

# Poverty In Focus

Number 22

International Policy Centre for Inclusive Growth  
Poverty Practice, Bureau for Development Policy, UNDP

## Long-Term Social Protection for Inclusive Growth

### A Policy Dialogue and South-South Learning Event



A focus in Sub-Saharan Africa with inputs from Latin America and Asia

## Can Social Protection Help Promote Inclusive Growth?

# GUEST EDITORS

*Poverty in Focus* is a regular publication of the **International Policy Centre for Inclusive Growth (IPC-IG)**. Its purpose is to present the results of research on poverty and inequality in the developing world.

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#### Front page: *Learning and Sharing.*

This was the spirit of the Conference Long Term Social Protection for Inclusive Growth held in South Africa and organized by IPC-IG. The cross-regional dialogue gathered 15 different countries, international organizations and think tanks with the aim of sharing achievements and also challenges in promoting not only 'protection', but also 'empowerment' of the most vulnerable groups.

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**IPC-IG** is a joint project between the United Nations Development Programme and Brazil to promote South-South Cooperation and applied poverty research. It specialises in analysing poverty and inequality and offering research-based policy recommendations on how to reduce them. IPC-IG is directly linked to the Poverty Group of the Bureau for Development Policy, UNDP and the Government of Brazil.

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The recent global economic and financial crisis revealed once again the importance of social protection in shielding the poorest and most vulnerable people from the worst impacts of a sudden shock to the economy. Social protection programmes such as cash transfers and expanded public works were also important instruments for raising domestic demand in many of the stimulus packages that were introduced to counter the downturn. As the world starts a fragile recovery, however, there may be a temptation to roll back programmes as the intensity of the economic shock dissipates. Countries could instead explore opportunities for prioritising and institutionalising social protection programmes.

Much evidence suggests that, when properly designed and implemented, social protection not only protects the vulnerable but is also an investment in future growth and prosperity. In this light, the aftermath of the global crisis provides an opportunity to improve and expand social protection programmes where they already exist, and to create new ones where they are absent. Social protection should not be seen as merely a safety net to be deployed when times are difficult; neither is it a panacea for development, but it can be key to promoting strong and inclusive growth.

A recent South-South dialogue organised by IPC-IG and held in Johannesburg from 11 to 14 October 2010 showed that governments in the global South are comfortable with broad definitions that emphasise the expansion of capabilities and opportunities. For instance, in South Africa social protection "seeks to provide the basic means for all people living in the country to effectively participate and advance in social and economic life, and in turn to contribute to social and economic development." Presentations at the dialogue from Zambia, Brazil, East Timor and other countries used similar language, placing formal and informal mechanisms for social protection at the very core of their national development strategies.

Traditionally, social protection programmes have been regarded as important because of concerns for equity and because they are a means of directly alleviating poverty. Emerging micro-level evidence, however, shows that such programmes can have strong efficiency effects and thus can be growth-enhancing. This can occur through increasing poor people's access to assets—by enabling them to buy livestock, building productive infrastructure such as roads and irrigation, promoting education and health, or reducing risk so that people can use assets more efficiently.

Moreover, there is substantial evidence that the inability of many families to manage and cope with risks leads to sub-optimal investment and consumption choices that may harm economic efficiency. Social protection can also contribute to economic growth by reducing inequality and strengthening social justice and cohesion. On the other hand, concerns about perverse incentives and leakages can be addressed through well designed programmes. Expressions of concern about the unaffordability of social protection programmes are often exaggerated, especially in view of the programmes' benefits.

According to the participants at the South-South dialogue, this also means that the current practice of viewing social protection as the exclusive purview of ministries of gender and social development needs to be rethought. While these ministries have a clear role in the implementation of specific aspects of the social protection agenda, there is a need to involve a range of other stakeholders more directly. Clearly, community representatives have critical roles to play, namely in ensuring accountability and in the effective delivery of transfers and services. Elected representatives in legislatures are instrumental in providing the legal basis for a country's social protection system and for institutionalising citizens' rights. In the executive, ministries of finance and planning need to drive discussions not only on the fiscal space for financing social protection programmes (an important issue in its own right), but also on how to entrench social protection more effectively in a country's longer-term development strategy, as a means of making the growth process stronger, more resilient and more inclusive.

*Pedro Conceição and Sebastian Levine*

# The Boundaries of Social Protection

by Armando Barrientos,  
University of Manchester

**As social protection** programmes spread in developing countries, a number of researchers and policy makers acknowledge sharing some confusion about the boundaries of social protection policy. Is microfinance a social protection instrument? What about programmes providing agricultural input to small-scale farmers: are they part of social protection? Under what circumstances can policies addressing discrimination and social exclusion be considered as social protection? These and similar questions suggest uncertainty about the boundaries of social protection policy.

At one level, this is a very practical issue. *Making Governance Work for the Poor*, the 2006 White Paper by Britain's Department for International Development (DFID), made a commitment to "significantly increase spending on social protection in at least ten countries in Africa and Asia by 2009". Accountability to the British parliament requires social protection expenditures to be identified and measured under specific budgetary items. This applies to all countries with policy commitments to social protection. In fact, IMF guidelines on the identification of social protection spending in national income accounts are being gradually implemented in developing countries.

At another level, uncertainty about boundaries reflects the presence of competing approaches to social protection. The main aim of this article is to shed light on these approaches, discover what they tell us about where the boundaries lie, and try to find some common ground. The discussion below contrasts two broad approaches to social protection.

One approach starts from established social policy frameworks, tried and tested in developed countries. Let us call this

the social policy/public finance approach. In this approach, social protection has three main components: social insurance, social assistance, and employment-related policies. Social insurance covers contributory programmes providing protection against life-course and work-related hazards. Social assistance covers tax-financed programmes addressing poverty and deprivation. And employment-related programmes and policies cover "passive" policies protecting the rights and entitlements of workers, as well as "active" programmes and policies promoting employment and labour productivity.

The other approach starts from development frameworks and concerns. There are many variants of this approach and wide areas of disagreement, but at its core it proposes that development is broader than rising incomes per capita and includes attention to human development, governance, the environment and empowerment. It advocates integrated development strategies that advance on all these fronts, a proposal captured in the notion of sustainable development. For those starting from a development approach, social protection is, at its most basic, a framework that packages direct assistance to households in poverty with interventions across the different dimensions of development.

It is apparent from this brief characterisation of these two approaches that the development approach will consistently push social protection towards a broader and more encompassing policy framework. This is in contrast to the more focused scope proposed by the social policy/public finance approach. Many areas of apparent confusion and controversy over the role and scope of social

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**Uncertainty about boundaries reflects the presence of competing approaches to social protection.**

**One approach starts from established social policy frameworks, tried and tested in developed countries - the social policy/public finance approach.**

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*Conditions in developing countries recommend against transferring European approaches and institutions slavishly to developing countries. In Latin America, for example, the extension of social insurance institutions that began in the early twentieth century never reached beyond workers in formal employment, leading to “truncated” social protection systems.*

protection in developing countries, and especially uncertainty about its boundaries, can be traced to the spaces between the social policy/public finance approach and a development approach. Finding common ground between them will help give social protection greater definition.

The social policy/public finance approach has a lot to contribute. There is a great deal for us to learn from the experiences of developed countries as regards poverty reduction and development. The crucial role of registration in enabling public assistance was well understood in seventeenth-century England. The advantages and disadvantages of means testing and other forms of targeting assistance to poor households were comprehensively discussed in the United States during its “War on Poverty” in the late 1960s and 1970s. Most importantly, the integration of social policies and programmes into comprehensive welfare states in the period following World War II, and their evolution over time, offers invaluable knowledge for developing countries.

At the same time, conditions in developing countries recommend against transferring European approaches and institutions slavishly to developing countries. Latin America’s experience

helps underline this point. The extension of social insurance institutions that began in the early twentieth century never reached beyond workers in formal employment, leading to “truncated” social protection systems. The recent expansion of social assistance programmes in the region implicitly acknowledges the need to find innovative ways to extend social protection to those excluded from social insurance. The development imperative also requires that social policies maximise their contribution to economic and social development.

For developing countries, the challenge is to strengthen the developmental role of social policies, to integrate those policies with social and economic development, and to acknowledge the primary role of social assistance, especially in low-income countries.

Given the nature of this challenge, a development approach has much to contribute to adapting social policies in developing countries. Such an approach could help shed light on how social policies should be designed and implemented in developing countries to help synergise social and economic development.

Some factors, however, could limit this collaboration. The multifaceted nature of development, when applied to social protection, can result in a crippling loss of focus. Adding objectives and instruments to social-protection strategies could quickly encounter diminishing returns. Well designed social assistance programmes can be effective in reducing poverty. In the process they could have an impact on disparities in access to basic services, and can strengthen the productive capacity of groups in poverty. But it is much less likely that social assistance programmes could deliver economy-wide growth or empowerment.

The many and diverse development gatekeepers (multilaterals, bilaterals, international NGOs) have redefined social protection many times in an effort to make it fit with their versions of development, but often these efforts have not improved understanding of its role and scope. This carries over to the

language of social protection. Social assistance defines a fairly precise set of instruments and objectives, but terms such as “safety nets” or “smart” interventions add, at best, some glamour but little substance. There is a clear and present danger in development discourse that policies and strategies perceived to be effective are turned into silver bullets and applied indiscriminately.

The conclusion to draw from this discussion is that the development approach can be extremely useful in ensuring that social protection is developmental, but with the understanding that development is much bigger than social protection. The recent extension of social protection in developing countries has focused on social assistance, and especially on the reduction of extreme and persistent poverty. Innovative programme objectives and design are helping to strengthen the developmental role of social assistance (Barrientos et al., 2010). In middle-income countries, social assistance programmes and policies are being successfully integrated and institutionalised. These are significant steps towards achieving sustainable development.

To return to the questions posed at the start of this article, microfinance can be effective in supporting households with assets. Distributing agricultural inputs to poor farmers can help maintain food supplies. In the right context, these are effective development strategies with the capacity to reduce poverty. There are gains in linking these interventions with social assistance, but there is little to be gained from lumping them together.

Social assistance can make a small contribution to reducing discrimination, but stronger and more effective interventions will be required. Understanding the boundaries of social protection will be essential to maintaining a clear focus on the challenges ahead.

■

**Barrientos, A., M. Niño-Zaruzá and M. Maitrot (2010). Social Assistance in Developing Countries Database version 5. Report. Manchester, Brooks World Poverty Institute: <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1672090](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1672090)>.**

# Income Security in Brazil: Achievements and Challenges<sup>1</sup>

by Maria Paula Gomes dos Santos,  
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**This article focuses on** the system of income security that Brazil built after the enactment of the 1988 federal constitution, which laid the foundations of Brazilian democracy after 25 years of military rule. The constitution made social security a part of citizens' rights and gave it a broader scope. The system was not built at once, but evolved from an existing pension scheme implemented by the state in the 1920s and 1930s.

Today, it consists of different monetary benefits, granted on both contributory and non-contributory bases, to citizens in various circumstances of financial insecurity. We argue here that despite its limitations and challenges, this system has proven quite effective in protecting Brazilian citizens from many social risks, as well as in reducing poverty and inequality.

Brazil's first social protection policies consisted of several pension and medical-care systems serving specific categories of salaried urban workers (certain industrial workers, as well as employees in the trade, banking and transport sectors). Those systems operated under a strict definition of social security, which meant that the benefits were provided solely on a contributory basis<sup>2</sup> and covered workers only against traditional social risks—that is, events that prevented them from working (illness, old age and accidents).

The system was unified in the 1960s and 1970s and came to be managed by a single institution. Its coverage was then extended to new occupational groups (individual workers, as well as rural and domestic workers).

Eligibility for benefits, however, remained restricted to workers who made regular contributions to the National Institute of Social Security. Unemployment insurance

was implemented in the mid 1980s, but only for formal workers who paid contributions.

The 1988 constitution changed this scenario by giving a more comprehensive definition to social security. Under the new definition, citizens were given the right to protection by the state, even when they were unable to pay direct contributions. This decision led to the expansion of social services, and to the creation of new, non-contributory cash benefits. Those, in addition to the existing contributory benefits, gave way to the development of an income security system.

Under the new constitution, social insurance (contributory) was also expanded. Rural workers acquired the same social-insurance rights and benefits as urban workers.<sup>3</sup> A non-contributory cash benefit of one minimum wage was introduced, envisaging financial support for the poor elderly and the poor disabled.<sup>4</sup> The constitution also determined that the lowest value of the pension should not be less than the national minimum wage. These shifts allowed a significant reduction of poverty among the elderly in a short period. In 1981, the elderly poor accounted for 18.4 per cent of the population aged 65 and more; in 1995, they accounted for 6.8 per cent, and in 2009 for 1.4 per cent.

