

## Focusing on Social Policies and Insurance

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Policy action on nutrition, health, education, and credit is needed to break the persistence that is often associated with extreme poverty and the types of behavior adaptation that accompany extreme deprivation (see Chapter 1). Chapter 1 noted that in many cases unexpected shocks cause households to fall into extreme poverty or limit the extent to which they can invest in high-return activities that enable a move out of poverty. This part of the book thus focuses on interventions that are particularly effective at building up the nutrition, health, education, and credit of the poorest households in a way that protects them from future vulnerability of falling into poverty.

Policy action is important not only to immediately ease poverty—a welfare argument—but also to ensure growth by enabling poor households to fully participate in growth (de Ferranti et al. 2004; Pattillo, Gupta, and Carey 2005; Ravallion 2006). Additionally, it can help ensure peace by addressing inequalities that can form the basis for violence (Stewart 2008). Although welfare arguments are most often used to justify targeted action, as noted by Harold Alderman and John Hoddinott in Chapter 20, the instrumental role of targeted social policies in bringing about growth and ensuring security also provide a powerful rationale for engaging in such activities.

Alderman and Hoddinott highlight five mechanisms through which social safety nets can promote growth. In doing so, they challenge the notion that social safety nets merely redistribute the gains from growth rather than promoting it. Social safety nets targeted to the poor and vulnerable can provide assistance to the least well-off members of society and protect households against shocks. Therefore, social safety nets not only ease poverty momentarily but also enable growth by allowing poor households to create assets, protect their assets, and allocate resources to risky but highly remunerative production activities.

Chapter 20 focuses its discussion on social safety nets that have proven effective in improving and protecting the asset base of the poorest. In reality many different types of interventions are needed to achieve this goal. Chapters 21–27 focus on specific interventions that are also needed to improve and protect the asset base of the poorest. The first three chapters consider public transfers, assessing recent expe-

riences of conditional cash transfer (CCT) programs, school feeding programs, and social security schemes. The next four chapters focus on interventions that require the development of new markets for the poorest: markets for savings, credit, and risk management products such as health and weather insurance. These interventions have an immediate effect on easing poverty but also enable growth by allowing poor households to invest in (and protect their investments in) nutrition, education, land, and other productive goods.

The final three chapters of the part (Chapters 29–31) do not consider specific interventions but instead document the experiences of two countries in Latin America—Brazil and Chile—that have had some recent success in building and protecting the assets of the poorest. These chapters not only document successful programs but also highlight how they have been complemented by macroeconomic conditions that particularly favored returns to assets held by the poorest. These chapters also describe the importance of improving the quantity and quality of education available. In documenting these countries' experiences, these chapters provide a useful reminder that although targeted interventions to the poorest are a prerequisite for ensuring improvements in welfare, their effectiveness in improving the conditions of the poorest depends strongly on the enabling environment that determines the returns to the assets that the poorest will receive (Hoddinott 2008).

### Social Security and Public Transfers

The discussion of public transfers for the poorest focuses on CCTs, food-for-education, and social security systems. In Chapter 21 Jean-Jacques Dethier examines how social security has effectively reduced the vulnerability faced by the elderly, disabled, and unemployed in developed countries (see, for example, Barr 2004) and asks what developing countries can learn from this experience. As of yet, however, there is little analysis of how social security schemes might function and their impact in a developing-country context. Dethier notes that for social security to work in low-income countries, national governments need to increase the financing for these programs from general taxation, expand social security benefits to those engaged in informal labor markets, and create new institutions to administer social security programs.

More research is needed, however, on how to design and structure social security systems so they reduce poverty and vulnerability among the poorest people in developing countries. For example, in countries with highly unequal rates of life expectancy between the poorest and the richest, universal pensions could benefit richer households on balance. Some type of targeted pension scheme may be needed to benefit the poorest. Chapter 29 notes that some of Brazil's pension expansion

has in practice been regressive but that introducing noncontributory retirement and disability pensions for all agricultural workers has helped reverse this tendency. Documented lessons from countries that have moved closer to providing more complete social security programs—China, Costa Rica, Kerala State in India, South Africa, and Sri Lanka—can improve our understanding (Ahmad et al. 1991; van Ginneken 2003; Justino 2007; Mesa-Lago 2007).

