysis can identify who is most affected – and where the most affected are located. Box 3.2 provides an overview of Zambia and Malawi's poverty and vulnerability assessments (PVAs).

Vulnerability context analysis and identifying appropriate instruments

The first step requires employing forward-looking risk and vulnerability analysis and other tools to build an evidence base for selecting the appropriate intervention and target groups, including an ex-ante poverty and social impact analysis (PSIA) of expected impacts of a proposed intervention.¹⁴ This requires a three-part process:

- assessing the current and likely future impact of a crisis,
- applying it to a analysis of vulnerability (disaggregated by gender, age, disability, ethnicity, location and other variables); and
- selecting appropriate social protection responses.



Figure 3.5 Elements of an ex-ante poverty and social impact analysis (PSIA)

Forward-looking vulnerability analysis

The second part of risk and vulnerability analysis involves assessing those most vulnerable to different types of crisis impacts. The poorest are usually the most vulnerable – not only because they face greater risks, but also because they have fewer means for dealing with adverse shocks, hazards and stresses. The recent compound crises both increase their risks and reduce the effectiveness of their coping mechanisms. Conventional vulnerability assessments usually take one of two approaches – identifying vulnerable groups and then assessing the various risks each group faces, or analysing major risks and identifying who is the most vulnerable.¹⁵ Either approach depends on disaggregated historical data, either indicators or information, on the prevalence of past risks for different social groups. Forward-looking vulnerability analysis requires further investigation in order to predict likely outcomes of shocks that might materialise or intensify over a multi-year horizon. (Vulnerability analysis is discussed further in the appendix.) Vulnerability analysis can also be combined with an assessment of household resilience, using tools like the FAO’s analysis model that measures how resilient a household is under severe stress.¹⁶

It is then necessary to compare this predicted profile of vulnerability against existing (or future) social protection interventions in order to identify the gaps in addressing future vulnerability. An evidence-based approach roots the selection of social protection instruments in the social and policy context of the country, particularly in terms of the identified gaps between existing or prospective vulnerability and the public initiatives aiming to address it.

Evidence on developmental impact

An emerging evidence base documents that social transfer programmes not only tackle poverty – they also support important developmental outcomes at individual, household, community and national levels. This section of the guide presents a summary of existing evidence and remaining gaps in five areas:

1. poverty and inequality;
2. nutrition, health and food security;
3. education;
4. economic growth,
5. social cohesion.

Impacts on poverty and inequality

Most social transfer programmes directly aim to address income poverty by providing cash to society’s most vulnerable groups. Numerous studies demonstrate that well-designed and implemented interventions successfully produce substantial impacts. In South Africa, social transfers have reduced the poverty gap by 47%.¹⁷ In the absence of the social pension, 30% of households with older people in Mauritius would be below the poverty line compared with only 6% with the social pension.¹⁸

Box 3.2: Evidence for policy: Zambia and Malawi's poverty and vulnerability assessments

The World Bank – partnered with Zambian researchers and development specialists, DFID/Lusaka and other international partners – prepared a poverty and vulnerability assessment (PVA) for Zambia in 2005. Another PVA was delivered for Malawi in 2006. Aiming to inform debate about policy priorities for reducing poverty and vulnerability, the report emerged from new studies as well as pre-existing work on Zambian and Malawian poverty and living conditions. The PVA process aims to be highly consultative, and to involve national non-governmental organisations and researchers, development community partners and government counterparts.

The PVA documents five dimensions of poverty (four for Malawi): material deprivation, human deprivation, vulnerability, destitution and social stigmatization.

Material deprivation

Measured in terms of material deprivation, 62% of Zambia's rural population is poor, compared to 45% in urban areas. The people's perceptions of poverty appear rooted in the economic boom of the 1960s and 1970s – 95% of those interviewed in a 2002/03 living standards survey considered themselves very poor or poor, including many with secure jobs in the formal sector.

Malawi has some of the same problems as Zambia: in 2005, 52% of the population, nearly 6.4 million people, lived below the poverty line. Within this group, 22% were deemed to be ultra-poor, meaning that a person cannot afford the minimum

daily recommended food requirements. Malawian cities have much lower levels of poverty, standing at 25% in 2005 with only 8% of people living in cities deemed to be ultra-poor.