At the beginning of the 2000s, conditional cash transfer programmes for low-income families were introduced independently by some states, municipalities and the federal government itself. These initiatives were unified in 2003, giving rise to the *Bolsa Família* programme, which has expanded its coverage since then to cover families in need throughout the country.

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**Brazil's social protection system has various income-security devices helping citizens face different risks and contingencies, ranging from contributory social insurance to family allowances.**

**While non-contributory benefits work for poverty alleviation (an ex-post support), contributory benefits protect those in the formal labour market, preventing them from falling into poverty when their working capacity is impaired.**

**Each month Brazil's income security system provides about 42 million benefits (data for 2009) and covers about 90 million people.**

**The State subsidises part of the contributory social insurance system for some categories of workers with low contributory capacity, such as rural workers in domestic production and urban workers whose contributions are insufficient to guarantee lifelong benefits of a minimum wage.**

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1. This article is based on Ana Cleusa Serra Mesquita, Luciana de Barros Jaccoud and Maria Paula Gomes dos Santos (*forthcoming*). "Income Security in Brazilian Social Policy: Between Social Risks and Poverty Alleviation". Brasília, IPEA.

2. Contributions paid by workers and employers.

3. Before that, the value of their benefits was half the value of the benefits paid to urban employees.

4. Those living in families with less than a quarter of a minimum wage per capita.

Brazilian Income Security Matrix						
	Social insurance (workers)		Old age and disability grant		Bolsa Família	
	Private sector	Public sector	Elderly	Disabled		
<b>Eligibility</b>	<b>Employed workers:</b> regular shared contributions over wages (worker) and payroll (employer)  <b>Individual workers:</b> regular full contributions	Public servants (civilian and military) covered by the public servants' statutory regime	Aged 65 or more with household per capita income equal or less than a quarter of minimum wage (US\$73.3)	Household per capita income equal or less than a quarter of minimum wage (US\$73.3)	Household income of US\$40 or less per capita	Household income between US\$41 and US\$ 82 per capita with children/ adolescents up to the age of 17
<b>Benefits</b>					<b>Maximum per family</b> US\$117.6	<b>Maximum per family</b> US\$77.6
<b>Active workers</b>	Allowances in case of illness, accident, maternity and confinement	Paid leave in case of illness, accident, and maternity			<b>Minimum basic benefit</b> US\$40 (no children in the household)	<b>Minimum basic benefit</b> Only if there are children in the household
<b>Inactive workers</b>	Pensions for workers and survivors after 15 years of contribution and at the minimum age of 65 (1 minimum wage benefit);  Pensions for workers and survivors after 35 years (men) or 30 years (women) of contribution	Pensions for workers and survivors after 35 years of contribution and at the age of 60 (man) and 30 years of contribution and at the age of 55 (women)	A monthly cash benefit of 1 minimum wage (US\$293)	A monthly cash benefit of 1 minimum wage (US\$293)	<b>Variable benefit children</b> US\$13 Maximum 3 children up to age 15	<b>Variable benefit children</b> US\$13 Maximum 3 children up to age 15
<b>Coverage</b>					<b>Variable benefit adolescents</b> US\$19.4 Maximum 2 adolescents aged 16–17	<b>Variable benefit adolescents</b> US\$19.4 Maximum 2 adolescents aged 16–17
<b>Active</b>	49 million	6.23 million	1.5 million	1.6 million	Employed and unemployed: 12,370,915 families	
<b>Inactive</b>	1.1 million	3.18 million				
<b>Spending (per month)</b>	US\$117.4 billion 7% of GDP	US\$71.6 billion 4% of GDP	US\$ 9.917 billion 0.54% of GDP		US\$7.3 billion 0.4% of GDP	
	December 2009					
	December 2008					

Sources: Ministries of Social Security, Social Development and Finance. Created by IPEA/ DISOC.

Today, Brazil's social protection system has various income-security devices helping citizens face different risks and contingencies, ranging from contributory social insurance to family allowances. Each kind of benefit meets different needs, given the extremely diverse conditions of labour market participation in the country. These protections complement one another. While non-contributory benefits work for poverty alleviation (an ex-post support), contributory benefits protect those in the formal labour market, preventing them from falling into

poverty when their working capacity is impaired. Each month, Brazil's income security system provides about 42 million benefits (data for 2009) and covers about 90 million people. This has led to significant positive outcomes in poverty and inequality reduction in recent years: between 2001 and 2009 the Gini index fell from 0.594 to 0.539 (the reduction rate being 9.1 per cent); and the percentage of extreme poor (those with household per capita income less than or equal to 25 per cent of the minimum wage) dropped from 22.9 per cent in 2003 to 10.9 per cent in 2009.

This system owes most of its positive results to its underlying funding arrangement. Apart from the fact that the state bears the costs of non-contributory benefits with tax revenue, it also subsidises part of the contributory social insurance system for some categories of workers with low contributory capacity, such as rural workers in domestic production and urban workers whose contributions are insufficient to guarantee lifelong benefits of a minimum wage. Thus the Brazilian social insurance system is based on solidarity between generations and risk categories.

This arrangement is not always welcomed by researchers in the development community (see Ribe et al., 2010), who believe that “internal subsidies” can do injustice to those who contribute directly to the system, discouraging their contribution. But it seems reasonable and fair that these state resources cover the social risks of workers who cannot pay specific contributions, but who do pay general taxes and are co-responsible for national output.<sup>5</sup> This is because, in “solidarity” systems, social insurance is based not only on contributions but also on labour activity, and because government funding comes from direct and indirect taxes that are paid by the whole population, regardless of income level.<sup>6</sup>

This does not mean that such a system provides sufficient income security, or that there are not major challenges to overcome. Brazil still has to advance its social policies on income vulnerabilities. Poverty among Brazilian children, for example, is very high: 20.3 per cent of them are affected by it.<sup>7</sup> Besides that, 33 per cent of active (mostly urban) workers are not protected against traditional social risks. Filling these gaps is essential for the population to enjoy a level of welfare compatible with the country’s wealth. But Brazil’s experience may be useful for other countries, since it has been built step-by-step without neglecting historical institutions or buying ready-made packages from international advisors. ■

**Helena Ribe, David Robalino and Ian Walker (2010). *Achieving Effective Social Protection for All in Latin America and the Caribbean. From Right to Reality.* Washington, DC, World Bank.**

5. The Brazilian social insurance system operates as a pay-as-you-go system, providing a maximum benefit that corresponds to about 6.5 times the minimum wage.

6. In Brazil, taxes on sales and corporate profits, as well as specific contributions for social policies, are paid by the whole population since they are passed on to final consumers.

7. Aged between 0 and 17.

# Social Safety Nets in Botswana

*by Chada Koketso,  
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Botswana*

**Public policy** in Botswana aims to reduce poverty through broad-based economic growth, specifically through employment-creation initiatives (Seleka et al., 2007). But the government recognises that “economic growth is a necessary but not a sufficient condition for poverty reduction” (Coady, 2004: 1).

Hence the government has developed a comprehensive system of social safety nets (SSNs) to cater to the special needs of vulnerable groups, including the destitute, the elderly, orphans, residents of remote areas, malnourished children and people with disabilities.

These safety nets have proven to be very effective first lines of defence against poverty for disadvantaged groups. Moreover, the government has decided to stretch the envelope further, within the limits of fiscal prudence, to ensure that human-security safeguards are even more adequate.

The government provides a broad spectrum of SSN programmes, designed to meet special needs rather than general income support. Existing SSNs address the risks associated with malnutrition, HIV/AIDS, unemployment, disability and old age, and they appear to be comprehensive over a life cycle.

Botswana has nine major SSN programmes. In rough order of coverage, these are:

- primary school feeding;
- vulnerable group feeding;
- old age pension scheme;
- destitute persons programme;
- orphan care;
- community home-based care;
- labour-based public works and drought-relief programmes;
- remote-area development programme; *and*
- World War II veterans programme.

In addition to these formal, government-provided SSN programmes, Botswana

**In Botswana, the government has developed a comprehensive system of social safety nets (SSNs).**

**They have proven to be very effective first lines of defence against poverty for disadvantaged groups.**

**The Multi-Sectoral Committee for Food Security and Poverty Reduction (MFSPR) has adopted the concept of inclusive growth, defined as growth that improves income across all income groups, including the poor.**

*The MFSPR has decided to promote inclusive growth by mainstreaming poverty reduction into the national development plan.*

*One of the areas currently under review is social protection policy, which should be consistent with inclusive growth.*

outsources significant social care services to the non-governmental sector. The country also has a traditional, informal safety net that has been eroded as the population has become more urbanised.

#### **Funding and the Role of International Organisations**

SSNs are funded from government revenues. They target a large population, and in the interests of sustainability there is need to refocus spending on them, as well as to strengthen data collection and analysis for SSN purposes.

Better data analysis and the ability to monitor and evaluate programmes would go a long way towards creating fiscal space and improving the financial management of social protection programmes.

International and multilateral organisations also have a significant role to play in strengthening implementation and monitoring capacity. The following areas would be of particular interest.

#### *Developing credible poverty monitoring and information systems.*

A major weakness in Botswana's quest to eradicate poverty can be traced to defects in the measurement, monitoring and analysis of poverty.

Poverty estimates are only available for three years in three decades. No credible systematic projections

are available for the years for which data are not available. In addition, Botswana has not developed ways of systematically measuring the impact of its poverty policies and programmes. Good poverty monitoring and information systems are necessary to monitor trends in poverty, its drivers, and its responses to interventions.

The monitoring and evaluation system would also cover social protection programmes. Cooperating partners would therefore be instrumental in developing a web-enabled poverty database and a poverty-data archiving system.

#### *Strengthening capacity to identify and develop tools and key policies that drive poverty eradication.*

Among other things, this would include: paying more attention to those policies and programmes that have the greatest actual or potential influence on poverty; identifying the policy gaps and taking measures to fill them; reviewing (as appropriate) and harmonising policies to ensure the greater internal coherence, efficiency and effectiveness of the government's response to poverty; and aligning anti-poverty policies and programmes with the broader macroeconomic framework and the country's absorptive capacity.

Development partners would be crucial in helping the government appreciate best practices in the design of good policies and social protection systems.

#### *Strengthening institutional coordination.*

Structures responsible for coordinating the implementation of poverty policies need to be strengthened so that they can perform better oversight.

#### *Strengthening institutional capacity to respond to poverty.*

Successful implementation of this package of measures requires adequate capacities in the responsible institutions. Currently, there are gaps at different levels with respect to policy analysis and formulation, data management and analysis, monitoring and reporting. This includes but is not limited to capacity in terms of numbers and the skills set.

#### **How to Enhance the Dialogue between the Ministry of Finance and Development Planning and Social Services Agencies?**

In 2003, the government adopted the National Strategy for Poverty Reduction (NSPR), whose overarching goal is to reduce poverty. The strategy provides the policy and implementation framework for meeting the Millennium Development Goals and the ideals expressed in "Vision 2016".

The strategic pathways for poverty reduction charted in the NSPR include: promoting broad-based growth; enhancing the human capabilities of the poor (improving access to basic quality education, healthcare and nutrition for the poor); promoting cost-effective, pro-poor social safety nets; better response to the HIV and AIDS epidemic (reducing the aggravating effect of the disease on employment and productivity, disease burden and health costs, and vulnerability to poverty); the inclusion/participation of the poor in the development process through decentralised planning with greater local-government capacity to provide for poverty reduction at the local level; and strengthening national development management capacity for effective poverty reduction.

Through the Rural Development Council, supported by the Multi-Sectoral Committee for Food Security and Poverty Reduction (MFSPR) and the Secretariat in the Ministry of Finance and Development Planning, the government supervises the implementation of the NSPR, including the coordination, monitoring and evaluation of different poverty alleviation policies and programmes.

The MFSPR comprises all relevant government ministries and the private sector, including non-governmental organisations and community-based organisations.

The MFSPR has adopted the concept of inclusive growth, defined as growth that improves income across all income groups, including the poor. There is evidence that people at the lower end of the income distribution have little income growth.



Hence inclusive growth has not yet been realised. The MFSPR has decided to promote inclusive growth by mainstreaming poverty reduction into the national development plan. To that end, the Ministry of Finance and Development Planning has begun to review the country's past policies and performance, and is learning from international experiences to develop future strategies.

