



Social protection transfers for chronically poor people

Summary

- 900 million people will still be living on \$1 per day even if the Millennium Development Goals are met.
- Effective social protection is vital to help chronically poor people and countries build assets, increase their capacity to withstand shocks and stresses, and thus escape from poverty; without it, they will continue to be trapped in poverty.
- Key elements of an effective 'social protection package' for chronically poor people are: a core of broad measures to enhance incomes, assets and security and increase access to services, and specific measures, such as nutritional support targeted at particular groups. Wider complementary policies promoting economic opportunities and political and social rights are also essential.
- Greater efforts are needed to integrate social protection with other anti-poverty policies; in many countries, social protection is a series of discrete programmes that are insufficiently linked to each other or to broader anti-poverty action; this is a missed opportunity to maximise poverty reduction gains.
- Social protection can reach more chronically poor people by investing in outreach activities, eliminating conditions that exclude the poorest and reducing the costs of accessing entitlements.

What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty. Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation. This is different from the transiently poor, who move in and out of poverty, or only occasionally fall below the poverty line.

Introduction: why are large-scale social protection transfers needed?

Over 1.2 billion people worldwide live on less than \$1/ day; an estimated 900 million people will still be living in poverty even if the Millennium Development Goals are reached.¹ In other words, there are very large numbers of chronically and severely poor people who are not being reached by current development policies, and whose situation is often deteriorating in comparison even with other poor people. Around half of these are children, at risk of growing up poor and, in turn, passing their poverty on to their children. 100 million are older people, many of whom are caring for grandchildren without financial support.² And millions of others are long-term poor subsistence farmers or workers earning inadequate wages to meet their basic needs.

At the same time, many more people are vulnerable to poverty as a result of

environmental instability, political insecurity, and pandemics such as HIV/AIDS which are substantially reducing the numbers of people of prime working age, and increasing the caring responsibilities of those left behind. All these factors mean that traditional safety nets are over-stretched and lead to poor people having to redistribute to those even poorer than themselves. Economic shocks, whether related to the macroeconomy or to micro-level economic factors, can also plunge people (further) into poverty. People who are already long-term poor are usually least able to recover from such shocks and may have to adopt coping strategies that lead to or reinforce poverty traps.

Social protection policies aim to address both severe and long-term poverty, and to reduce vulnerability, and are thus one of the most significant areas of policy for chronically and severely poor people. Well-designed and resourced programmes can:

- *stop shocks and stresses pushing people (further) into poverty*, by providing either



Box 1: Defining social protection

There are many different definitions of social protection, ranging enormously in scope. The CPRC suggests that social protection policies and programmes are best understood as *those which aim to help poor and vulnerable people manage risk and overcome deprivation, through direct cash or in-kind transfers*. Specific social protection measures need to be complemented by wider legislation, policy reforms and actions that help reduce risks and promote social equity and inclusion.

cash or in-kind transfers that help people cope with such events and pressures, or by preventing some of the causes of these shocks and stresses.

- *help poor people build assets*, in particular, physical and human capital, that are essential for moving out of poverty, coping better with shocks and stresses, or benefiting from policies aimed at people living close to the poverty line. This largely occurs again through cash or in-kind transfers (tangible assets, such as livestock or tools, or other in-kind assistance such as nutritional supplements), either directly to households, or which enhance poor people's access to essential services.
- *protect and promote the well-being and capacities of people who are currently poor*, largely through measures aiming to support human development, but in some cases going beyond these to overcome deprivation in terms of information or social and political participation.
- *contribute to challenging and transforming inequitable social relationships that keep people in poverty*. For example, participants in India's Employment Guarantee Schemes have been able to renegotiate patron-client relationships onto more advantageous terms.³ These programmes are providing an alternative form of security to that provided by extremely inequitable patron-client relationships.
- *contribute to reducing inequality* - both by redistributing income and by facilitating very poor and marginalised people's participation in economic growth.⁴

In other words, good social protection addresses both factors that push people into poverty and those which keep them there. It can help both poor people and countries move out of 'low equilibrium poverty traps', where they are producing low-value added products with limited returns. Evidence from OECD countries suggests that countries that devote a higher proportion of public expenditure to social protection generally have lower levels of chronic poverty.⁵ This reflects not only

the direct impact of social protection expenditure, but also significant multiplier effects associated with them – increasing the value of social protection investment up to two and a half times.⁶

The importance of social protection as an integral part of social policy has long been recognised, so much so that the right to social security is inscribed in both the Universal Declaration of Human Rights (1948) and the International Covenant on Economic and Social Rights (1966). This reflects a recognition of the need for institutionalised support mechanisms for poor and vulnerable people, and of the inadequacy of other policy approaches in fully achieving this.