Human deprivation

This category has worsened significantly over the past few decades in Zambia. While the average education level (in years) relatively high compared to other southern African countries, Zambian men in their 20s have less education than men in their 40s. According to United Nations estimates (disputed by the Zambian government), the country has the lowest life expectancy in the world. The HIV/AIDS prevalence rate was estimated at 18% percent for women and 13% percent for men in 2001. Chronic malnutrition rates for children have risen from 40% in the early 1990s to 47% most recently. The under-five mortality rate (176 per 1000 live births) is very high.

The life expectancy in Malawi has fallen from 46 years in 1987 to just 37 years in 2005. This is mostly due to the HIV/AIDS epidemic facing the country – there was a HIV prevalence rate of 11.8% in 2004. The decrease in the number of physicians by 50% over the last decade has also contributed to this fall. Child immunisations have decreased from 82% to 64%, and maternal mortality rates have increased to 960 (per 100,000 live births) in 2004. Almost one in five children do not even start school in Malawi and very few actually complete primary schooling. The secondary school net enrolment rate is a dismal 15% and usually consists of children from wealthy families who can afford the cost of schooling.

Some studies also document the extent to which social transfer programmes reduce inequality. In Brazil, the social pension reduces the country's Gini coefficient (the most common measure of inequality) by one percentage point, and Bolsa Familia reduces the Gini by another half a percentage point. From 1995 to 2004, Brazil's Gini coefficient has fallen from 60% to 57%.¹⁹ In South Africa, the comprehensive system of social grants reduces the country's Gini coefficient by three percentage points and approximately doubles the share of national income that the poorest quintile receives.²⁰

Vulnerability

The poor in Zambia face a myriad of risks including droughts, commodity price shocks (primarily copper), and health risks, including HIV/AIDS, malaria and other infectious diseases. The PVA process reports not only statistics but also evidence from rural participatory studies.

The Malawian people face many different vulnerabilities that come from several different areas. The economy is still based on agriculture and is thus subject to shocks caused by draughts and flooding. Families can also experience shocks brought on by injuries or deaths in the family, which can drastically reduce family income. The poor of Malawi are also facing increasing food prices, which makes it even more difficult for them to be able to receive the necessary sustenance levels.

Destitution

In Zambia, destitution afflicts many in the most vulnerable groups, including widows, those with disabilities and orphans. Fifteen percent of all children are orphans. The most recent Zambian Demographic and Health Survey (conducted during the hungry season) shows that 47% of children under five years of age are stunted, 28% are underweight and 5% suffer wasting.

In Malawi, destitution afflicts many. Children across the country, both in the rural areas and in the cities, face problems of malnutrition. Approximately 40% of children are stunted and 15-20% are underweight. There are also many orphans in the country. UNAIDS, UNICEF, and USAID all estimate that

the number of orphans in Malawi rose from 560 000 in 1990 to 1 000 000 in 2003. According to the Malawian government, 13% of all children are orphans.

Stigmatisation works hand-in-hand with poverty to reinforce vulnerability and destitution. The lack of resources afflicting many women-headed households is compounded by social stigmatisation as well as discrimination that undermines rights to property and inheritance – in spite of new laws, which have yet to provide effective protection. The most extreme forms of stigmatization and discrimination affect those with HIV/AIDS, including denial of treatment, name-calling and other forms of degrading treatment.

PVA reports go further than presenting the details of a country's poverty profile – they also assess the causes of poverty and identify key challenges for policymakers. The Zambian and Malawian PVA process analyses alternative policies aimed at reducing poverty and identifies priority areas for promoting pro-poor growth, managing risk and vulnerability and improving strategies for poverty reduction. For example, the report provides evidence supporting social transfers as an efficient instrument for improving the nutritional status of the poorest and most malnourished children.

SOURCE: SARPN and World Bank (2005), Republic of Malawi and World Bank (2007).