One of the areas currently under review is social protection policy and practice, with a view to developing a social protection policy that is consistent with inclusive growth. A goal is to develop guiding principles for mainstreaming social protection into the National Development Framework. This should improve dialogue between the Ministry of Finance and Development Planning and the ministry responsible for social services.

### Identifying the Fiscal Space for Social Protection in a Productive Public Dialogue

Generally, the debt burden reduces fiscal space. But debt in Botswana is not a major challenge. As regards spending on social protection, in 2002/03 government social spending averaged just over 17,000 Botswana pulas (BWP) per household (about US\$3,400) (MFDP, 2010). This is quite significant relative to the income of the poor. It is therefore imperative to identify the fiscal space for social protection. In Botswana, the following are possibilities.

- **Efficiency in tax collection.** Subject to all other considerations, the government should identify and responsibly use all revenue sources or tax bases effectively. This could be achieved by strengthening monitoring to minimise tax evasion.
- **Involvement of strategic partners.** The government should creatively engage other players, such as the private sector, to shoulder the burden of social protection.

Evidence is emerging of the contribution of scalable social protection programmes to macroeconomic resilience.

This can help secure further political support to increase fiscal space for social protection programmes. The government has adopted a three-pronged approach to poverty reduction, as follows.

- Promotion of broad-based economic growth by introducing economic incentives for job creation, income generation, citizen economic empowerment and entrepreneurial development.
- Investment in public infrastructure and social services to enhance human capabilities.
- Adoption of SSNs to target the poor and vulnerable groups.

Within the limits of government capacity, Botswana has a fairly good social protection programme except for issues of coverage, duplication and targeting, which call for rationalisation to improve efficiency. Despite that, social protection programmes have clearly contributed to the reduction of poverty and the management risk: they reduce poverty and inequality directly; they allow households to invest for the future; they contribute to household risk management; and they allow the government to implement important policy reforms.

### Major Challenges Facing SSNs in Botswana

The challenges identified by the Ministry of Finance and Development Planning's public expenditure review include the following:

- **Better information is needed to identify the poor and to assess the impact of SSN programmes.** Identifying the poor and their characteristics is a first step towards the design of appropriate SSNs, but information on this is sorely lacking in Botswana.
- **Improved targeting of beneficiaries would increase the efficiency and effectiveness of SSNs.** Targeting efficiency is an imperative. Botswana's safety net would be improved if it could cover more of the poorest. Few benefits target the poor as a broad group.

*There is evidence that people at the lower end of the income distribution have little income growth.*

Some programmes are universal and not means-tested in any way; others benefit only a very specific subgroup of the poor.

There are three large universal/categorical programmes which, by definition, benefit far more of the non-poor than the poor. These are the old age pension, the orphan benefit and school feeding.

All of these programmes would benefit from better targeting. But if the SSN budget is to remain constant, the only way to ensure that SSNs reach the poorest is to institute targeting in untargeted programmes.

- **Reaching the poor at a reasonable cost.** There is a need to use appropriate packages.
- **Planning, budgeting and monitoring for service delivery.** This calls for comprehensive monitoring and evaluation systems.

Botswana, like other countries, has realised that ensuring poor people have a life of dignity begins with adequate provision for their basic needs, including food, healthcare, shelter, clothing, and protection from man-made and natural disasters. Thus pro-growth SSNs are part of the government's strategy to eradicate poverty. ■

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# Financial versus Demographic Social Protection in Mozambique

**“Demographic Social Protection” (DSP) is the set of mechanisms and relations determined chiefly by the components of demographic change, such as the vital rates (crude death and birth rates), age structure, infant mortality and life expectancy.**

**The current social protection framework stands on its own, thanks to the goodwill of some dedicated public employees and their international partners, but in general those with power do not pay attention to the implications of the current phase of Mozambique’s demographic transition.**

**Having too many children** was for a long time, and still is today, the main form of social protection in Mozambique and, perhaps, in most Sub-Saharan African countries. But whenever this idea is raised in meetings on social protection, it generates mixed reactions. The latest, at a workshop of the International Policy Centre for Inclusive Growth (IPC-IG) in Johannesburg on 11–14 October 2010, was no exception.

This article briefly qualifies the argument about the idea of having too many children, as part of what is termed here “demographic social protection” (DSP)—that is, the set of mechanisms and relations determined chiefly by the components of demographic change, such as the vital rates (crude death and birth rates), age structure, infant mortality and life expectancy. After finishing this text, readers will probably have more unanswered questions than before, but the purpose of the article is to further the debate about DSP relative to financial social protection (FSP).

In Mozambique, it has become increasingly tricky to address the challenges of scaling up social protection programmes. Through the lens of wishful thinking we would find no major difficulty in accepting IPC-IG’s assertion (IPC-IG, 2010) about Mozambique’s successful social protection programmes: “Beyond Southern Africa, Mozambique, Ghana and Kenya have also been successful in developing social protection frameworks, and/or otherwise moving towards giving a longer-term perspective to their policies and programmes.”

Nevertheless, a closer look at the real challenges of scaling up social protection shows how difficult this task now is. It is to be hoped that recent events in Mozambique will facilitate

policy dialogue—if not with all the main power-holders, then at least with those who are more prone to acknowledge the danger of neglecting realistic and critical thinking.

September 2010 was a terrible month for Mozambique’s wishful thinkers. The month began with another violent and bloody popular uprising on 1–3 September in the two major cities (Maputo and Matola), and finished with the devastating revelation against the widespread claim that poverty has declined. Indeed, according to latest National Assessment, poverty has stagnated at best, while in several provinces and the overall rural region it has increased (MPD, 2010).

## **Context of the Social Protection Debate**

The context of the current social protection debate can be framed in three strands: analytical, empirical, and the missing debate. An important feature in the analytical debate is the continuing divide between the ways in which social protection is dealt with in developed countries and the approaches applied to the developing world.

In the developed countries, researchers and policymakers are currently busy rethinking social insurance and social assistance over the long run, with a view to making them feasible, sustainable and consistent with local demographic and economic conditions.

In developing countries like Mozambique, the assistance-based approach has taken the lead in the mainstream discourse on social protection. The very idea of social protection is generally used as an “umbrella concept” or a proxy for social assistance (both as a right or mere charity) aimed at alleviating

poverty and managing risks in poor and vulnerable communities.

Some critics set their alternatives to the assistance-based approaches within the debate about choosing between ex-ante and ex-post approaches, or between short-term expediency and the long-term consequences of different social protection strategies (Wuyts, 2006). Here, however, social protection is defined in terms of the epistemological stance set by its ultimate goal. Thus social protection is the system of mechanisms, relations and initiatives aimed at ensuring an increasingly dignifying human security, by gradually freeing citizens from two main types of fears in the human life cycle:

- freedom from want—namely, shortage of food, employment or professional opportunities, structural or accidental; *and*
- freedom from aggression, deprivation and threat to physical and psychological security (UNDP, 1994; Francisco, 2010).

As for the empirical context of the debate on social protection, it is worth remembering that Mozambique is among the 12 countries in the world with the greatest intensity and incidence of poverty, as measured by the recently developed Multidimensional Poverty Index (MPI) (Alkire and Santos, 2010).

With about 80 per cent of the country's population classified as poor in MPI terms, this new poverty measure falls within the range of the two most common international indicators of "extreme" poverty: 75 per cent of the population living on US\$1.25 or less a day and 90 per cent living on US\$2 or less a day. This stock of about 18 million people in acute poverty is about 5 million more than the estimate derived from the national poverty lines: 54 per cent in 2003 and 55 per cent in 2009 (MPD, 2010).

With regard to the missing debate, the important issue concerns the failure to acknowledge the nature of the Mozambican state and national economy. Francisco (2010) has characterised Mozambique as a

bankrupt state but not a failed one, resting on a "bazaar economy"—an economy submerged in a complex bazaar of multiple economic universes with their own relative independent rationality.

### Financial Social Protection

The current literature on social protection on developing countries takes for granted that the viability and sustainability of modern social protection systems depend mainly on the robustness, effectiveness and efficiency of existing financial systems.

The literature, however, fails to acknowledge that present-day financial systems in countries like Mozambique offer access to less than 25 per cent of the adult population (De Vletter et al., 2009). In other words, while a huge supply of capital is flowing into the financial system, about 80 per cent of the adult population remains unattended and excluded from the system. The two sides of the market do not connect, even though both parties need each other.

In these circumstances, how could formal social security and social assistance become more inclusive and socially relevant for most of the population? No wonder that the total allocation for social security and social assistance programmes is less than 0.5 per cent of overall budget expenditure. Less than 10 per cent of more than 10 million people in the economically active population have access to formal social protection, including contributory and non-contributory systems.

Against this background the following question is unavoidable: if the national financial system on which the formal and informal social protection mechanisms are based covers less than a quarter of the population, where do the remaining three-quarters who are excluded from the existing system seek social protection? Are they really wholly unprotected in terms of child support and insurance for the elderly?

### Demographic Social Protection

The short answer to the two questions posed above can be provided by considering DSP, as defined above. More than two-thirds of the population

do not use any financial mechanisms, including informal methods such as *xitique* and community associations, in their struggle for survival. Instead, in everyday life, preventing and mitigating the main risks, such as the risk of death in childhood (before one or five years old) continues to depend on DSP.

In Mozambique, therefore, one of the latecomers to the demographic transition in sub-Saharan Africa, having children remains the main form of social protection for most of the population. Mozambique's demographic transition is slow and somewhat lagging compared to neighbouring Southern African countries such as Mauritius, Botswana and South Africa (Francisco, 2010; Malmberg, 2008).

From a macroeconomic viewpoint, the current demographic age transition in Mozambique has several characteristics:

- consumption needs tend to exceed productive capacity;
- the abundance of children is closely related to high rate of child labour and poverty levels;
- a strong dependence on the exploitation of natural resources and dependence on foreign capital;
- women have to invest substantial productive and temporal resources in reproduction; *and*
- there is a continued reliance on having many children, since the modern financial systems are not replacing the old, intergenerational wealth flows.

### Scaling Up and Consolidation of ... What?

The rest of this article responds to four key questions and links the answers to the views outlined above, with a particular focus on the implications of FSP and DSP.

#### *How are decisions made about what should be scaled up?*

Much depends on the analytical and methodological approaches, and on the motivations of the researchers and policymakers. Since 2007 the government has approved a set of laws, regulations

and even, earlier this year, a national strategy on social protection. But the overall legal framework leaves much to be desired because of the failure to pay adequate attention to the nature of the demography, the economy and the state.

The current legal framework stands on its own, thanks to the goodwill of some dedicated public employees and their international partners, but in general those with power do not pay attention to the implications of the current phase of Mozambique's demographic transition.

#### *What are some of the institutional constraints?*

The present government has no adequate strategy to overcome the economic and financial bankruptcy in which the state has lived for more than 25 years. Specific and dispersed social assistance programmes, which depend very much on international aid, are likely to provide some relief in urgent circumstances, considering the lack of anything better. But even this relief will have little impact if the aid comes to empower those who are already power-holders more than those who are really powerless and in most need of help.

*What are some of the institutional opportunities?* The most relevant opportunity has been the willingness of the international community to donate and provide help, but for how long will this continue? The current stage of Mozambique's demographic transition could pay good dividends in the future, but to that end the economic and political institutions need to be improved substantially.

As regards scaling up, it is important to take account of the nature of the state and the economy. The present institutional setting leads to rather precarious forms of social protection, including the broad and macro security forms provided through international aid to secure urban public workers, and the state's monopoly on land property rights—allegedly to provide security to the rural population. Most needed, however, are feasible and sustainable modern institutional mechanisms that seek to foster healthy social protection settings, which can replace the old by new and dignifying forms of survival, insurance for the elderly, and prevention against risks, taking account of the dynamics of demographic social protection. ■

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# Addressing Rural Poverty in Malawi:

## The Agricultural Input Subsidy Programme

by Ephraim W. Chirwa, Wadonda Consult and University of Malawi and Andrew Dorward, SOAS, University of London

**The challenges in social protection in Malawi include the fact that access is not "rights-based", there is lack of appropriate legislation, lack of coordination of various programmes implemented by various agencies, problems of identifying beneficiaries and high targeting errors.**

**In Malawi**, agriculture is not only important for rural livelihoods but also plays a significant role in the national economy. About 35–39 per cent of GDP and 90 per cent of foreign exchange earnings originate in the agricultural sector. Maize is the main staple food crop and is largely grown by smallholder farmers for subsistence consumption. It is estimated that only 15 per cent of the maize is marketed and the rest is for own consumption. It is further estimated that almost 50 per cent of smallholder farmers own less than 1 hectare of land.