Effective social protection for chronically poor people

Most social protection transfers aim to achieve one or more of the following:

- *protecting incomes and consumption*, largely through cash or in-kind transfers, cash or food for work programmes, and food subsidies;
- *enhancing human development*, mainly via measures to ensure access to basic services (e.g. fee waivers and exemptions and subsidised health insurance), and nutritional supplements and fortification;
- *promoting productive livelihoods*, through direct support to agriculture, such as starter packs or crop insurance, asset transfers (e.g. restocking of livestock), or microfinance.

Many cash transfer programmes achieve multiple objectives - usually related to income poverty and human development – simultaneously, and conditional cash transfers are specifically designed to do so.⁷ Table 1 outlines issues related to selected social protection instruments and how their impact on chronic poverty may be enhanced.

The effectiveness of these social protection measures is enhanced by:

- *complementary measures addressing other causes of vulnerability*, through measures that: establish rights (including the right to social security, and to specific entitlements, such as transfers or employment rights); involve redistribution of assets to the poor (for example through land reforms); enable people to be aware of and claim their rights (e.g. public information concerning entitlements and legal aid), reverse discrimination (e.g. public awareness campaigns); or promote protection of the environment and stability in the macro economy.
- *investment in the 'supply' side of key basic services, such as health, education and water and sanitation*. Improvements to basic services work in synergy with livelihood-focused social protection to increase the effectiveness of both investments and ensure that

Mexico's Oportunidades (formerly Progresa) – has reduced infant morbidity by 25 per cent and under 5's illness by 12 per cent. Children in 70 per cent of participating households had improved nutritional status and in particular, were less stunted than non-participating children of a similar age.

HelpAge International (2004), Age and Security, How Social Pensions Can Deliver Effective Aid to Poor Older People and Their Families. HelpAge International: London, UK.

progress in one area (e.g. education) is not undermined by another (e.g. poor health limiting children's school attendance). Since most social protection programmes directly or indirectly increase service use, quality and capacity need to be improved so that, for example, increased numbers of children attending school do not lead to overcrowding and undermine the quality of education.

Together, social protection and wider complementary investments substantially increase chronically poor people's opportunities to benefit from and contribute to economic growth since they help achieve threshold levels of human development, asset ownership and sufficient protection from risk to encourage economic dynamism.

Different social protection policies for different groups of chronically poor people?

In any context, people in chronic poverty are a diverse group. Broadly, they include: people without assets who are forced to participate in labour markets or produce goods on highly disadvantageous terms; socially marginalised groups, who face discrimination which limits their access to assets and opportunities; people affected by long-term health-related shocks and stresses e.g. chronically sick or disabled people; and people at vulnerable periods of the lifecycle, such as childhood or old age. Chronically and severely poor people are both vulnerable and severely deprived; social protection policies therefore need to respond to the different factors underlying their poverty and vulnerability, and the specific risks and deprivations facing different groups.

Table 1: Suitability of some social protection instruments for tackling chronic poverty