Impacts on nutrition, health and food security

Evaluations of social transfer programmes frequently find positive nutrition and food security impacts, mainly by enabling increases in household expenditure on food. Households in South Africa that receive social transfers not only spend a higher share of income on food and education; they also spend lower proportions of income on alcohol, tobacco and entertainment than similar non-participating households, although there is no significant impact on health expenditure.²¹ Social transfers in Afghanistan, Brazil, Ethiopia and Lesotho increased the amount and diversity of household food expenditure.²²

This increased expenditure translated into broad improvements in different

Box 3.3: Understanding the transmission mechanisms of the economic downturn

Assessing the transmission channels through which the global economic downturn and other crises affect the poor provides some insight into the extent to which already vulnerable groups will face greater risks of poverty shocks or where the near-poor become the new poor.

Vulnerability to the downturn varies, although usually the indirect impacts of the crisis pose greater threats than the direct impact of the deteriorating financial sectors in industrialised countries. Imminent and severe indirect impacts include reduced migration and remittances. Medium-term risks stem from falling global consumption and the resulting consequences for low- and middle-income country exports – a planned driver of pro-poor economic growth in many countries. Vulnerability depends on the country's exposure to the crisis (reliance on trade, aid and remittances), as well as the population's ability to cope with the impact.

Job losses, declining wages and falling remittances represent some of the most immediate direct and indirect effects of the global economic downturn on developing countries. The Inter-

American Development Bank (IDB), for example, observed a 15% decline in remittances to Latin American countries in 2009, with an even steeper decline of 17% during the second half of that yearⁱ – the first decline since the IDB began tracking these flows a decade ago. Comparable impacts are expected in many other developing countries.

With global economic output declining for the first time since World War II and global trade registering its most severe drop in 80 years, export-oriented developing countries are likely to bear the more immediate and severe brunt of the downturn. While international financial institutions and bilateral donor partners have re-committed and even extended longstanding obligations to development assistance, fiscal pressures in industrialised countries may leave aid-dependent developing countries increasingly vulnerable – and threaten their capacity to deliver public responses to the increasingly severe poverty shocks afflicting their people.

i Maldonado et al. (2010).

indicators for hunger and nutritional status. In South Africa, self-reported hunger rates for both children and adults fell in households receiving child grants and social pensions,²³ and height-for-age and weight-for-height indicators are significantly better for girls in households receiving social transfers.²⁴ Outcomes depend on who receives the social transfer within the household, with grandmothers responsible for more developmental outcomes. Participants in Zambia's pilot cash transfer scheme who reported still being hungry after a meal fell from 56% to 35%. The percentage of households subsisting on one meal per day fell from 19.3% to 13.3%.²⁵ Participation in Nicaragua's Red de Protección Social (RPS) reduced the rate of stunting by 5.3%.²⁶ Increased food spending by households in Colombia's Familias en Acción programme translated into improved nutritional indicators, including child growth and weight.²⁷ Food-for-Work (FFW) programmes in Bangladesh significantly improve nutritional outcomes,²⁸ and Mexico's Progresa documents significant improvements in infant nutrition.²⁹

In Bangladesh cash transfers interact with direct health interventions to improve immunisation rates, access to micro-nutrients and ante- and post-natal care.³⁰ Cash transfers in Brazil,³¹ El Salvador,³² Honduras,³³ Lesotho³⁴ and Nicaragua³⁵, as well as public works in Ethiopia³⁶ all promote access to health services, mainly through household spending choices. Health outcomes for Mexico's *Oportunidades* programme are significantly positive in terms of

Reliance on remittances

- Highly reliant on remittances: for example, Bangladesh, Lesotho, Nepal, Nicaragua, Tajikistan
- Low reliance on remittances: for example, Burkina-Faso, Ghana, Zambia

Export-oriented economy

- Export-oriented economies: for example, Cambodia, Ghana, Lesotho, Mongolia
- Low export economies: for example, Afghanistan, Burundi, Nepal, Pakistan, Rwanda

Aid-dependent

- High-aid economies: for example, Burundi, Rwanda, Sierra-Leone
- Less dependent economies: for example, Kenya, Lesotho, Vietnam, Yemen

Selected drivers of economic vulnerability to the downturn

High rankings on these economic exposure indicators, however, do not necessarily imply vulnerability to the economic impact of the downturn. The indirect effects will be weaker

if a country depends on remittances from or exports to countries less affected by the downturn. Likewise, development partner support may be more resilient for some countries.

reducing the number of days ill.³⁷

Conversely, an impact assessment of *Bolsa Familia* in Brazil found no positive programme impact in terms of reducing stunting or improving rates of child immunisation.³⁸ A study of South Africa's social grants found no impact on improved access to health care.³⁹ Part of the reason for weak measured impacts may be that some assessments measure associated indicators only for those who are ill, and this limits sample sizes and reduces the statistical power to identify outcomes. In addition, studies on health outcomes may require longer horizons than what has been possible up until now. In spite of the variability of the results, many assessments find significantly positive health impacts.