More than 70 per cent of cultivatable land is under maize cultivation, and about 97 per cent of smallholder farmers grow maize under rain-fed continuous cultivation methods. Almost half of the smallholder farmers are also net buyers of maize.

#### **Extent of Vulnerability**

In the past, Malawi has experienced recurring food insecurity problems at national and household levels. Maize prices have been highly volatile, increasing the vulnerability of smallholder

farmers who purchase maize after their own production runs out. Continuous cultivation has also brought about declining soil fertility, and increases in the price of fertilisers have reduced their use by poor smallholders. Because of unstable prices and limited access to agricultural credit, producer investment is low and consumers are “locked into” low-productivity maize. These circumstances in turn lower the productivity of agricultural land and labour, resulting in low and vulnerable incomes.

These conditions reinforce each other and smallholder farmers become locked into a low agricultural productivity trap (Dorward and Chirwa, forthcoming). Poverty and vulnerability remain challenges in agriculture-based livelihoods in Malawi. In 2005, it was estimated that 52 per cent of Malawians were living below the poverty line and about 95 per cent experience economic shocks that were mainly related to problems in agriculture (NSO, 2005).

The extent of poverty and vulnerability in Malawi demonstrates that a high proportion of households are potential candidates for social protection interventions. Since 1995, the government has been expressing the need to help vulnerable groups as a strategy of poverty reduction; in the Malawi Growth and Development Strategy (MGDS), social protection is one of the four pillars of development.

Social protection programmes are not specifically provided for in the constitution or in specific laws, as in other African countries, and their implementation stems from national development strategies that have

less binding budgetary provisions for the government. Social protection programmes, therefore, are not rights-based.

### Agricultural Input Subsidy Programme

The agricultural input subsidy programme, now known as the Farm Input Subsidy Programme (FISP), was first implemented in 2005–2006 to improve national and household-level food security by broadening access to and the use of inorganic fertilisers among resource-poor households. Initially, the FISP subsidised improved maize seeds and fertilisers for both maize and tobacco. Since the 2009–2010 season, however, the programme has only focused on subsidising fertilisers for maize and improved maize seeds.

It is intended to target poor and vulnerable smallholder farmers, giving special consideration to vulnerable groups (female/elderly-headed households, orphans, affected by HIV and AIDS). The programme is implemented through a system of vouchers or coupons. Each beneficiary household receives two fertiliser coupons for one 50kg-bag of basal and one 50kg-bag of urea, as well as a maize seed coupon.

Dorward and Chirwa (2011) report marked improvements in targeting from 2006/7 to 2008/9, although considerable challenges remain.

The FISP is implemented in all districts by the Ministry of Agriculture and Food Security. Implementation calls for very challenging coordination among and by different stakeholders to deliver the inputs to smallholder farmers in a timely manner, and has coped with great

*Poverty and vulnerability remain challenges in agriculture-based livelihoods in Malawi.*

logistical challenges. The implementation processes include planning and budgeting, procuring inputs, registering farmers, identifying beneficiaries, printing secure coupons, distributing and allocating coupons, coupon redemption and control, and facilitating payments.

Estimates of the number of FISP beneficiaries have varied between years with programme size, and depend on varying estimates of the farming population. The Ministry of Agriculture has targeted 1.5 to 1.7 million farming households in recent years and the programme is mainly funded from the national budget. Although donors provide direct budget support, they have provided direct funding for only a relatively small part of programme costs (between 0 and 14 per cent from 2005/6 to 2008/9).

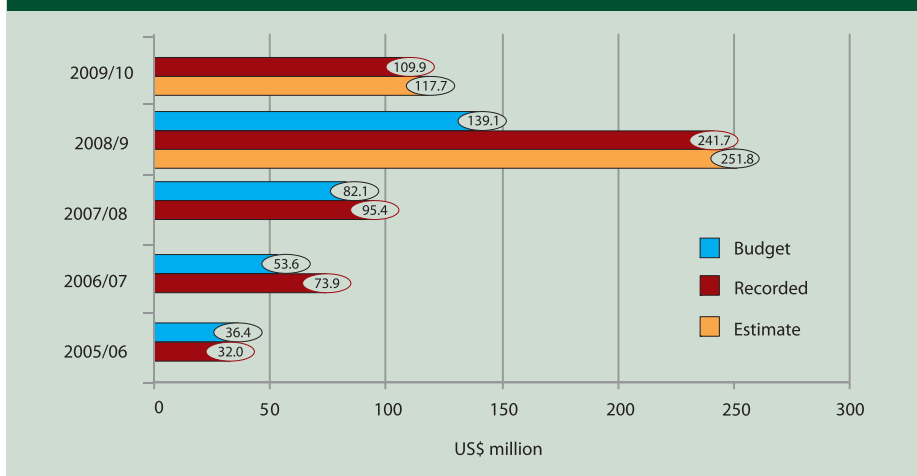
The table shows the trends in the scale of the programme since the 2005/6 agricultural season. The amount of subsidised fertilisers has ranged from 131,400 to 216,600 metric tons and the cost rose significantly in the 2008/9 season because of substantial increases in the international prices of fertilisers. This also spurred increases in overall programme costs, but reductions in both fertiliser prices and the quantities disbursed yielded large cost reductions in 2009/10. Using the coupon, smallholder farmers pay a fixed price for a bag of

**Coverage, Size and Costs of FISP, 2005/6–2009/10**

	2005/6	2006/7	2007/8	2008/9	2009/10
Households receiving > = 1 fertiliser coupons	n.a	54%	59%	65%	n/a
Total fertiliser sales (metric tons)	131,388	174,688	216,553	202,278	161,495
Fertiliser cost (\$US/metric tons)	393	490	590	1250	614
Subsidy % (of commercial price)	64%	72%	79%	91%	88%
Programme cost, net (US\$ million)	32	73.9	95.4	241.7	109.9

Source: Dorward and Chirwa (2011), 2009/10 data from Logistics Unit (2010).

**Figure**  
**Fiscal Management of Agricultural Input Subsidy Programme, 2005/06-2009/10**



Source: Dorward and Chirwa (2011); 2009/10 data from Logistics Unit (2010).

fertiliser and maize seeds. The extent of the subsidisation of the commercial price of fertilisers has ranged from 64 per cent in 2005/6 to 91 per cent in 2008/9.

The immediate impact of the agricultural input subsidy is the incremental production in maize, the main staple food for Malawians.

Estimated incremental maize production during the subsidy years 2005/6 to 2008/9 above the average of 2002/03 and 2003/4 agricultural seasons ranges from 273,000 to 836,000 metric tons, using the incremental fertilisers and maize-nitrogen response rate. But estimates provided by the Ministry of Agriculture and Food Security show incremental production ranges from 975,000 to 2,031,000 metric tons. Nonetheless, both estimates show that maize production increased substantially following the implementation of the input subsidy programme.

Additionally, field studies reveal greater village maize availability and a lack of evidence of food shortages, despite high prices following the 2007/8 agricultural season. There is also evidence of significant increases in nominal wage rates from 2005/6, greater than the later maize prices rises. Unsurprisingly, poverty incidence estimates have fallen from 52 per cent in 2004/5 to 40 per cent in 2007/8 and 2008/9 (NSO 2010). Indicative modelling of the impact of input

subsidies on rural livelihoods more broadly suggests real income increases of 10–100 per cent among poor beneficiary households, compared to increases of up to 20 per cent for poor non-beneficiary households.

It is important to note, however, that these positive impacts have occurred in a period also marked by high tobacco prices, macroeconomic stabilisation and good weather.

The financial and economic burden is enormous: huge resources are required if all poor and vulnerable households are to be reached through very large-scale programmes. The agricultural subsidies are funded mainly by the government.

This raises the problem of the fiscal sustainability of social protection programmes. The input subsidy alone amounted to 2.1 per cent of GDP or 6 per cent of the national budget in 2005/6. With increases in international fertiliser prices, the subsidy rose to 6.6 per cent of GDP or 16 per cent of the national budget in 2008/9.

The figure illustrates the challenges of managing the cost of such a large-scale social protection programme in Malawi. Except for fiscal years 2005/6 and 2009/10, actual estimated expenditures have substantially exceeded the budgeted expenditures, and the very high fertiliser prices of 2008/9 made the programme's

significant cost-overrun particularly problematic. This shows that if social protection programmes are not well targeted and managed, they can be fiscally unsustainable.

The other challenges in social protection include the fact that access is not "rights-based", the lack of appropriate legislation, lack of coordination of various programmes implemented by various agencies, problems of identifying beneficiaries, high targeting errors, and determining benefits and the duration of access.

There are synergies and trade-offs in designing and implementing programmes to address both growth and social protection objectives. These are illustrated by the FISP, where targeting subsidised inputs at the most needy and vulnerable (for example, those without land and/or labour) may make the initiatives less beneficial to those households than cash transfers, and less productive than inputs for slightly less poor households with some land and labour that can use the input effectively.

Questions then arise about the coordinated design and implementation of complementary programmes, with cash transfers replacing or supplementing input subsidies for the land- and labour-poor and the cash-poor, respectively.

Despite these difficulties, however, the programme demonstrates that political, technical and budgetary commitment to implementing large-scale and fundamentally appropriate programmes can substantially improve the welfare of poor and vulnerable households, and can contribute to longer-term processes of broad-based, inclusive development and economic growth.

### Conclusion

Social protection interventions can play a positive role in promoting agriculture-based livelihoods in Malawi. Such interventions are contributing to household food security, higher incomes, and improved health and education outcomes. Given the high incidence of poverty and vulnerability, however, significant resources are required to cover as many beneficiaries as possible.

Additionally, challenges have to be addressed in order to enhance the social protection impacts on poverty and rural livelihoods. ■

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# New Challenges of Cash Transfers in Namibia

by Sebastian Levine, United Nations Development Programme, Uganda

**While ever more** African countries are piloting cash transfer schemes, Namibia is one of only a few with a long history of state provision of social grants to needy population groups. This is linked to the country's past annexation into *Apartheid* South Africa, where cash transfers were initially intended to protect the "white" population. Now, Namibia is rapidly scaling up its system and as one of the oldest cash transfer systems in Africa faces a set of new challenges.

Around the time of independence in 1990, there were 53,000 recipients of the old age pension (payable to all citizens over 60 living in Namibia) and the disability pension (payable on medical certification of a disability). By early 2010 this number had almost trebled to 156,000 recipients. Moreover, those receiving a subvention for veterans of the liberation struggle now number almost 2,000. But most remarkable has been the recent expansion in access to the child maintenance grant (payable to mainly orphaned children under 18 whose caregiver's income is less than N\$1000 or US\$125 a month) and the foster parent grant (payable to individuals who are given custody of child through the court system).

The number of people receiving these child grants has increased more than tenfold in just a few years: from fewer than 10,000 in early 2003 to close to 120,000 today. About 13 per cent of the

total population of just over 2 million people now receives some form of social grant.

This impressive increase has been achieved through a combination of better administration, awareness-raising in underserved communities and, especially, targeting vulnerable children receiving food aid.

The poverty-reduction impacts are likely to be sizeable. New baseline estimates based on survey data from 2003/2004 suggest that even before the latest expansion of the child grants, the direct impact of the social transfers was to lower the national incidence of poverty from 26 per cent to 22 per cent, or by almost a quarter (Levine et al., 2009).

The impact on the poverty gap and severity of poverty were even greater: they fell by 35 per cent and 45 per cent, respectively. This indicates the effectiveness of the social grants in reaching the poorest of the poor households, even if the grant itself is not enough to lift the household above the poverty line.

Further analysis of the survey data also reveals that 74 per cent of age-eligible people in the top quintile received the old age pension, compared to 87 per cent of the age-eligible among the poorest 20 per cent of the population (see the figure). But only 13 per cent of age-eligible children living in single-parent

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*Namibia needs to strengthen coordination and capacity among implementers—for example, to avoid double payment of social pensions, subventions and grants—and improve access and delivery in hard-to-reach areas and for excluded social groups.*

households received child grants. Despite the official means test, there was no evidence that the grants are targeted at poorer households in the group eligible by other criteria. Access to the grant is low in all quintiles but it seems to peak as a proportion of the age-eligible in the middle quintile at 15 per cent.