Chapter 22 presents evidence on CCT programs. These programs condition transfers to households on their meeting certain requirements, such as sending children to school. The design, implementation, and impact of these programs have been documented in a number of studies (for example, see Skoufias 2005 and Levy 2006). In Chapter 22 Michelle Adato and John Hoddinott describe how CCTs have proven successful in reducing poverty in the short run (through cash transfers) and in the long run (through the improvements in nutrition and investments in education that they encourage). They also warn that these programs do not necessarily work in every country and that, alone, they are not sufficient to reduce poverty.

Food-for-education programs—which provide fortified meals to children in school or take-home rations conditioned on a child's school attendance—can effectively increase school participation and improve the nutritional status of children. These programs often benefit children from the poorest households by providing needed incentives to send children to school. The complementarities between nutrition and ability to learn allow these programs to particularly benefit children from very poor and food-insecure households, who are more likely to attend school on empty stomachs (Adelman, Gilligan, and Lehrer 2008). Sarah Adelman, Daniel Gilligan, and Kim Lehrer discussed the effectiveness of these programs and the conditions and implementation mechanisms that improve their efficiency in Chapter 23.

In addition to CCTs and conditional meal provision, a number of other interventions can improve the nutritional status of children and adults. In Chapter 24 Kathy Spahn presents examples of innovative approaches implemented by Helen Keller International to reduce micronutrient deficiencies among poor households. She discusses how fortification of foods such as oil, sugar, wheat, and flour can greatly improve the nutritional status of the very poorest households. Additionally, a study in Bangladesh suggests that intensive nutrition education for mothers improves child nutritional status significantly and sustainably even when no nutritional supplements are provided (Roy et al. 2005). This finding fits with studies showing that in some areas of the world where child malnutrition is particularly high (such as in South Asia), the practices for feeding and caring for young children are inadequate (see Smith et al. 2003).

### Savings, Credit, and Insurance for the Poorest

Social safety nets provide some form of insurance to poor households. Alderman and Hoddinott argue in their chapter that for the poorest households, social safety nets allow households to recover quickly from shocks and offer a form of insurance that encourages them to adopt innovations. There are limits to the insurance that social safety nets provide, however, and in Chapter 25 Stefan Dercon argues that they should be seen as one of a number of risk management strategies available to the poor.

Four chapters consider how markets for a number of financial services—savings and credit services, weather insurance, and health insurance—can be developed for the poorest. All of these markets provide households with opportunities to invest in and protect their assets. All of these chapters argue that ultimately action by private, public, and civil society bodies is needed to ensure that these markets develop for the poorest.

The first two of these four chapters—Chapter 25 by Stefan Dercon and Chapter 26 by Jacques van der Gaag—consider how to insure the poorest, focusing on innovations in weather and health insurance. Health and weather shocks are the most likely sources of risk to a household's welfare (even for the poorest, who may be landless rural laborers, because they rely on weather-dependent demand for agricultural labor). Innovations in weather-based indexes (Cole, Tobacman, and Topalova 2007; Gine, Townsend, and Vickery 2007) and health insurance (Ekman 2004) have provided new tools that overcome many of the problems of traditional insurance schemes (Morduch 2006), but empirical analyses show that there is still a large difference between the ability of the poorest households to pay for these services and the cost at which they can be provided (actual demand is often well below households' stated willingness to pay). It is hard to imagine that this gap between demand and supply can be bridged without public intervention or collaboration with civil society organizations (perhaps in a way similar to that detailed by Sona Varma in Chapter 28). As van der Gaag notes, however, part of the challenge is designing insurance schemes that use the large amounts of money that the very poorest already invest in emergency health care and in *ex ante* mitigation of weather shocks.

Both chapters note a number of unresolved challenges in providing market-based forms of insurance to the poorest, but Dercon points out that, at least in some countries, traditional forms of insurance tend to include the poorest. Developing insurance markets for the poorest people may require building on such traditional insurance institutions. Doing so will involve considering how these traditional schemes can be supported to provide a wider range of insurance, in particular for relatively high-incidence events (such as common health risks) and covariate shocks such as weather failures.

Appropriate access to savings instruments and credit can play an insurance role for households, and provision of insurance can facilitate or limit access to credit (Chapter 25). Access to savings instruments and credit allows rural households to make productive investments.<sup>1</sup> One of the most effective means by which rural poor households have gained access to credit and increased their assets is microfinance. Although microfinance is widely used, its impact varies considerably depending on how it is provided. When it has been provided as part of a well-managed and -targeted intervention, it has been found to allow poor households to increase their assets, improve their ability to alleviate risk, and reduce their reliance on money-lenders (Pitt and Khandker 1998; Townsend 2006). It is not clear, however, that microfinance benefits the poorest in a village.