In some cases, social transfers also generate a positive impact on the supply of food. In remote rural areas of South Africa, cash transfers stabilise the demand for food, reducing market risk and supporting local agricultural production.⁴⁰ Households receiving South Africa's Child Support Grant demonstrate greater resiliency in maintaining agricultural production.⁴¹ The direct and indirect effects of Bangladesh's Food-for-Work (FFW) programme significantly raised agricultural production in the country.⁴² Malawi's Targeting Inputs Programme (TIP) contributed to a significant increase in the annual maize harvest.⁴³ Zimbabwe's Protracted Relief Programme generated over two months of additional food supply in an average beneficiary's households.⁴⁴

Box 3.4: Measuring poverty impacts

Since cash transfer programmes in developing countries provide benefits equal to only a fraction of the poverty line, much if not most of the measured impact reflects movement towards but not over the poverty line. As a result, poverty headcount measures, which only identify impact when a household moves over the poverty line, provide misleading measures of success. Some of the world's most effective programmes, which reach a large proportion of the very poorest households, demonstrate little impact on the poverty headcount. The poverty gap measure – which reflects movement of households up towards but not over the poverty line – provides a more sensitive indicator and is usually preferred for measuring the poverty impacts of social transfer programmes.

Both poverty headcount and gap measures are sensitive to the poverty line employed. Using a lower poverty line (or destitution line) will often lead to larger measured impacts for well-designed

and effectively implemented social transfer programmes. Figure 3.6 illustrates an example of different measures for South Africa's social transfers.

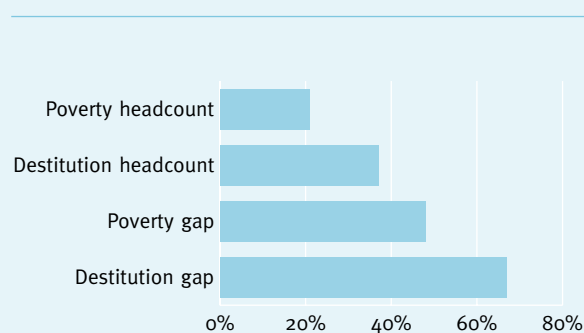


Figure 3.6 How much social grants in South Africa reduce poverty (different measures)

SOURCE: Samson et al. (2004).

Impacts on education

Evaluations document improved in education indicators as the most consistent human capital impact of social transfer programmes. Properly designed and implemented interventions – both conditional and unconditional – tend to improve school enrolments and attendance.⁴⁵ In Brazil, participants in the Bolsa Familia programme are 20% less likely to have a one-day absence from school in any given month, they are 63% less likely to drop out of school; and they are 24% more likely to advance an additional year than are comparable children in households not participating in the programme.⁴⁶

In Columbia, Mexico and Nicaragua, conditional cash transfer programmes significantly improve enrolment rates – although the effects tend to be much greater for groups (such as secondary school students) whose enrolment prior to the transfer is low. Primary school enrolment rates in Mexico were high before the programme was implemented – around 94% – and the attributed impact of Oportunidades for this group is only 1%. However, for secondary school students (with 70% enrolment rates prior to the programme) the impact is 8%. Drop-out and repetition rates are usually more sensitive to social transfers, and the measured impacts for these indicators are greater. An assessment of Honduras' conditional cash transfer programme documents relatively weak impacts, but the results of this assessment reflect the very small level of transfer and the lack of complementary initiatives to support the delivery of education services to meet the increased demand.⁴⁷