Targeting poor households is found to have stemmed less from means testing than from how the child grant targets orphans, who are disproportionately represented in poor households, and from the fact that some age-eligible among the non-poor appear to have opted out of the universal social pensions system. While the effectiveness

of the means test for the child grant is questionable, the targeting of the grant is likely to improve as the recent scale-up has focused on improving uptake in the northern areas. That is where most of the poor live, and where the population was excluded from social grants during the apartheid era.

Despite their strong positive effects on poverty, the social grants are less effective in reducing Namibia's extremely high level of inequality. This is particularly relevant in a country whose Gini coefficient was 0.6 in 2003/2004, indicating one of world's most unequal distributions of monetary welfare.

This is unsurprising, however, given the overall magnitude of the grants compared to other sources of income in the economy. But it is important to keep this in mind when setting social policy objectives and in shaping expectations of what the social grants can realistically achieve.

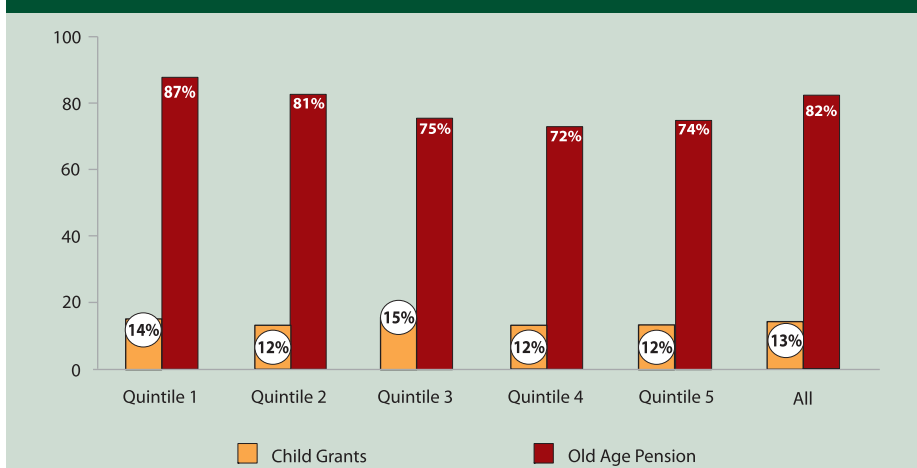
The country's social protection system faces a series of new challenges that will have to be addressed in order to ensure sustainability and effectiveness. These challenges include:

- Develop an overarching policy for social protection, which should also define more clearly the objectives of the cash transfer system, establish its development priority, and develop

policy linkages. Given Namibia's extreme level of inequality, making growth pro-poor and inclusive is a particularly pressing challenge. Hence the need to embed the national social protection policy within the overall National Development Plan (NDP).

- Set clearer targets. A target of the NDP, for instance, is near-universality for uptake of the old age pension, whereas the Poverty Reduction Strategy and the National Pension Act provide for the introduction of means-testing to reduce uptake among the less needy.
- Strengthen coordination and capacity among implementers—for example, to avoid double payment of social pensions, subventions and grants—and improve access and delivery in hard-to-reach areas and for excluded social groups.
- Determine the appropriate level and increments of the grants. This is likely to include a one-time increase in the child grants to allow them to “catch up” to other grants. The real value of the child grants has still fallen significantly over recent decades and has not kept up with the social pensions.
- Reassess the suitability of the means test for the child maintenance grant, specifically its reference to applicants' income rather than the socioeconomic status of the household. Reassess the eligibility criteria for the maintenance grant, notably the exclusion of poor and vulnerable children who have both parents living but who may be as needy as currently eligible children.
- Explore alternatives to ex-ante means testing of the old age pension—for example, using the tax system to claw back the pension or penalise high-income recipients. Evidence from South Africa does not lend support to the introduction of a means test for the old age pension in Namibia.
- Investigate the true administrative costs of the cash transfer system,

**Figure**  
**Targeting Child Grants and Social Pension in Namibia\***



Source: Levine et al (2009).

\* Among those age-eligible and child grants only single-parent households.



- so as to further assess the fiscal sustainability and cost-effectiveness of the system as a whole, and means-testing in particular.
- Strengthen monitoring and evaluation and invest in research, for instance on the impact of the secondary school “quasi”-conditionality, the large exclusion errors of the old age pension in certain regions, the effects of social pensions and grants on labour-force participation,
- and other issues related to the cash transfer system.
- Redesign the household income and expenditure survey to better capture incomes from social and private transfers, including cash grants and remittances.
- Involve stakeholders in social protection systems in the design, execution and analysis of this key national household survey.
- Explore alternative social protection programmes geared to youths and the unemployed, such as public works programmes, incentives for hiring labour and employment guarantees.

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# The Story of Cash Transfers in Indonesia

by Vita Feberiany,  
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**Cash transfers** in Indonesia were initially implemented in 2005 as an unconditional programme that sought to ease the burden on the poor following a sharp rise in fuel prices as a result of the reduction in the government’s fuel subsidy. The programme was heavily criticised for its inability to help the poor in the longer term, mistargeting, and the alleged negative impact on people’s behaviour, such as creating dependency and laziness. It was terminated in 2009.

In mid 2007, the government launched two pilot conditional cash transfer programmes (CCTs): the household CCT and community CCT. These have common objectives and use the same list of 12 health and education indicators to assess compliance, but they take different approaches. This article discusses the characteristics and implementation of all the cash transfer programmes that have been adopted in Indonesia.

## Unconditional Cash Transfer

In March 2005, the government launched an unpopular policy of gradually reducing the fuel subsidy in an effort to safeguard the national budget, since the subsidy accounted for 3.5 per cent of GDP in 2005. Six months later, after another substantial reduction in the subsidy, the government launched an unconditional cash transfer programme

known as Direct Cash Transfer (*Bantuan Langsung Tunai*, BLT). It sought to compensate poor and nearly poor households for the potential negative impact of the increase in fuel prices.

Eligible households were identified by statistics offices using a proxy means testing methodology. The numbers of targeted households in 2005, 2008 and 2009 were 19.1 million, 19.02 million and 18.5 million, respectively (Hastuti et al., 2009). The number of recipients fell because of data verification by the statistics offices and because some targeted households had ceased to be, changed address or moved out of poverty.

Each recipient household received a card containing personal data on the household head (name and address, plus a passport photograph). Beneficiaries had to produce this card to collect the funds at the nearby post offices. Every beneficiary household received cash of Rp100,000 per month (about US\$11), which was transferred quarterly.

The BLT programme was popular among beneficiary households. One study by university research centres revealed that the programme was of significant help to the poor, especially in a time of crisis (Royat, 2009). Sumarto and Suryahadi (2010)

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**The Community Cash Transfer Programme (*Generasi*) provides block grants to communities who must commit to accept the 12 indicators as a condition of their participation in the programme.**

**The design is based on community-driven development principles, whereby communities decide how best to use grants through participatory planning.**

have shown that while the subsidy cuts would have increased poverty by 5.5 per cent, the actual increase in poverty in 2005 was only 2 per cent as a result of the programme.

Implementation of the BLT, however, was opposed in several quarters, including among members of parliament, various non-governmental organisations and university activists, and some political parties. They argued that a direct cash transfer programme cannot help poor households over the longer term, and cannot ensure that the poor will have access to basic services such as healthcare and education. The BLT programme was terminated in 2009.

### Conditional Cash Transfer

In mid 2007 the government launched two CCTs: a household CCT known as the Family Hope Programme (PKH) and a community CCT known as the PNP for a Healthy and Clever Generation (Generasi). The two programmes have the same goals: to reduce poverty, reduce maternal and child mortality, and ensure universal coverage of basic education. Both programmes apply the same 12 health and education indicators as a means of achieving their objectives:

#### Health indicators:

1. Four prenatal care visits for pregnant women.
2. Taking iron tablets during pregnancy.
3. Delivery assisted by a trained health professional.
4. Two postnatal care visits.
5. Complete childhood immunisations.
6. Ensuring monthly weight increases for infants.
7. Monthly weighing of children under three and biannually for under-fives.
8. Vitamin A twice a year for under-fives.

#### Education indicators:

9. Primary school enrolment of all children aged 6 to 12.
10. Minimum attendance rate of 85 per cent for all children of primary-school age.
11. Junior secondary school enrolment of children aged 13 to 15.

12. Minimum attendance rate of 85 per cent for all children of junior secondary-school age.

#### Household cash transfer (PKH)

PKH's design is similar to the CCT programmes implemented in Latin America. The programme is scheduled to run until 2015 and is linked to the planned achievement of the Millennium Development Goals. It aims to reach about 6.5 million poor households.

It is designed to support demand-side improvements in education and health services for poor households, so that children from those households can escape the inter-generational poverty trap. The programme is managed nationally by the Ministry for Social Affairs and was initially implemented in seven of Indonesia's 33 provinces, covering about 388,000 poor households. By 2010, PKH had been extended to 20 provinces and 90 districts, covering some 800,000 households.

*The BLT programme was popular among beneficiary households. One study by university research centres revealed that the programme was of significant help to the poor, especially in a time of crisis (Royat, 2009).*

Like the BLT programme, the targeted households in the PKH were chosen by means testing, and in fact the initial recipients were selected using the BLT beneficiaries list. Eligible households must meet one of the following conditions: have a pregnant or lactating mother; have a child under six years of age; or have a child of primary or junior secondary-school age. Unlike the BLT programme, where the funds were targeted at the heads of household (who were male in almost all cases), the funds must be transferred directly to women in the household.

This may be the mother or another adult female who takes care of the children in

the family. Women are believed to pay more attention to the quality of children's health and education.

Every recipient household receives a quarterly cash transfer distributed through the local post office or its mobile unit. The exact amount received depends on the composition of the household (see the table). The average transfer is Rp1,390,000 per household per year, which is about 16 per cent of the annual income of very poor households (Hicking, 2008). There are no restrictions on to the use of the money.

To support the beneficiary households, one facilitator is assigned to every 200–300 beneficiaries and every 25 beneficiaries comprise a group. The facilitators' main tasks include mobilising beneficiaries, informing them of their rights and obligations, encouraging them to adopt and maintain PKH practices, monitoring eligibility, and updating household data (Hickling, 2008).

Health and education service providers at the village level are responsible for monitoring compliance according to the 12 programme indicators. They are required to report regularly to the sub-district PKH management office. If a household fails to comply with these conditions, benefits are reduced: after one month by Rp50,000; after two months by Rp100,000; and after three months full benefits are suspended.

Several problems have arisen during the implementation of the PKH programme. First, there are certain supply barriers to the achievement of the objective. The programme's success depends on the availability of health and education services. Some poor villages in the areas where PKH is being implemented still have no access to midwives, while senior secondary schools are too distant for children to attend. Second, PKH is a cash-constrained programme: exclusion errors are inevitable, and jealousy and potential conflicts have been evident in some locations. Third, PKH is also a demand-driven programme, and insufficient attention is paid to supply-side factors, particularly services providers, results in poor compliance monitoring by those providers.

### Community Cash Transfer (Generasi)

Generasi was launched at the same time as PKH but has been implemented in different regions. This programme provides block grants to communities who must commit to accept the 12 indicators as a condition of their participation in the programme. The design is based on community-driven development principles, whereby communities decide how best to use grants through participatory planning. The funds can be allocated to improving either the supply or demand sides of health and education services. In the health sector, funds have been used to subsidise delivery expenses, build village health clinics, hire midwives or buy food supplements for babies. In education, funds have been used to buy books and equipment, for scholarships, to hire additional teachers or to build or renovate classrooms.

The funds are transferred to a joint account at the sub-district level, on the basis of the population size and the number of poor people in each sub-district. In the programme's first year, the allocation per village was based on the number of targeted beneficiaries in each village, including the number of children under six and those at primary and secondary school, and the expected number of pregnant women. In the second year, 80 per cent of sub-districts were divided among villages in proportion to the number of target beneficiaries. The other 20 per cent of the funds were distributed among villages on the basis of their performance according to the 12 programme indicators (Olken et al., 2010). The average allocation per village in 2007 was about US\$8,400, and in 2009 the amount was almost twice that.