In Chapter 27 Fazle Hasan Abed, director of the Bangladeshi microfinance organization BRAC, describes that organization's recent success with microfinance and highlights that microfinance alone will not necessarily help the poorest of the poor. To reach the poorest households, BRAC first gives them grants rather than loans and then provides appropriate technical assistance along with the loans. This careful innovation has allowed a traditional development tool to be adapted to the needs of the poorest households. More analysis of the impact of this approach and of the appropriate duration and nature of grant giving in different contexts will be most useful.

In Chapter 28 Sona Varma describes the development of microfinance in India, complementing Abed's chapter. Although this chapter does not discuss the design of microfinance for the poorest, it details the type of institutional developments needed to build up microfinance markets at scale. It provides examples of how the development of microfinance intermediaries has helped bridge the gap between poor rural households and banks. It is only by filling this gap and providing microfinance at scale that the poorest can be assured of access to credit, savings, and insurance. In discussing how biometric cards are being developed for rural clients to meet the "know-your-client" regulations that now govern the provision of financial services throughout the world, Varma also provides an account of how informational assets can be developed for the poorest households.

### The Role of Targeted Action in Reducing Ultra Poverty: Some Countries' Experiences

A mix of many of these approaches will be needed to ensure that the poorest households have (and can protect) health, education, savings, and credit in order to buy and invest in land and other productive activities. Each of the different interventions detailed has a role. The two essays and final three chapters in Part 3 focus on three countries—Brazil, Chile, and the Philippines—that have seen some

success in undertaking targeted actions to build the assets of the poorest. Essays 2 and 3 provide insights from policymakers who have been involved in successfully implemented programs, and Chapters 29, 30, and 31 provide further discussion on programs that were implemented.

In Essay 3 Domingo Panganiban, secretary of the National Anti-Poverty Commission in the Philippines, describes how the 2001 Medium-Term Philippine Development Plan comprised policies that focused on macroeconomic stability, sector development, and “comprehensive human development and the protection of the vulnerable—to fill the need for greater social protection and accurate and effective delivery of basic services to the poor.” The essay also discusses the implementation of the Accelerated Hunger Mitigation Program, one of the programs implemented under this last objective.

Essay 2 and Chapters 29 and 30 all focus on the case of Brazil, which has been particularly effective at using targeted actions to reduce ultra poverty (references to Brazil’s experience also appear in Chapters 21 and 22). In Essay 2 Patrus Ananias de Souza, minister of social development and the Fight against Hunger in Brazil, describes the Bolsa Família program, a CCT program implemented by the government.

In Chapter 29 Francisco Ferreira and Philippe Leite draw on the country’s experience to show that the imagined trade-off between growth and inequality (see chapters in Part 2, particularly Chapter 12, for a fuller discussion of this trade-off) does not always exist. During the 1980s Brazil experienced almost no growth and rising inequality, whereas from 1994 onward Brazil experienced both positive growth and falling inequality, leading to substantial reductions in poverty and ultra poverty (this finding is documented in the chapter by data on reductions in the poverty gap and the squared poverty gap). Ferreira and Leite show that both market determinants of income and public action contributed to Brazil’s success. Although as much as one-third to one-half of Brazil’s reduction in inequality was the result of state income redistribution through large increases in social security and social assistance (such as Bolsa Família), higher returns to unskilled labor and lower levels of inflation also helped. Increased investment in education improved the opportunities available to children in the poorest families. The authors note that these public investments “supported, rather than undermined, private investments,” and they carefully underscore the importance of using balanced approaches.

In Chapter 30 José Graziano da Silva, in addition to presenting a deeper elaboration of the Bolsa Família program, discusses the Territories of Citizenship program, a new Brazilian government initiative that takes a geographically integrated approach to dealing with ultra poverty. This approach was suggested by some of the chapters in Part 2 (such as Chapters 12 and 14), and future evaluations of this program will reveal how successful it is in targeting ultra poverty.