Several social transfer programmes in Bangladesh – including those

Households receiving social transfers spend more on food	<ul style="list-style-type: none"> • Study of African pilots (IFPRI 2008) • South Africa (Samson et al. 2010) • Colombia (Ayala 2006)
People receiving social transfers experience less hunger	<ul style="list-style-type: none"> • Mozambique (Samson et al. 2010) • South Africa (Samson et al. 2004, 2010) • Zambia (MCDSS/GTZ 2007)
Children receiving social transfers tend to be better nourished	<ul style="list-style-type: none"> • Study of Latin American programmes (IFPRI 2008) • South Africa (Duflo 2003) • Bangladesh (Devereux et al. 2006) • Mexico (Szekely 2001 and Britto 2005)
Some results on nutrition and health impacts are perplexing	<ul style="list-style-type: none"> • Social transfers alone are often not sufficient to tackle severe malnutrition, which has multiple causes • Many studies fail to demonstrate improved health outcomes, in part due to methodological challenges

Figure 3.7 Impact of social transfers on food security, nutrition and health

targeted at education as well as broader public works programmes – yield significant improvements in schooling outcomes, particularly attendance rates.⁴⁸ Likewise, Ethiopia’s Productive Safety Net Programme significantly improved school attendance.⁴⁹

In Lesotho, 60% of households receiving the social pension include young children, many orphaned by HIV/AIDS. These social transfers support approximately 10,000 school children nationally with funds for uniforms, books and stationery.⁵⁰ In South Africa, school attendance rates are significantly higher in households receiving social grants compared to similar households not receiving them. The effects of social grants on the education of girls are particularly strong.⁵¹ In Namibia the social pension supports children’s school attendance.⁵²

The main gap in the evidence on education outcomes is the weak evidence on impact of conditionalities themselves. Only one study to date has employed a randomised experimental methodology to test this question, finding that conditionalities in a pilot cash transfer programme in Malawi did not significantly improve education outcomes.

Economic impacts including employment and livelihoods

Social transfers have additional economic effects. They can affect the economy through the labour market by shifting the composition of spending and by conserving fiscal resources. In particular, an emerging evidence base suggests that social cash transfers may promote pro-poor growth. Policymakers do not necessarily face a trade-off that pits social protection against growth objectives. Instead, they may have the opportunity to engineer a virtuous circle: increased equity promotes growth, which supports further improvements in equity.

The impacts discussed above in terms of nutrition, education and health promote human capital development and in turn improve the productivity of the labour supply. This indirect “human capital” effect undergirds the view that social transfers can break the intergenerational transmission of poverty by enabling households to lift themselves out of poverty – and support economic growth and employment in the process. This economic impact, however, may require a generation or longer to reach its full potential.

Social transfer programmes also yield more immediate positive impacts on livelihoods and employment. For example, participants in Zambia’s cash pilot scheme use a significant proportion of the benefits to hire labour in order to cultivate the land around their homes, consequently multiplying the value of the social transfer by creating employment for local youth.⁵³ Mexico’s Progresa (now Oportunidades) social transfer programme is associated with local economic impacts that improve consumption, asset accumulation and employment broadly within communities – for both programme participants and non-participants.⁵⁴ Participants in Progresa invest a portion of their social transfers in productive assets and are more likely to engage in entrepreneurial activities, improving their potential for sustainable self-sufficiency.⁵⁵ Likewise, participants in one of Malawi’s social transfer programmes were empowered by the resources to invest in their own farms during the planting season, instead of relying on dead-end casual employment for their immediate survival.⁵⁶ A more recent study in Malawi of the Dowa Emergency Cash Transfer (DECT) programme found economic multiplier impacts exceeding two Kwacha for every Kwacha disbursed.⁵⁷

Despite fears among some policymakers that receipt of a social grant will discourage or reduce labour force participation, many studies – particularly from South Africa – show that social transfers have a positive impact on labour market participation. A series of studies in South Africa have found that for workers in the lowest income households, social grants had a positive and significant impact on labour market participation and the probability of finding employment.⁵⁸ More recent studies take advantage of the natural policy experiment that has resulted in the rapid increase in the scope and take-up of the Child Support Grant between 2002 and 2005. These studies find that the Child Support Grant has a significant and positive impact on labour force participation in grant-receiving households.⁵⁹