To support the programme, all villages receive technical assistance in the form of facilitators and training. Facilitators help communities to plan and implement the programme, and to measure achievement of the 12 indicators. To monitor indicators on children's enrolment and attendance at school, facilitators collect data from the schools register. To record compliance with health indicators, coupons are issued for each indicator (four coupons for prenatal checks, two for postnatal and

Transfer Scenarios	
Transfer scenario	Transfer amount per poor family per year (Rupiah = Rp)
Fixed transfer	200,000
Transfer for household with:	800,000
(i) Children aged under six and/or pregnant/lactating mother	
(ii) Primary-school age children	400,000
(iii) Junior high-school age children	800,000
Average transfer per household	1,390,000
Minimum transfer per household	600,000
Maximum transfer per household	2,200,000

Source: PKH General Guidelines, 2007.  
Note: US\$1 = Rp9,000.

so on). When beneficiaries visit the local health centre, service providers stamp the coupon according to the services provided. These coupons are collected by a programme facilitator and reported to the sub-district's programme management.

Generasi initially covered 1,605 villages in 129 sub-districts, with a total budget of US\$20 million. In the second year, the project expanded to cover 2,120 villages in 176 sub-districts, with a total budget of US\$44 million. As distinct from PKH, the Generasi programme is supervised by the Ministry of Home Affairs and partly funded with grants from the embassy of the Netherlands and loans from the World Bank. By design, as a community cash transfer, Generasi has been able to avoid problems such as those that have arisen in the PKH household transfer, particularly problems of supply barriers (because funds can also be allocated for infrastructure and service providers) and exclusion errors (because the beneficiaries were selected at the village level). Nevertheless, this programme is prone to elite capture and corruption. Because of educational gaps and economic inequality between village elites, programme implementers and the poor, the decision making process is easily influenced by the interests of those with more power.

### Conclusion

Conditional cash transfer has an important element that balances protection and

opportunity: it helps the poor cope with current poverty, while at the same time it promotes movement out of poverty by encouraging human capital formation and improving economic opportunities for the poor. Nevertheless, CCTs alone are not enough to ensure that as few people as possible fall into or remain in poverty. CCTs should be part of a comprehensive social protection that includes protective social assistance such as disability benefit and an old age pension, preventative measures such as public works schemes, and promotional programmes that have a positive impact on human development and economic opportunity. ■

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# Improving the Design of *Bolsa da Mãe* in Timor-Leste

***Bolsa da Mãe* was developed by the Directorate of Social Reinsertion (DoSR) through a pilot project in 2008.**

**The programme “aims to support the most vulnerable women and families to finance access to education for their children without a strong impact on the household budget.”**

**The revision of *Bolsa da Mãe* builds on a long struggle for change in a country under reconstruction.**

**South-South learning and cooperation have been crucial in this process.**

***Bolsa da Mãe* is being revised largely on the basis of Brazil’s experience with cash transfer programmes and long-term social protection frameworks.**

**The constitution** of Timor-Leste establishes that “every citizen is entitled to social assistance and security in accordance with the law” (Section 56, Article 1).<sup>1</sup> The government stipulates that three groups are to be prioritised: the elderly, women, and people in situations of poverty and vulnerability.

The pension scheme for the elderly and the disabled was formally defined in 2008. The registry of beneficiaries started in 2007 and the first payment was made in late 2008. The monthly pension for both groups is US\$30 and the payment is to be made quarterly through deposits in bank accounts. Because of operational and infrastructural issues, however, the payments have been processed only twice a year and have been given in cash to beneficiaries.

The social pension for the elderly is universal and is not subjected to means testing. Every citizen aged 60 or more and living in Timor-Leste for at least a year is eligible for the benefit. The social pension for the disabled, similarly, is not means-tested, and all citizens aged 18 years or more who have been living in the country for more than a year are potentially eligible. The additional condition is “a physical or mental disability that entails the complete and definitive incapacity to undertake any kind of labour activity”.

The number of beneficiaries has increased since then from 72,300 to 82,000 in 2010. The management of pensions for the elderly faces problems related to the accuracy of data from the beneficiaries. Currently, the single national identity document is the “electoral card” (EC). The Ministry of State Administration and Territorial Organisation issued the EC to replace the “identity card” (IC) that was issued by the transitional government (under United Nations leadership) for the elections of 2000, when the constituent

assembly was chosen. The EC is supposed to cover all of the population over the age of 17 (or under 17 but married).

Despite the administrative and operational problems facing the pension programmes for the elderly and the disabled, it is the most important current measure for poverty reduction in Timor-Leste. Together with the “cash for work” and children/women grants programmes, these social cash transfers are powerful instruments of social protection and poverty reduction.

## **Improving the *Bolsa da Mãe* Programme**

**The current framework.** In the context of the 2006–2007 crises, with a view to promoting the government guidelines on breaking the vicious cycle of inter-generational poverty and promoting human capital development for the marginalised, the new government decided to implement “conditional cash transfer pilot programmes in the areas of healthcare and education for the poorest families, as they have been successfully carried out in other countries.”<sup>2</sup>

Hence *Bolsa da Mãe* was developed by the Directorate of Social Reinsertion (DoSR) through a pilot project in 2008. The programme “aims to support the most vulnerable women and families to finance access to education for their children without a strong impact on the household budget.”<sup>3</sup>

The programme was implemented by establishing quotas of the same amount by sub-districts (65 in total) and educational levels (primary, pre-secondary and secondary).<sup>4</sup> But this did not take account of differences in population size, poverty levels and educational levels among localities. Local authorities (chiefs of *sucos*), in partnership with technical staff in the Ministry of Social Solidarity, identified the beneficiaries. The potential beneficiaries

1. Article 2 of the same section stipulates that “the state shall promote, in accordance with its national resources, the establishment of a social security system.”

2 and 3. Programme of the IV Constitutional Government of Timor-Leste, 2007–2012.

4. Initially, the local authorities of each sub-district could select and distribute 40 grants for each educational level.

5. The dimensions and sub-dimensions presented here are a preliminary proposal. The vulnerabilities scale and weights will be defined on the basis of specific studies to be conducted with data collected by the 2010 census and the Social Protection Survey (MSS/WB), also to be conducted in 2010.

6. This procedure is very important for targeting. In a situation where quantitative information about the actual number of vulnerable/poor families is unavailable, this information will be based on the total number of households per *aldeia* associated with a qualitative assessment of the poverty level of the *aldeias*.

had to present documentation issued by local authorities and schools. Local authorities and ministry staff also evaluated the candidates' compliance with the eligibility criteria. The main issues facing the programme design, which led to leakage and under-targeting, were:

- Overlapping between local leaders and government staff in identifying and certifying beneficiaries.
- Linear criteria adopted for a quota, based on the territory and educational profile of potential beneficiaries.
- Central government's lack of capacity to carry out systematic monitoring.
- Lack of a comprehensive and measurable concept of vulnerability and poverty.

Despite the government's guidance on the implementation of educational and health conditionalities, only the former were implemented. There are two main problems with this arrangement. The first is that only one or, in a limited number of cases, two children can directly benefit from the programme. This creates perverse incentives that can lead families to classify children as "winners" and "losers": the winners are sent to school and the losers are sent to work. The second problem is that the current design excludes children who have previously dropped out of school or who did not even start schooling.

**The new framework.** The revision of *Bolsa da Mãe* builds on a long struggle for change in a country under reconstruction. South-South learning and cooperation have been crucial in this process. *Bolsa da Mãe* is being revised largely on the basis of Brazil's experience with cash transfer programmes and long-term social protection frameworks.

A project to improve the conceptual framework of *Bolsa da Mãe* is under development by the Ministry of Social Development. The ideas presented below are a partial result of that project.

**The general objectives of the programme were redefined:**

- Short-term: immediate relief from chronic and food poverty, ensuring

a minimum level of food and nutritional security.

- Medium/long-term: breaking the intergenerational cycle of poverty by ensuring access to public education and healthcare for children from vulnerable families.

Under the new scheme the beneficiaries will be identified by means of a vulnerability scale encompassing the following dimensions and sub-dimensions:<sup>5</sup>

- Material poverty: captures income and asset ownership.
- Capacity to provide livelihoods: status of caregivers (single parents, widowed, and so on), adults with capacity to work, level of education.
- Demand for care: number of children and young people, presence of disability.
- Access to services: vaccination status, status of school enrolment for children and teenagers, level of age-grade distortion at school.

#### **Co-responsibilities**

The concept of conditionality used in the previous programme will be changed to the concept of co-responsibility. This means that, in addition to the obligations regarding children's education and health assumed by the parent or caregiver, the state also assumes responsibility for creating and guaranteeing the provision of services. If these services are not accessible to the families, the benefits should not be suspended or cancelled. The co-responsibilities proposed for the new programme are: school attendance by children aged 6 to 14 and vaccination of children aged 0 to 5.

#### **Structure of benefits**

The new programme will focus on all children aged 0 to 14 in vulnerable families, not just on one or two children per family as is now the case. The benefits structure should consider the budget resources available and a lower limit to encourage vulnerable/poor families to join the programme, as well as an upper limit that discourages opportunistic behaviour by families that are less vulnerable/poor. The period covered each

year by transfers will increase from the current eight months to twelve months.

#### **Time in the programme**

The data on the beneficiary families will be updated every two years or when relevant information changes (such as the death, marriage or divorce of a family member). The registration of families that are enrolled but not yet receiving benefits (on the waiting list) will be renewed every two years so that they remain eligible for the programme. Families that are in the programme and those previously registered and eligible will be re-classified each year using the vulnerability scale, and those classified as most vulnerable/poor will join the programme or continue to take part in it.

#### **Operational procedures**

Targeting will be in three levels/stages: (i) geographical, by setting quotas for the territorial level of villages (*aldeias*); (ii) classification of the families by vulnerability level; and (iii) dissemination of the pre-list of beneficiaries' families at the commune level (villages). There will be a pre-defined and open process for evaluating complaints.

Registration will comprise three consecutive operational steps:

(i) re-registration of current beneficiary families; (ii) spontaneous registration of families; and (iii) registration of families through an active search in remote areas and areas where the benefit had low coverage.

The third stage of registration will be based on preliminary data from the 2010 census, analysis of which will lead to the setting of quotas for *aldeias*.<sup>6</sup> This third step will be conducted through an active search for the most vulnerable families in remote areas. Families will be assessed according to the vulnerability scale, and the most vulnerable in each *aldeia* will be included in the programme.

The chief assumption of this new framework is that the territorial quotas and the active search will significantly reduce the intentional (clientelistic) and unintentional (access-related) targeting bias of the current programme. Mechanisms for social accountability and dealing with complaints are also under discussion and will be included in the design of the programme. ■

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# Engaging Parliamentarians in the Social Protection Agenda

**If we are looking for potential drivers of change, parliaments may prove to be a rich source.**

**A key aspect of parliamentarians, which makes them potentially forceful champions of change, is that in a mature democratic system they have a vested interest in delivery and performance.**

**The debate on social protection is dynamic, but it is true to say that national interest in widespread social protection in most lower-income countries has not reached a critical mass, and it is hard to identify champions of the cause within national civil society.**

**This article** appeals for more resources to be devoted to promoting policy uptake and argues that the critical need in the “war against poverty” is not more research but more attention to the adoption of existing research findings by policymakers. The article uses the example of the social protection agenda in southern Africa to investigate the role of parliamentarians as a force for policy change.

It highlights recent experience from an (albeit limited) regional initiative to strengthen the capacity of parliamentarians and parliament staff in order to enable them to better engage in and ultimately drive national social protection agendas.

**Poverty and social protection in southern Africa.** Poverty reduction remains the main economic, social and political challenge facing southern Africa.

According to the United Nations Development Programme (UNDP), only two of the thirteen “mainland” southern African countries (South Africa and Zambia) are considered “very likely” to achieve the Millennium Development Goal (MDG) of eradicating extreme poverty and hunger.<sup>1</sup> Indeed, there must be doubt that even they will meet the overly ambitious target of “achieving full and productive employment and decent work for all, including women and young people.”<sup>2</sup>

In the 1990s, when the MDGs were set, the conventional “war against poverty” was fought on two fronts: development assistance for economic growth was viewed as the main means of ensuring sustainable poverty reduction; and humanitarian assistance, mainly in the form of food aid, was seen as the best way to alleviate poverty

and protect those who were still to reap the benefits of growth.

But the evidence, for southern Africa at least, has shown that economic growth alone has not been effective in reducing poverty. In recent years, several countries in the region (Malawi is a good case in point) have registered respectable economic growth rates but poverty has remained stubbornly resistant.

Because of high rates of income inequality (southern African countries have some of the highest Gini coefficient levels in the world), most of the benefit from economic growth has remained with the rich elite and little has trickled down to the impoverished masses. A common adage is that 80 per cent of growth benefits 20 per cent of the population.