Social protection instrument	Suitable when...	Impact on chronically poor enhanced by....
Employment generation programmes	Where chronically poor depend primarily on wage labour but opportunities and remuneration are insufficient. Unsuitable for labour-poor households.	Constitutional employment guarantees; increasing availability of work opportunities and remuneration.
Conditional cash transfers	Opportunity costs of basic service use are high (eg child labour); there is substantial discrimination against certain groups' service use (eg girls, disabled children); transfer aims to reduce income poverty and enhance human development; capacity to verify conditions are met exist.	Increasing value of transfer; ensuring conditions do not exclude poorest.
Unconditional cash transfers	Programmes primarily aim to reduce income/ consumption poverty; costs are main barriers to service uptake; basic services are of low quality; administrative capacity to verify conditionalities are met is low.	Increasing value of transfer; targeting groups or areas with high proportion of chronic poverty.
Social pensions	High proportion of poor cannot afford or are not covered by contributory pensions.	Setting minimum age and level of transfer so that chronically poor will benefit (given shorter life expectancy in this group).
User fee exemptions/ subsidised health insurance	Administrative systems are sufficiently developed and impartial to implement fairly and effectively.	Key chronically poor groups are covered (eg children, older people, pregnant women, disabled people, and in some cases, other groups eg ethnic minorities (eg Vietnam health insurance).
Nutritional supplements	There is a high incidence of micronutrient deficiencies in poor population or specific groups (eg pregnant women, children under 5, adolescents).	Delivery through health system rather than parallel projects; part of wider set of actions to promote food security and reduce malnutrition among chronically poor (eg linked to livelihood promotion, improvements to health, water & sanitation, and information provision)
School feeding	Rates of school attendance are high – otherwise most vulnerable children missed; children unable to concentrate at school due to hunger.	Ensuring food contains nutrients missing in most children's diets, not simply calories; combining with programmes to boost school attendance and to reduce income poverty (eg unconditional or conditional cash transfers) so that poorest children are not missed or fed less at home.



This is less complex than it sounds: in practice, many social protection instruments are effective in tackling different kinds of disadvantage among different groups simultaneously. For example, old age pensions have been shown to reduce both old age and child poverty and help secure the rights to health and education. Social protection for chronically poor people thus involves a core of broad measures to address income and asset deprivation and insecurity, and support increased access to services, with additional measures, such as anti-discriminatory campaigns or nutritional support targeted to specific groups.⁸ Figure 1 illustrates this.

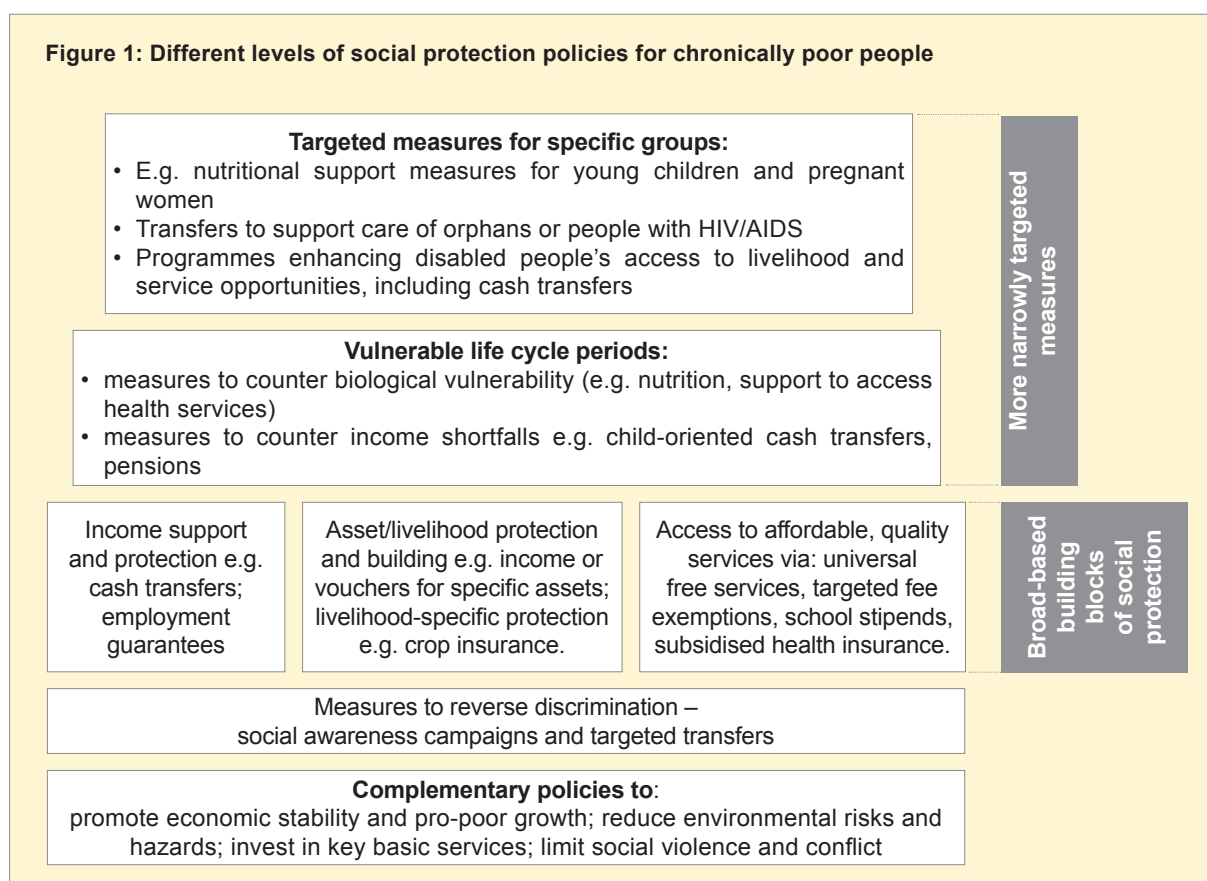
Increasing the effectiveness of social protection transfers for chronically poor people