Grants can particularly empower women to search for and find work. One study that employed panel data for South Africa found that an older woman’s receipt of a social pension has a strong positive impact on the

labour force participation of other women in the household.⁶⁰ Another study which incorporated migrant workers, an important factor in South Africa's labour markets, found no work disincentives from social pensions. Instead, researchers found positive and significant impacts for female labour migrants: social grants help finance women's migration for job searches and assist older people in caring for the workers' children.⁶¹

Increasingly, other countries are undertaking similar formal labour market assessments of the impact of social transfers. In Brazil, the labour market participation rate for adults in households participating in *Bolsa Familia* was 6% higher than the rate for adults in similar non-participating households. The impact was particularly strong for women: the participation rate of beneficiary women was 16% greater than for women in similar non-participating households. *Bolsa Familia* also reduced the probability of employed women leaving their jobs by eight percentage points.⁶²

Social grants enable workers to invest in more productive job searches, providing the critical support to look for decent work rather than attach themselves to the worst forms of labour out of desperation.⁶³ In South Africa, social pensions have been shown to have risk management properties: they enable the poorest households to avoid less efficient insurance mechanisms and improve employment prospects by reducing the risk and cost of job search.⁶⁴ Social transfers may also support other forms of livelihoods in addition to employment: social pensions play a role in backing credit, renting capital equipment and buying the necessary inputs for agricultural activities.⁶⁵ Social grants also directly support nutrition, access to transportation services, and other short run productivity-enhancing expenditures.

In some countries social protection stimulates demand for local goods and services. In Zambia, 70% of a social transfer is spent on locally produced goods, stimulating enterprises in rural areas.⁶⁶ The transfer of purchasing power to remote rural areas holds the potential to revitalise local economies. Adamchak (1999) finds similar results in Namibia with the social pension,⁶⁷ and emerging evidence suggests the same effect for Lesotho's social pension.⁶⁸

Social transfers shift spending power from upper income groups to the poor. If the poor spend more on labour-intensive goods, this redistributive effect may increase the demand for labour, promoting job creation. The poor are more likely to spend on domestic goods, moving consumption away from imports to domestic goods. In the case of South Africa, this macroeconomic impact has a positive effect on growth and job creation.⁶⁹ In other countries – depending on the structure of demand and production – the macroeconomic effects may be very different.

The increasing evidence of social transfers on economic growth and employment helps to address one of the most debilitating concerns of policymakers: that cash grants to poor households may foster dependency. The evidence base offers no substantiation for this concern. Particularly in middle-income countries, the emerging evidence base suggests positive impacts on economic growth through a number of transmission mechanisms. However, there is a need to more rigorously test the economic impacts, particularly in

low-income countries where the greatest evidence gaps exist. In particular, the assessments should focus more broadly on livelihoods strategies, which are often more important than formal employment in low-income countries.

Evidence gaps and unanswered questions

Given the critical priority of food in supporting basic needs, it is not surprising to find consistently positive impacts of social transfers on food security and nutritional outcomes. Most studies of social transfers that measure their impact on nutrition, hunger or food security identify a positive impact – although the studies employ a wide variety of methodologies that make more specific generalisations difficult. While these impacts are generally positive, they are particularly pronounced in low-income countries relative to the scale of the programmes – largely because programmes in low-income countries tend to focus on food security more than those in middle-income countries.

The major unanswered questions involve the supply side. Under what circumstances do market failures in the supply of goods undermine the impacts of social transfers? Is any resulting inflation transient or persistent? How can appropriate complementary measures foster improved food production, stabilising inflation and promoting local economic activity?

Other open questions suggest the need for more structural studies that analyse how social transfers affect health and education conditions and outcomes – not just inputs such as access to services. While there is significant evidence that social transfers increase the effective demand for health services in many countries, further evidence is required on more substantial health outcomes.

While strong evidence documents the role of social transfers in promoting household inputs into education (school enrolment and attendance), there is little consistent evidence on outcomes. Evaluations of conditional programmes in Ecuador, Mexico and Nicaragua, for example, failed to demonstrate improvements in the academic performance of participating children.⁷⁰ Do programme design or implementation features explain this failure, or does this result from insufficient complementary interventions, such as improving educational quality?