At the same time, growing concerns have been expressed about the emphasis on reactive, short-term humanitarian interventions (especially food aid) to meet the immediate needs of the impoverished and the longer-term impact that such poverty alleviation measures were having on individual households’ ability to improve their livelihoods, as well as on governments’ willingness to embrace difficult policy reforms.

In this context more attention is being paid today in southern Africa to the role of social protection, especially social cash transfers, as a simple and multifunctional instrument that has preventative, protective and promotive benefits for targeted households. Perhaps even more significantly, it has the potential to generate wider pro-poor economic growth.

The current challenge facing proponents of social protection in southern Africa lies

1. Surprisingly, given the importance attached to the MDG initiative, the UNDP’s MDG Monitor states that there is insufficient information to assess the performance of four southern African countries (Democratic Republic of Congo, Namibia, Tanzania and Zimbabwe).

2. The MDG of eradicating extreme poverty and hunger includes three specific targets: halving the proportion of people whose income is less than one dollar a day between 1990 and 2015; achieving full and productive employment and decent work for all, including women and young people; and halving the proportion of people who suffer from hunger between 1990 and 2015.

3. In 2006, a World Bank-commissioned study carried out by the Overseas Development Institute noted that there were 24 ongoing social protection pilot projects in one district of Malawi alone.

4. The SADC Parliamentary Forum, established in 1996 and formalised by the SADC Summit of Heads of State and Government in 1997, is a regional parliamentary organisation representing 14 SADC member parliaments.

in encouraging the adoption of comprehensive social protection coverage in lower-income countries such as Malawi and Zambia (a number of countries with greater fiscal resources, notably South Africa but also, to a lesser extent, Namibia and Botswana, have already established a range of social welfare benefits).

To date, much of the impetus behind the promotion of social protection in lower-income countries of southern Africa has been externally driven, funded by bilateral and international agencies and supported by a range of prominent international NGOs.

The debate on social protection is dynamic, but it is true to say that national interest in widespread social protection in most lower-income countries has not reached a critical mass, and it is hard to identify champions of the cause within national civil society.

Much donor emphasis has been placed on building an evidence base on the effectiveness and efficiency of such instruments. A significant part of donor support has gone to funding small-scale pilot studies.<sup>3</sup> Relatively little funding has gone to translating research findings into policy advice and engaging in policy dialogue.

The RHVP/SADC-PF Policy Dialogue on Poverty and Social Transfers Initiative In 2008, the Regional Hunger and Vulnerability Programme (RHVP) entered into an agreement with the Parliamentary Forum of the Southern African Development Community (SADC-PF)<sup>4</sup> to deliver a two-year capacity building programme aimed at increasing parliamentarians' and parliamentary staff's knowledge and understanding of the role of social transfers in poverty reduction.

Despite widespread recognition of the challenges involved in translating evidence-based policy advice into tangible policy change, the RHVP/SADC-PF policy dialogue is a unique endeavour in this field in southern Africa—where donors remain preoccupied with accumulating yet more evidence by sponsoring pilot-scale studies, and where relatively limited resources are

channelled to the dissemination of policy advice and technical capacity.

Identifying potential drivers or champions of change, and nurturing them into effective lobbyists for and proponents of policy reform, is a key challenge to winning the war against poverty, not just in southern Africa.

But it has proven singularly difficult in practice to identify such individuals in the region, particularly in the context of social protection. One study commissioned by Britain's Department for International Development (DFID) in Zambia in 2006 concluded that there were few, if any (DFID, 2005).

This is partly because social protection was, and to some extent still is, not widely understood and therefore has few champions.

The search for drivers of change tends to focus on the government's executive branch and on civil society. Parliaments, the third pillar in the national political landscape, have been conspicuously absent from this search, as bilateral and multilateral development partners seem cautious to engage directly with legislatures.

There are several valid reasons for this, but perhaps the most compelling is that although most southern African countries now have multiparty democracies, the legislative arm of most governments remains largely ineffective and sidelined, even undermined, by the executive. In most of them, therefore, parliaments have little or no effective authority, especially at the national level.

**Impact.** In aggregate, the parliamentary policy dialogue initiative exposed over 550 parliamentarians and parliament staff to a range of issues related to poverty reduction and the role of social transfers. Additionally, some 200 individual parliamentarians (most of whom had also attended the introductory presentations) underwent more intensive learning provided by in-depth policy dialogue workshops.

The aim of the initiative was to increase parliamentarians' and parliamentary staff's

*A significant part of donor support has gone to funding small-scale pilot studies. Relatively little funding has gone to translating research findings into policy advice and engaging in policy dialogue.*

awareness and knowledge of poverty and the potential role of social transfers to combat poverty. The expectation was that if they had greater understanding of the issues they would be better placed to follow, engage in and ultimately drive the national agenda on poverty reduction and the role of social transfers.

The initiative was endorsed overwhelmingly by those who attended the various events, and results from "before and after" perception exercises at the in-depth workshops indicated a strong positive shift in attitude towards the role of social transfers in poverty reduction.

It was significant to note that on many occasions, participants expressed the view they were not even aware of what social transfer initiatives were under way in their own countries. This is an indication of the legislature's current degree of disengagement from policy making in many southern African countries.

As regards more specific impact, so far the policy dialogue has produced a handful of individual initiatives, such as:

- In Zambia, a parliamentary private members' motion in the National Assembly on 5 March 2010 requested that the government provide a detailed report as to when it plans to scale up the social cash transfer programme nationally.
- In Malawi, participants at one of the dialogues in November 2009 in Johannesburg drafted a private members' motion for presentation in parliament during the May–June 2010 budget session.

In a sense, the demise of parliaments is a self-fulfilling prophecy. While it may be true that in part they do not receive support or attention because they are weak, it is equally true that they are weak because they lack support and attention.

If we are looking for potential drivers of change, however, parliaments may prove to be a rich source. As democracy matures, the legislative branch can be expected to gain ground in influencing policy reform at the expense of the executive and of civil society.

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Recognising the potential of legislatures as champions and drivers of change is the first step in enabling them to realize that potential. A key aspect of parliamentarians, which makes them potentially forceful champions of change, is that in a mature democratic system they have a vested interest in delivery and performance.

There is a huge and largely unmet demand from parliaments for capacity building to increase and improve awareness and understanding

of a wide range of economic and social issues. Effective support for capacity building should be wide-ranging in its coverage of issues and long-term in duration. The dividends from such assistance would not only be better informed and knowledgeable parliamentarians, but also stronger and more engaged parliaments.

■  
**DFID (2005). *Report of Study on Drivers of Change for a National Social Protection Scheme in Zambia*. Lusaka, DFID (Zambia office).**

## Development Policy's Missing Link

**If social protection is to deliver its full potential and stand a chance of helping to tackle structural weaknesses, it needs to be viewed in a broader time frame and integrated into a long-term policy framework.**

**By ensuring that the essential needs of the vulnerable are met, social protection helps break the vicious cycle of poverty breeding more poverty.**

**It can help facilitate state building, promoting social justice and thus enforcing the social contract between the state and its citizens.**

**With its potential** to protect the vulnerable and promote pro-poor sustainable development and economic growth, social protection should move to the heart of the development agenda.

In 2009, as part of the "Mobilising European Research for Development Policy" initiative, the first European Report on Development (ERD) was published under the title *Overcoming Fragility in Sub-Saharan Africa*.<sup>1</sup> The report explored state fragility in sub-Saharan Africa and ways of boosting the resilience of these vulnerable societies so as to enable them to develop in a sustainable way and accelerate their progress towards the Millennium Development Goals (MDGs).

This year's report focuses on social protection. In many ways it is a natural sequel to ERD 2009 because social protection can play a crucial role in reducing vulnerability and bolstering resilience, as well as in promoting pro-poor development.

This is all the more crucial when we consider that, less than five years before the 2015 deadline for the MDGs, we still have some way to go on the poverty-related MDGs. Despite progress in many fields, such as education and access

to water, and the tens of millions of people who have been lifted from poverty in Asia and Latin America, much remains to be done. This is particularly the case in sub-Saharan Africa, the poorest region in the world. Although extreme poverty fell from 58 per cent in 1990 to 51 per cent in 2005, because of population growth the number of poor people rose from 296 million to 388 million.

### Social Benefits

What exactly is social protection? The working definition used for the purposes of the report is that social protection is a specific set of public actions that tackle the vulnerability people may experience during their lives by means of social insurance, social assistance and social inclusion efforts.

It is fairly straightforward to figure out that social protection benefits the direct recipients of such assistance. Its advantages, however, penetrate much deeper than that. Not only do social protection mechanisms help reduce the vulnerability of individuals, and hence of the communities to which they belong, but they also help promote development and economic growth.

This is partly because social protection programmes help ensure that

1. ERD 2009 was written by an interdisciplinary team under the lead of the European University Institute in Florence and was widely disseminated. The present writer was the team's lead author.



developmental progress made in the good times is not wiped out during the bad. Social protection can also act as an “automatic stabiliser” by transferring a certain amount of wealth to the needy and spurring demand during periods of slowing economic activity. In fact, evidence suggests that countries with effective social protection tend to be more resilient to economic shocks and crises.

By ensuring that the essential needs of the vulnerable are met, social protection helps break the vicious cycle of poverty breeding more poverty. As an expression of interclass solidarity, social protection also helps reduce social upheavals and conflicts. It can help facilitate state building, promoting social justice and thus enforcing the social contract between the state and its citizens.

### **African Models**

Social protection is often regarded as a luxury that only wealthy societies can afford, and thus many will be unaware that social protection, mostly informal, has deep roots in Africa. In fact, almost every sub-Saharan African country has some kind of social protection mechanism.

Partly thanks to efforts by the African Union, moreover, in the past decade there has been significant progress in the African social protection agenda. For example, a number of African countries—including South Africa, Lesotho, Namibia, Kenya and Swaziland—have cash transfer programmes, such as old age pensions and child benefits.

The implications of this are that initiatives to promote social protection should not view Africa as some kind of “blank slate”, and should take account of and build on the existing mechanisms and programmes.

Additionally, there is plenty of space for mutual learning. African countries can learn from one another’s experiences, as well as from other successful social protection experiments in developing countries, such as in many parts of Latin America. There is even room for African countries to draw lessons from Europe’s divergent experiences in this area.

Recognising the importance of this kind of mutual learning, we evaluated and

collected case studies from around the world for the ERD, finding that under certain pre-conditions (political commitment, financial sustainability and administrative capacity), social protection is feasible in many developing contexts.

### **Taking the Long View**

When considering social protection, which tends to provide people with temporary support in times of need, it is tempting to think mostly in the immediate and short term. But if social protection is to deliver its full potential and stand a chance of helping to tackle structural weaknesses, it needs to be viewed in a broader time frame and integrated into a long-term policy framework.

In sub-Saharan Africa, however, a number of obstacles stand in the way. For one, the macroeconomic situation in many African countries is not very conducive to this kind of social spending. Most countries suffer from a shortage of resources to pay for social protection. This is partly because they are poor, but also because they do not have effective mechanisms for mobilising domestic resources, such as taxes.

Addressing this shortfall requires the mobilisation of more domestic resources and the reallocation of public spending.

A survey of African stakeholders carried out in the context of the ERD found that most believed that African governments were committed to social protection, although coverage still needs to be improved. This is backed up by the fact that 15 sub-Saharan African countries include social protection in their constitutions. This apparent commitment should make the reprioritising of public spending easier.

In the short term, and for a transitional period, external sources of finance, such as grants and loans from donors, can be used to pave the way. The survey mentioned above, however, revealed that the vast majority of African stakeholders believed that external donor programmes lack sufficient post-implementation follow-up, such as capacity building and long-term financing. This should be borne in mind by the European Union and other donors. ■

*A survey carried in the context of the European Report on Development (ERD) revealed that the vast majority of African stakeholders believed that external donor programmes lack sufficient post-implementation follow-up, such as capacity building and long-term financing.*

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# Social Protection Programming: The Need for a Gender Lens

**Few social protection programmes seek mainly to empower girls and women, or to transform gender relations.**

**In some cases, the only consideration of gender is the inclusion of women as a target beneficiary group. Other programmes ignore gender altogether.**

**The challenges in programme implementation, however, can also have unintended negative impacts on women and gender relations. Because of assumptions about “appropriate” types of work and pay for women and for men, for example, men still receive higher wages and on average women have fewer days of work in public works programmes.**

**When social protection instruments are part of a broader package of social and economic policy objectives, they are more likely to help transform gender relations among men, women, boys and girls.**

**Social protection** is an increasingly popular response to poverty and vulnerability but, despite decades of evidence of the gendered dimensions of poverty and vulnerability, the extent to which social protection has integrated gender has been uneven at best. Many programmes assume that targeting women will, in itself, address gender inequality. While this is an important first step, the role of gender in social protection is more complex. Promoting gender equality is often a secondary or indirect programme objective, and social protection has often reinforced the traditional roles of women and girls, and men and boys.