Despite their ostensible focus on the poorest people, social protection policies do not automatically reach them. Many of the same obstacles that keep people poor also stop them accessing and benefiting from social protection policies. The following section outlines some ways in which the effectiveness of social protection for chronically poor people can be increased.

Reaching the chronically and severely poor more effectively with social protection programmes means:

- *ensuring the chronically and severely poor are aware of their entitlements.* Very often they are not aware of programmes that could benefit them. In Chile’s Solidario programme, government social workers seek out potential beneficiaries. However, this is costly; cheaper alternatives include regularly announcing programmes through community and government and administrative structures. Mobile ‘one stop shop’ information units, that assist people to access their entitlements to a range of government and non-government programmes, are another promising approach.
- *reducing the costs to the poorest of accessing entitlements.* These are often simultaneously time-related and financial. Having to provide certain documentation or to travel to register for a programme or obtain benefits can all exclude people for whom these can represent significant financial costs. Waiving or minimising paperwork requirements and delivering transfers to poor people in the communities where they live can help overcome these forms of exclusion.
- *eliminating conditions that exclude the poorest.* For example, research in Bangladesh has shown that the poorest boys are least likely to take up the Cash for Education conditional cash transfer as the

Figure 1: Different levels of social protection policies for chronically poor people





Box 2: PRSPs and social protection: making strides for the chronically poor?

A recent CPRC review examined how PRSPs are incorporating social protection issues.^a Encouragingly, 17 out of 18 PRSPs examined included sections on social protection and four made it a core 'pillar' of the strategy. The majority of PRSPs reviewed saw social protection as a way of alleviating poverty among specific social groups, who were not expected to be able to fully support themselves, as temporary poverty alleviation while supporting disadvantaged people to build more secure livelihoods, and in a few cases, as a way to help poor people better manage risk, particularly environmental or health shocks. Micro-level strategies to protect people against macroeconomic shocks were absent despite concern about their impact.

Though as a whole these PRSPs proposed a wide range of social protection actions, individual PRSPs' social protection provisions were generally fairly piecemeal, reflecting a 'projectised' approach and, often, a history of donor championing of specific policy or project areas. A few had very limited policy or budgetary provisions for supporting vulnerable groups. One positive exception is Tanzania's MKUKUTA, which has mainstreamed social inclusion and protection throughout. Several other PRSPs committed to developing more detailed social protection strategies, which may lead to a more strategic and holistic approach. In most of the PRSPs examined, social protection is intended to play a developmental role, rather than simply alleviating the poverty of the poorest; however, this may be undermined by the limited funding and sometimes patchy interventions proposed. The review identified three clusters of allocations to social protection^b, where higher allocations comprise around 7-12 per cent PRS budgets; medium allocations 3-5 per cent; and low allocations 1 per cent or below; it was not possible to assess how far these plans had translated into actual budgets. CPRC research is currently examining the implementation of PRS policies and impacts on chronically poor people; results will be available in mid-2007.