In the final chapter of this part of the book, Chapter 31, Dante Contreras considers Chile's experience in building and protecting the assets of the poorest. In particular, he highlights the role that providing health care and education has played in facilitating pro-poor economic growth in Chile. He also highlights, however, the limited effectiveness of current policies in helping the poorest manage the uncertainty they face. He calls for the development of integrated policies that allow the poorest to manage uncertainty and to participate in continuing growth.

Both Chapters 29 and 31 emphasize the importance of increasing education among the poorest to improve the equality of education outcomes and income-earning potential in Brazil and Chile. This argument underlines the importance of the approaches outlined earlier in this part of the book—CCTs and food-for-education programs—that provide incentives and make it easier for very poor households to send their children to school. It also points to the importance of two other complementary interventions: increased demand for skilled labor and increased supply of high-quality education. As Adato and Hoddinott note in Chapter 22, providing the poorest households with support to attend school when few schooling facilities are present or the quality of schooling is low is not a good use of public resources. In Brazil, for example, recent evidence suggests that although primary school enrollment expanded significantly in recent decades (Chapter 29), quality (as measured by scores on standardized national tests) declined. Similar stories can be told for other countries that have increased primary school attendance (see, for example, Appleton 2001 and Banerjee et al. 2005). As in the case of other services, increasing the scale of education provided can put a strain on quality and undermine the positive effect sought in human capital formation over the long run. This volume does not adequately address the issue of how to finance and structure investments in high-quality schooling for all—particularly the poorest, often located in remote areas. More research is clearly required.

## Note

1. Many studies have documented this finding. For an example on the importance of access to savings instruments, see Ashraf, Karlan, and Yin (2006). For an example on the importance of access to credit for undertaking investments, see Fafchamps and Pender (1999).

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## Growth-Promoting Social Safety Nets

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Harold Alderman and John Hoddinott

Publicly funded noncontributory transfer programs targeted to the poor and vulnerable have a long history. Free food distribution was a feature of Egypt in the time of the pharaohs and of Rome during its imperial age. England had a succession of “Poor Laws” dating from the 16th century that provided assistance to those unable to work, and Germany inaugurated components of the modern welfare state in the late 19th century. These programs, typically referred to as social safety nets or social protection programs, are now ubiquitous in developed countries and are becoming more common in developing countries. However, they are controversial. While proponents of such programs see them as a means of ensuring that the benefits of economic growth are shared widely, critics see them as squandering scarce public resources and doing little to promote longer-term development while at the same time discouraging work and investment. Overlooked in this often polemical debate is the contribution that social safety nets can make in promoting economic growth. This instrumental dimension of social safety nets is the focus of this chapter.

### Growth-Promoting Social Safety Nets

Social safety nets can take many forms: transfers of cash through welfare payments, child allowances, or pensions; in-kind transfers such as food aid or school feeding programs; subsidies on goods purchased by the poor; unemployment insurance; and public works or workfare schemes. Recent innovations in social safety nets include both the means to improve targeting, such as proxy means testing, and the means to increase the impact of transfers on capital creation—for example, through conditional cash transfer (CCT) schemes and interventions that link recipients of

cash or food payments to other government services and public works programs. Social protection programs are targeted toward the poor or those individuals who may become poor as a result of adverse shocks. This targeting to the poor, together with their noncontributory dimension, distinguishes them from programs such as occupational pension schemes, which—while sharing certain similarities with social protection programs—base their eligibility and benefit levels on recipients' employment and contribution histories rather than, say, their current poverty status.

The provision of safety nets is motivated by both equity and efficiency concerns. In part, safety net programs arise from a desire to assist the least well-off members of society. Additionally, such programs seek to offset credit and insurance market failures, which leave poor households unable to make investments that would raise their future incomes or protect them from adverse events. Thus, in addition to the intrinsic value of such transfers in creating a fairer society, social protection programs have an instrumental role in promoting economic growth. These programs work through five channels:

1. they help create individual, household, and community assets;
2. they help households protect assets when shocks occur;
3. by helping households cope with risk, they permit households to use their existing resources more effectively;
4. they facilitate structural reforms to the economy; and
5. by reducing inequality, they directly raise growth rates.

Each of these channels will now be discussed in turn.