Similar questions exist for health and nutrition. In cases where social transfers resulted in weak or unmeasured impacts, a number of confounding factors might be at work. Programmes generate the strongest health and nutrition impacts when regular and adequately sized social transfers reach children before birth and in the first years of life. Complementary interventions that improve the supply and quality of services also strengthen impact. Examples in Honduras and Ecuador demonstrate that programmes that do not meet these criteria are unlikely to yield significant impacts.

Emerging evidence suggests that cash transfers are far less effective when accessible, good quality social services are absent, and that both interventions can work together to reinforce each other's positive outcomes. If services are of poor quality, even enforcing uptake through conditionalities will not improve

outcomes for children. Investing in increased demand for social services through conditional or unconditional cash transfers will fail if this investment is not matched by investment in improved supply. However, middle-income countries provide the most rigorous evidence of interactions between social transfers and social services.

Unanswered questions revolve around access, quality and the interaction of these two factors. What role do social transfers play in overcoming cost-related access barriers? Do social transfers enable households to improve the effective quality of the social services they receive? A morning or mid-day meal may not affect the quality of educational inputs, but will likely improve a child's ability to process these into more successful outcomes.

Another persistently provocative question centres around the incremental contribution to impact of programme penalties for non-compliance with requirements for child immunisation, school attendance and other human capital investment activities ("conditionalities"). In March 2010, the World Bank released the results of the first randomised experiment testing this question, which evaluated similar cash transfer interventions in Malawi with and without human capital conditionalities. As hypothesised by critics of conditionality at the World Bank's Conditional Cash Transfer conference in Istanbul in 2006, the unconditional social transfers proved as effective as conditional ones in promoting developmental impacts. (See chapter 9 for more on the history of this debate.) A single study will not resolve this question. Given the ideological motivations for conditionalities and the high potential costs of unnecessary and perhaps counter-productive design features, more convincing evidence in different country contexts is required to reshape social transfer programmes around the world.

Conclusions

Well-designed and well-implemented social transfer programmes generally have substantial impacts on poverty, inequality, nutrition and education – with the main determinant the government's commitment of resources to the programme. South Africa's commitment of nearly four percent of national income halves the country's poverty gap and contributes to important developmental outcomes. Brazil's substantial investment reduces inequality significantly (lowering the Gini coefficient by one-and-a-half percentage points). Both conditional cash transfers and unconditional cash transfers generate significant improvements in educational outcomes, helping to break the intergenerational transmission of poverty. The main barriers to more substantial impacts are limited resources and corruption and inefficiency in delivery mechanisms in some countries, as well as a few contested design questions that sap resources and undermine effectiveness.

The analytical methodologies supporting the evidence base vary substantially across regions of the world. Latin America provides the most rigorous and best-resourced impact assessments, usually employing

randomised experiments and quasi-experimental approaches that rely on propensity score matching and other credible methodologies. Rigorous African studies are more likely to rely on instrumental variables approaches or to draw inferences from less rigorous programme evaluations or micro-simulation models. However, a wave of rigorous African evaluations is on the horizon. Quantitative impact assessments for programmes in Asia are less commonly available, although a number of important ones are currently in progress.

One important component of the evolving evidence base illuminates the impact of social transfers on economic growth. A recent OECD report detailed the links between social protection (particularly social transfers) and pro-poor and inclusive economic growth.⁷¹ The studies cited above for Brazil, Mexico and South Africa find positive employment and productive asset accumulation impacts associated with social transfers. Anecdotal and less rigorous evidence from Kenya, Lesotho and Zambia suggests that the documented middle-income evidence may generalise to lower income countries.

Given the importance of political support to initiate, scale up and sustain effective social transfer programmes, the main gap may be the relative scarcity of rigorous and credible evidence on the pro-poor and inclusive economic growth impact of these interventions. The required studies should employ appropriate experimental and quasi-experimental approaches in order to provide the most robust attribution of impact. This under-researched area may hold great potential to influence Ministries of Finance, National Planning Commissions and key development partners, particularly during challenging economic times.