^a Grant, U. and Marcus, R. (2006) *Chronic Poverty and PRSPs: a desk review*. Chronic Poverty Research Centre: London/Manchester, UK

^b Calculated from planned allocations to 'social protection, welfare, social action or vulnerable groups' in PRSP documentation.

incomes they can earn from working outstrip the value of the educational stipend, and their families cannot afford to forgo the additional income.⁹ In such circumstances, a larger conditional or unconditional transfer might be more effective. One of the factors underlying the success of Progresal/ Oportunidades in Mexico may be the relatively large size of the transfer (around 1/3 of participants' household income), which means that even the poorest can afford to participate.

- *...and avoiding programme design features that may contribute to trapping people in poverty.* For example, research in South Africa suggests that labour-scarce households will send members to work on employment generation programmes because they need the cash at the expense of their own productive activities (usually farming), and as a result are unable to build stronger livelihoods which might help them escape poverty.¹⁰ In such circumstances a cash transfer may be more effective.
- *targeting.* Though targeting is controversial, it can help increase the benefits of social protection to chronically poor people. Targeting need not involve means-testing (the most administratively demanding and potentially stigmatising form); geographical or group-based targeting can also be effective and cheaper. For more detail see CPRC Policy Brief No. 3 Tackling Obstacles to Social Protection for Chronically Poor People.

sustainably improve their well-being. This may involve a range of approaches including:

- *Adequate size of transfers* - providing transfers of a level that enable investment in productive activities as well as securing immediate consumption.
- *Focusing on strategic priorities for breaking poverty cycles in particular contexts.* Given the accumulating evidence of the importance of post-primary education in protecting against poverty, one priority is ensuring that the poorest and most marginalised children are enabled to complete at least junior secondary education, whether through cash transfers, educational stipends, scholarships, or fee waiver programmes.
- *Linked or sequenced programmes,* that help people build physical and human assets, gain experience of more remunerative livelihood activities and overcome the social barriers keeping them in poverty can be particularly effective for chronically poor people. BRAC's Ultra-Poor Programme in Bangladesh is one example.
- *Duration of programme* - Enabling participants to access programme benefits for several years can significantly enhance their (chronic) poverty-reducing impact. For example, the intensive Chile Solidario programme works with participating households for 2 years, and they are eligible for additional support for another three. Clients may access Mexico's Oportunidades programme until their youngest child has graduated from high school.¹¹
- *Institutionalising social protection provision as a right* – including developing nationwide programmes rather than localised or fragmented provision. Evidence from India suggests that where social

Enhancing impact

A core principle is to address the key 'fracture points' that enable people to move out of poverty traps and



The Chronic Poverty Research Centre (CPRC) is an international partnership of universities, research institutes and NGOs, with the central aim of creating knowledge that contributes to both the speed and quality of poverty reduction, and a focus on assisting those who are trapped in poverty, particularly in sub-Saharan Africa and South Asia.

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protection is inscribed as a constitutional right (e.g. with old age pensions), it is claimed by even marginalised people in a way that they cannot with non-constitutional programmes.¹² It can also reduce any stigma attached to participation, and foster a culture of good quality service delivery among implementing agencies, where clients are treated with respect rather than condescension. Regular transfers strengthen the sense of social protection as an entitlement, rather than charity, and can help people plan and thus make investments that help them escape from poverty. Finally, institutionalising social protection in this manner can reduce programmes' susceptibility to political manipulation and disruption e.g. providing or extending benefits in line with the election cycle, or using social protection as a vote-buying tool.

- *reducing or eliminating opportunities for corruption and rent-seeking among implementing staff.* Having to pay bribes to secure their entitlements is a serious barrier for very poor people. Addressing this involves ensuring adequate wages among relatively

low-paid frontline public servants responsible for delivering these programmes, generally as part of broader public service pay settlements; strengthening cultures of quality service provision; and strengthening or instituting local mechanisms which promote accountability to users.

Tackling some of the political and technical obstacles to more widespread and effective social protection transfers.