#### Social Safety Nets and Asset Creation

Reducing poverty requires raising the asset levels of the poor and increasing the returns to those assets. Achieving these objectives requires making investments, but doing so is hard when households have few resources of their own. In theory, such households could borrow money to finance these investments, but—as is now well understood—despite the impressive spread of microfinance institutions, many poor households lack access to credit, which would allow them to acquire assets, invest in their children's human capital, or engage in profitable activities. Social protection provides liquidity to poor households, giving them additional resources that can be used to make such investments. In Nicaragua, the CCT program *Red de*

Proteccion Social increased school enrollments by nearly 22 percentage points, while Mexico's former Programa de Educación, Salud, y Alimentación (PROGRESA, now Oportunidades) significantly reduced stunting. A study of Oportunidades found that beneficiaries invest just over 10 percent of their transfers and that this leads to sustained increases in per capita consumption in the following five years.

In addition to directing resources to the poor, certain forms of social protection can create assets of value to the local economy. Many developing countries have public works programs that rehabilitate roads, refurbish canal and irrigation facilities, or build structures—such as schools and health clinics—that are of value to the community and the local economy. Such investments stimulate growth in the local economy. So do the transfers themselves and the investments households make in using these transfers. In addition, local communities are increasingly involved in decisionmaking surrounding the choice of assets to be built, the management of their construction, and the oversight of the finances being used. This involvement increases the likelihood not only that the assets constructed will be of particular value to the community but also that communities will build up social capital and governance capacity.

#### Social Safety Nets and Asset Protection

Risk and shocks—such as floods, droughts, price shocks, market collapses, and civil strife—are pervasive in developing countries. Such shocks can directly lead to a loss of livelihoods by destroying assets, as when a flood washes away a farmer's topsoil, or by reducing current returns to existing assets, as when a drought causes harvests to fail. They may also affect livelihoods indirectly, as when the demand for service providers, such as barbers or hairdressers, falls because their customers have become impoverished. In the absence of insurance, shocks force households to reduce their consumption, deplete their savings, or both. The consequences can be far-reaching. Farmers in Ethiopia who suffered livestock and other losses in the droughts of the 1980s found it difficult to recover and experienced considerably slower income growth in the decades that followed. Studies undertaken in countries as different as Bulgaria and China found similar results.

Shocks, even if temporary, can also reduce investment in human capital, with long-lasting consequences. In Zimbabwe, children exposed to the civil war preceding independence and the droughts that occurred in the early 1980s were more likely to be stunted as preschoolers, had reduced stature by late adolescence, and completed less formal schooling. These shocks translate into a reduction in lifetime earnings on the order of 14 percent. Similarly, children in rural Mexico have higher dropout rates when a parent loses a job and, once out of school, a much lower chance of returning the next semester.

### Social Safety Nets and Resource Allocation

Even if shocks do not reduce asset holdings, the threat of shocks discourages innovation and risk taking. It is true that many households have developed ways of insuring themselves against risk, but these come with high opportunity costs. Studies undertaken in south India and Tanzania show that because poor households deploy their assets more conservatively than wealthy households, their return on assets is 25–50 percent lower. Further, the threat of shocks can make households reluctant to access credit markets because they fear the consequences of an inability to repay. Others are simply unable to obtain credit because they are perceived to be at risk of default. Social safety nets, therefore, play two complementary roles in attacking the problem of risk and shocks. First, timely responses to shocks allow households to recover more quickly from these adverse events, thus reducing the likelihood that they will have permanent consequences. Second, social protection programs that are reliably delivered and transparently operated provide a form of insurance that can encourage households to adopt new innovations.

### Social Safety Nets and Structural Policy Changes

There are times when governments need to make significant policy reforms that, while necessary in order to improve economic efficiency and create the conditions for sustained growth, impose significant short-term costs on some households. Social safety nets can compensate households hurt by policy shifts and make policy reforms more politically palatable. Mexico introduced *El Programa de Apoyos Directos al Campo* to mitigate the costs of adjusting to the North American Free Trade Agreement. The program had the added advantage of increasing production because the transfers helped relax credit and insurance constraints. Turkey introduced a similar direct income support in 2000 to facilitate reforms. So programs that address the inherent stress of agricultural transformation and the reality that few policy changes are unambiguous sources of gains for all households may improve efficiency in addition to equity.