Endnotes

- 1 For a completely elaborated framework on the linkages between social protection and pro-poor and inclusive economic growth and development, see the OECD Povnet's policy statement and guidance note on social protection (OECD 2009).
- 2 This discussion sidesteps the problem of defining poverty. For example, the World Bank's definition as "unacceptable deprivation in well-being" (World Bank 2001) implies an operationally political judgment.
- 3 The World Bank sometimes refers to this incidence of poverty indicator as the "P0" measure – the percentage of individuals below a given poverty line, relative to the population (World Bank 1995, page 24).
- 4 Ravallion (1996), page 2.
- 5 Sen (1976).
- 6 The World Bank sometimes refers to this depth of poverty indicator as the "P1" measure – "the percentage of the poverty line income which is needed to bring everyone below the poverty line up to the poverty line" (World Bank 1995, page 24).
- 7 Duclos (2002), page 23 and Foster et al. (1984).
- 8 Foster et al. (1984).
- 9 The World Bank sometimes refers to this severity of poverty indicator as the "P2" measure – it "weighs the shortfall of a household's income more heavily, the further it falls below the

- poverty line, suggesting the severity of poverty for the poorest of the poor” (World Bank 1995, page 20).
- 10 Ravallion (1996), page 2.
 - 11 Ibid., page 18.
 - 12 Ibid., page 20.
 - 13 Asian Development Bank (2003), page 34.
 - 14 For a World Bank toolkit on poverty and social impact analysis, see World Bank (2003a).
 - 15 For example, see Coudouel et al. (2002).
 - 16 Alinovi et al. (forthcoming).
 - 17 Samson et al. (2005).
 - 18 Gopee (2006).
 - 19 IPC (2007).
 - 20 Samson et al. (2004).
 - 21 Maitra and Ray (2003).
 - 22 Oxfam (2005), Devereux (2007), Slater et al. (2006), Croome et al. (2007), Kugel (2007), Samson et al. (2004), Sedlacek et al. (2000).
 - 23 Samson et al. (2004).
 - 24 Duflo (2003).
 - 25 MCDSS/GTZ (2007).
 - 26 de la Brière and Rawlings (2006).
 - 27 Ayala (2006).
 - 28 Devereux et al. (2006).
 - 29 Szekely (2001) and Britto (2005).
 - 30 Devereux (2007).
 - 31 Lindert (2005).
 - 32 Britto (2007).
 - 33 World Bank (2005a).
 - 34 Croome et al. (2007)
 - 35 World Bank (2005a).
 - 36 Devereux et al. (2007), Slater et al. (2006).
 - 37 Braine (2006), Britto (2006), Szekely (2001), Sedlacek et al. (2000), Gertler et al. (2005), Pauw and Mncube (2007), Schady (2006).
 - 38 Veras et al. (2007), IPC (2007).
 - 39 Samson et al. (2004).
 - 40 Ibid.
 - 41 Samson et al. (2010).
 - 42 Devereux et al. (2006).
 - 43 Devereux et al. (2007).
 - 44 Ibid.
 - 45 Lomeli (2008).
 - 46 Veras (2007), IPC (2007).
 - 47 Olinto (2004), Lindert (2005), Schady (2006).
 - 48 Ahmed et al. (2003), Molla (2005), Reimers et al. (2006), Devereux et al. (2007).
 - 49 Slater et al. (2006).
 - 50 Croome et al. (2007).
 - 51 Samson et al. (2004).

- 52 IMF (2006).
- 53 MCDSS/GTZ (2007).
- 54 Barrientos and Sabates-Wheeler (2006).
- 55 Gertler et al. (2005).
- 56 Harnett and Cromwell (2000).
- 57 See Davies and Davey (2007), which estimates multipliers ranging from 2.02 to 2.45.
- 58 Samson et al. (2000), (2001), (2002) and (2004).
- 59 Samson et al. (2004), Samson et al. (2008), Williams (2007), Samson and Williams (2007).
- 60 Dinkelman (2004).
- 61 Posel et al. (2006).
- 62 Veras (2007), IPC (2007).
- 63 Wittenberg (2002).
- 64 Keswell (2004).
- 65 Lund (2002), Ardington and Lund (1995), Cross and Luckin (1993).
- 66 DFID (2006).
- 67 Adamchak (1999).
- 68 Devereux and Pelham (2005).
- 69 Samson et al. (2004).
- 70 For Ecuador's Bono de Desarrollo Humano, see Ponce (2006); for Mexico's Progresa, see Behrman et al. (2000); for Nicaragua's Red de Protección Social, see Bradshaw and Viquez (2008).
- 71 OECD (2009).