These include concerns about affordability, negative perceptions of social protection among some donors, policy-makers and politicians, and resistance to giving poor people cash. There is now substantial evidence that social protection transfers can be affordable even in very poor countries, if political will exists; programmes can start small and expand over time. Similarly, there is much empirical evidence that common concerns about social protection¹³ are misplaced and that social protection can help people break out of poverty traps. See CPRC Policy Brief No. 3 for further discussion of these issues.

This policy brief was written by Rachel Marcus

Endnotes

- ¹ CPRC (2004) Chronic Poverty Report 2004-05. Chronic Poverty Research Centre: Manchester/ London, UK.
- ² HelpAge International (2004) Age and Security, How Social Pensions Can Deliver Effective Aid to Poor Older People and Their Families. HelpAge International: London, UK
- ³ DFID, (2005) Social Transfers and Chronic Poverty. Emerging Evidence and the Road Ahead, A DFID Practice Paper. DFID: London, UK
- ⁴ For example, recent evidence from Brazil suggests that the pension and family income support system were responsible for 28 per cent of the decline in the Gini coefficient (measure of income inequality) over the period 1995-2004. Source: Veras Soares, S. et al (2006) Cash Transfer Programmes in Brazil: impacts on poverty and inequality, Working Paper 21, Brasilia: UNDP International Poverty Centre
- ⁵ Fourage, D. (2003) Costs of non-social policy: towards an economic framework of quality social policies and the costs of not having them, Brussels: Employment and Social Affairs DG, European Union; Besley, T.; R. Burgess and I. Rasul (2003), Benchmarking government provision of social safety nets, Social Protection Discussion Paper 0315, Washington DC: The World Bank.
- ⁶ see footnote 8.

- ⁷ <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTSAFETYNETSANDTRAN SFERS/contentMDK:20615138~menuPK:282766~pagePK:148956~piPK:216618~theSitePK:282761,00.html> for further information.
- ⁸ Barrientos, A., Hulme, D., and Moore, K. (2006) 'Social protection for the poorest: taking a broader view' in Poverty InFocus, Social protection: the role of cash transfers, Brasilia: UNDP International Poverty Centre
- ⁹ Hossain, N. et al (2006) Inheriting Extreme Poverty: household aspirations, community poverty and childhood in northern Bangladesh, Dhaka: SCU/ BRAC.
- ¹⁰ McCord, A. (2005) Win-win or lose-lose? An Examination of the Use of Public Works as a Social Protection Instrument in Situations of Chronic Poverty, paper presented at CPRC Conference 'Social Protection and Chronic Poverty'. 23-24 February 2005, Manchester,
- ¹¹ Santibanez, C. (2006) Review of integrated programmes tackling extreme and persistent poverty in Latin America. Chronic Poverty Research Centre: Manchester/ London, UK
- ¹² Corbridge, S et al (2005), cited in Hickey, S et al (forthcoming), The Politics of What Works for the Poorest, Chronic Poverty Research Centre, Manchester/ London
- ¹³ e.g. that it is not developmental or leads to dependency, or is unaffordable.

Resources

Social assistance in low income countries database - this is updated regularly and summarises information on key social protection programmes: www.chronicpoverty.org/pdfs/SocialAssistanceDatabase2006 Version2 310306.pdf

SC UK, Helpage International & IDS (2005) *Making Cash Count* – analysis of issues related to cash transfer programmes in East and Southern Africa, www.savethechildren.org.uk/scuk_cache/scuk/cache/cmsattach/3604_Making_Cash_Count_final.pdf

Barrientos, A. and de Jong, J. (2004), *Child poverty and cash transfers*, CHIP Report 4, London: CHIP www.childhoodpoverty.org

Helpage International (2004) *Age and Security – an analysis of the role of social pensions in tackling chronic poverty among older people and their families*, www.helpage.org/Resources/Policyreports

Papers from CPRC 2005 Conference 'Social Protection for Chronic Poverty. Risk, Needs, and Rights: Protecting What? How?', www.sed.manchester.ac.uk/idpm/research/events/february2005/protection.htm

UNDP International Poverty Centre; Poverty InFocus, Social protection: the role of cash transfers, www.undp-povertycentre.org/newsletters/Poverty_in_Focus_june_06.pdf