### Social Safety Nets, Resource Redistribution, and Growth

Finally, by redistributing resources within an economy, social safety nets may make economic growth more likely. While long-standing controversy surrounds the relationship between inequality and growth, the most recent evidence suggests that high levels of inequality are growth-retarding for at least two reasons. First, marked income or wealth inequalities create circumstances in which political or institutional power is more likely to be captured by elites, who then make policy choices that generate rents payable to themselves rather than policies that encourage broader-based growth. Second, high levels of inequality are often accompanied by low levels

of social cohesion, which can reduce growth either because levels of trust are lower or because decreased social cohesion is often accompanied by high rates of crime.

### Common Criticisms of Safety Nets

There are two common criticisms of safety nets: first, that they create disincentive effects, and second, that they are simply too costly, particularly for very poor countries. While these concerns need to be taken seriously, the preponderance of existing evidence casts serious doubt on both.

Disincentive effects arise for several reasons. Sometimes, it is argued, the receipt of public funds discourages work effort because beneficiaries favor increased amounts of leisure. Additionally, in cases in which strict means testing is used, individuals may worry that if they work too much, they will lose access to their benefits. In addition to the effect on labor incentives, public safety net programs may change incentives for private individuals to assist family and friends; thus, social safety nets might crowd out informal safety nets such as private transfers.

Most studies, however, find that public transfers have modest effects on work effort. In some cases, this is not a bad thing; for example, some evidence suggests that CCT programs reduce child labor. The evidence on the crowding out of private transfers is more mixed. Some studies suggest that the effects are substantial; for example, in South Africa it is estimated that every rand transferred via a pension scheme reduces transfers from children living away from home by 0.25–0.30 rand (based on 1998 data). However, in other countries—such as China, Indonesia, Papua New Guinea, and Vietnam—no such crowding out is found. Evaluations of CCT programs in Mexico and countries in Central America also failed to find evidence of such crowding out. While disincentive effects are worth keeping in mind—and program designers should ensure that social protection schemes do not inadvertently create disincentives—existing evidence does not suggest that these effects are pervasive or severe.

Perhaps the most potent criticism of safety nets focuses on their affordability in highly resource-constrained environments. Such concerns are often couched in terms of trade-offs between different forms of pro-poor expenditures. Some ask, How can a country afford a safety net when residents in remote rural locations lack schools? This concern, however, exaggerates the costs of many well-targeted programs; frequently, social protection programs are less than 1 percent of gross national product, an amount that can often be financed by reallocating unproductive expenditures that offer little tangible benefit for the poor. For example, Brazil is expanding its well-targeted CCT program *Bolsa Família* to cover the bottom quintile of the population at a cost of 0.4 percent of gross domestic product (GDP).

Although this is a considerable amount, it is small in comparison to the contribution made to federal pension programs, which receive nearly 10 times this amount, at 3.7 percent of GDP, while transferring more than half the benefits to the richest quintile! This is not an isolated example. Other countries spend considerable amounts of money on regressive energy subsidies, which tend to take the form of industry subsidies, bank bailouts, and military expenditures. That said, in very low-income countries there may be limited scope for reallocating existing expenditures or increasing domestic tax efforts. In such cases, international aid may need to play a larger role in financing social protection programs. Here care is needed in determining the form of this financing. A subset of transfer programs is financed by food aid, which under some circumstances may create local market distortions.

### Caveats and Conclusions

Social safety nets are by no means sufficient to ensure pro-poor growth. Good governance, functional infrastructure, schools and health clinics, and so on are all important components of development strategies. Further, poorly designed or implemented social protection programs or those with only token funding are unlikely to meet the intrinsic or instrumental objectives described here. Much depends on correct design. All effective social safety nets have five key characteristics: (1) a clear objective, (2) a feasible means of identifying intended beneficiaries, (3) a means of transferring resources on a reliable basis, (4) ongoing monitoring of operations and rigorous evaluation of effectiveness, and (5) transparency in operation to encourage learning, minimize corruption, and ensure that beneficiaries and the wider population understand how the program functions.

Much has been learned about how to design and implement equitable and efficient safety nets with these characteristics. An important remaining challenge is the design of safety nets that address the long-term consequences of transitory shocks. This requires improving the identification of those affected by transitory shocks, devising flexible means of financing responses to these events, and developing mechanisms for scaling up and down quickly.

Safety net interventions can contribute to economic growth through their impact on asset creation, asset protection, resource allocation, structural policy change, and redistribution of resources. Social safety net interventions, when well designed and implemented, can complement pro-poor investments and thus contribute to longer-term poverty reduction in addition to their short-term direct impacts.

### For Further Reading

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