Few programmes have harnessed the potential for a transformation of gender relations that would improve the impact of programmes on poverty and vulnerability. This article briefly summarises findings from multi-country primary research in Africa, Asia and Latin America on the incorporation of gender into the design and implementation of a wide range of social protection instruments.<sup>1</sup>

## Gender-Sensitive Programme Design

To date, social protection policies and programmes have largely focused on addressing economic risks and vulnerabilities. Little attention has been paid to the social dimensions of risk and vulnerability, such as gender inequality, social discrimination and unequal power relations. For many poor and marginalised populations, social sources of vulnerability are often as important as or even more important than economic shocks and stresses as barriers to sustainable livelihoods and general wellbeing. Moreover, gendered economic and social risks are often multiple and overlapping, resulting in chronic poverty and vulnerability across the life-course and potentially between generations.

Few social protection programmes seek mainly to empower girls and women, or

to transform gender relations. In some cases, the only consideration of gender is the inclusion of women as a target beneficiary group. Other programmes ignore gender altogether. Such sidelining of gender equality has resulted in a narrow conceptualisation of gendered vulnerabilities and a focus on supporting the traditional household responsibilities of women (for example, as the recipients of cash or in-kind transfers).

Other programmes have limited their economic participation to sectors with low growth and limited income opportunities, rather than promoting opportunities in and skills for more remunerative growth sectors.

Indeed, few have prioritised transforming intra-household relations in their design, so as to ensure that increased household income or benefits are allocated equally, or to challenge inequalities in decision making, ownership or divisions of labour in the household.

That said, gender-sensitive design features can be found in several social protection programmes. Research by the Overseas Development Institute has highlighted a range of such features in cash- and asset-transfer programmes in Bangladesh, Ghana and Peru, public works programmes in Ethiopia and India, and subsidised social services in Mexico.

Gender-sensitive cash and asset transfers include:

- Support to girls’ and women’s access to schooling and health facilities, particularly during pregnancy and nursing.
- Linking beneficiaries to complementary services and programmes that aim to address social risks by raising awareness of gender-based violence and promoting access to civic documentation.

1. See <<http://www.odi.org.uk/work/projects/details.asp?id=1020&title=gender-vulnerability-social-protection>> for country reports and synthesis products by ODI and partners.

- Promotion of women's participation and leadership at the community level by training women as community facilitators to act as links between programme implementers and beneficiaries.

Gender-sensitive public works features include:

- Promotion of women's participation through quotas and the provision of equal wages in economic activities.
- Provision of childcare arrangements and flexible working hours for women, given their care and domestic responsibilities.
- Provision of direct cash or food transfers to pregnant or nursing women in labour-constrained households, instead of waged manual labour.
- Creation of community assets that reduce women's time poverty, such as developing fuel wood and water collection sources close to villages, or to compensate for the labour shortages characteristic among female-headed households by using public works labour to support agricultural work on land that is owned privately by such households.
- Participation of women in community discussions of the programme.

### Translating Design into Implementation

Unsurprisingly, the mixed record of integrating gender into programme design has had both positive and negative impacts on gender equality, since programmes are not implemented in a vacuum but interact with pre-existing socioeconomic, institutional and cultural conditions and systems.

At an **individual** level, public works programmes have generated important economic opportunities for women, and have often given women higher income by providing equal wages and opportunities to access better paid and less abusive forms of work.

The challenges in programme implementation, however, can also have unintended negative impacts on

women and gender relations. Because of assumptions about "appropriate" types of work and pay for women and for men, for example, men still receive higher wages and on average women have fewer days of work in public works programmes. In Ethiopia and India the actual provision of childcare facilities is rare, despite its inclusion in the programme design. In Bangladesh, Ethiopia and India, many women can only access their income through their husbands, because they do not have their own bank accounts or because cultural attitudes restrict their mobility to go to the market. Hence prevailing sociocultural attitudes, combined with limited knowledge and capacities among programme officers, mean that the gender aspects of the programme design are rarely prioritised or demanded.

At the **household** level, a wide range of social protection interventions have helped participant households to better meet their immediate basic needs. These have helped meet women's practical needs, given women's responsibility for managing the household.

The **intra-household** impact of social protection, however, has been mixed. Interventions have supported children's schooling and nutrition, but the impact on relations between men and women at the household level is more complex. In Peru, for example, women's involvement in the programme, and in complementary activities such as awareness-raising meetings, has increased their mobility, but in some cases it has also exacerbated their time poverty. Elsewhere, some programmes have created or aggravated tensions in the household, especially where participation has meant a shift in women's roles or responsibilities.

In Mexico and Peru, male opposition has started to decline as men see the programme's benefits. In Peru, linking recipients with complementary programmes and visibly enhancing women's leadership in the community have been critical to reducing gender-based violence and supporting changes in the household division of labour. This is particularly so among the younger generation, with men taking on more domestic tasks when women attend programme meetings.

At the community level, women report that their participation in social protection programmes has increased their household's participation in informal community activities. But evidence suggests that this has had only a limited impact to date on women's involvement in the governance structures of programmes or in community meetings and decision making.

Cultural and social norms still prevent their active engagement in decision making at the community level, and women are also excluded when meetings are held at times that clash with their domestic responsibilities.

### Conclusions and Policy Recommendations

To date, the focus on gender in social protection policy and programming has been uneven, partly because of complex political-economy dynamics. To address this, and given the multi-dimensional nature of poverty and vulnerability, social protection policies and programmes should be informed by a clear analysis of gendered economic and social vulnerabilities.

Social protection programmes with strong and well-coordinated linkages to complementary programmes and services are therefore critical. When social protection instruments are part of a broader package of social and economic policy objectives, they are more likely to help transform gender relations among men, women, boys and girls. Strong linkages are needed, for example, across health and reproductive health services, social development and rights awareness training, access to credit and employment training.

Thus far the implementation of gender-related social protection programme components has been weak, undermining the potential of gender-sensitive programme design. Tackling this requires more attention to political-economy factors, developing tailored and ongoing capacity building for programme implementers, and sensitising programme participants about gender-related programme aims. It is also critical to promote learning within and across countries about promising practices in gender-sensitive design and implementation. ■

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# Changing the Face of Development in India: the NREGA experience

**There are many implementation-related bottlenecks in MGNREGA, but future prospects lie in the fact that the right to work has entered into the popular imagination.**

**The programme enjoys full political consensus; civil society is rising; and local institutions are responding.**

**Apart from providing livelihood security, MGNREGA has managed to create a huge number of community assets that might have multiplier effects. Some studies show that the multiplier effects of employment guarantee schemes are greater than those of cash transfers.**

## India's post-reform growth

and development trajectory has been marked by a disjunction between growth, on the one hand, and employment, income and equality on the other. While GDP per capita has grown faster in the post-reform period than in the period before the reforms (the 1991 budget is considered as the beginning of the reform period), income, sectoral and regional inequalities have increased. The high growth rate of GDP has not been matched by a corresponding growth in job creation. There are also issues of structural transformation.

High growth in the secondary and tertiary sectors is not matched by growth in the primary sector, which absorbs most of the labour force and population. The agricultural sector even recorded negative growth in some years of the reform phase.

The social and political consequences of this growth are far more serious. Apart from causing discontent in the segments of the population that growth has passed by, there are graver consequences such as unstable politics and violent social conflicts. The National Rural Employment Guarantee Act of 2005, aptly renamed as the Mahatma Gandhi National Rural Employment Guarantee Act/Scheme (MGNREGA/S),<sup>1</sup> is an attempt to address some of these issues.

This article argues that the MGNREGA/S is not merely a livelihood-security programme but a new approach to development. It enshrines the principle that a minimum livelihood security is a non-negotiable democratic development right of citizens, whatever the course of development. There are many implementation-related bottlenecks, but future prospects lie in the fact that the right to work has entered

into the popular imagination.

The programme enjoys full political consensus; civil society is rising; and local institutions are responding.

## Coverage and Scale of Operation

The scheme has massive coverage and its public works are some of the biggest in the world. It gives entitlement to the entire rural population, which comprises 72 per cent of the total population (according to the 2001 census). In a state like Bihar, this rises to 90 per cent of the population. About 38 per cent of all rural households were provided with employment in 2009–10. That figure rose from 15.25 per cent in 2006–07 to 38.17 per cent in 2009–10.

## Good Targeting through Self-Targeting

Poor targeting of beneficiaries has been one of the main drawbacks of India's poverty alleviation and social assistance programmes. This scheme is based on the principle of self-targeting, and the approach has worked well. Most of the employment days have been earned by Scheduled Caste (SC) and Scheduled Tribe (ST) households, and by women.

The concentration of poverty is highest among the SC and ST households. About 50 per cent of employment days under the scheme are earned by women workers, though participation varies by state.

## Income Security for Households

Wage income from MGNREGS is a significant part of the annual income of beneficiary households. This amounts to 19 per cent in states such as Rajasthan, Himachal Pradesh, Bihar and Jharkhand (average of four states). The figure varies across states and individual households, depending on the household's number of person-days and the availability of other sources of income.

1. Mahatma Gandhi had a vision of reconstructing independent India on the basis of right to work and autonomous village republics.

### Reduction in Indebtedness and Migration:

The incidence of indebtedness is huge in rural areas. A study of MGNREGS workers in Bihar shows that in 2006, some 38 per cent of these households were indebted; by 2008, only 31.37 per cent of them remained indebted. The ratio of indebted households declined by about seven percentage points in two years (Pankaj, 2008: 130).

Various studies suggest that MGNREGS has resulted in reduced distress and seasonal migration. Migration by beneficiary households declined by about 12 percentage points between 2006 and 2008 in Bihar (Pankaj, 2008: 132). Similar trends have been observed in other states. Moreover, workers were found to be more satisfied while working in their own villages. Even the savings of MGNREGS workers were greater, because there is no cost involved in seeking work.

### Community-Level/Macro Impacts

Community-level impacts are yet to be registered in any significant way, but there are some indications that the employment guarantee scheme has managed to meet some of its macro-level objectives. A huge number of community assets are being constructed, generally related to water conservation, harvesting and rural connectivity, touching every village in the country. There are concerns about the quality of the assets being created, their durability and sectional control of the benefits. But the very numerous water harvesting and water conservation projects are meant to increase the amount of cultivable land and raise agricultural productivity in low-irrigation areas. Farmers who are unable to invest in land development are receiving assistance to bring their uncultivable land under cultivation.

In several places, increased rural connectivity has many effects. Apart from lowering the cost of transport, it increases rural-urban links and helps the rural population secure better prices for their agricultural products.

The empowerment of women is another significant social impact of the programme. A study of women workers in four northern states shows that MGNREGS has had individual and

community-level empowerment effects on women workers (Pankaj and Tankha, 2010). At the individual level, there are three significant effects: (i) income-consumption effects; (ii) intra-household effects (an increased decision making role for women); and (iii) widening choice and capability. At the community level, the high participation of women under MGNREGS, apart from bringing about male-female wage parity, helps correct the skewed labour market conditions. Women's participation in *gram sabha* (village councils) and their joining public works in large numbers will have several other effects. The introduction of what is known as the female "mate system" has been favourable to changing gender relations: for male workers, it is an entirely new experience to work under a female mate.

### Difficulties and Challenges

There are difficulties and challenges in meeting the main goals of MGNREGS. The programme is yet to become demand-driven and civil society-oriented. In most states, employment is being provided on the basis of the availability of work, and the local bureaucracy controls implementation. The small number of person-days does not stem from an absence of demand for employment, but from the inability of the implementing agencies to provide jobs on demand. Additionally, the unemployment allowance that completes the entitlement cycle is not being paid because the demand-based provisions are not functioning, and because of the control of the bureaucracy, which is responsible for the payment of the allowance. Other factors behind the modest realisation of the entitlement are limited awareness among poor households, ineffective grievance mechanisms and insufficient civil society mobilisation.

### Prospects: Cash Transfer versus Employment Guarantee

If the main goal of the MGNREGS is to provide a minimum livelihood security to poor households, is cash transfer a better option? The arguments in favour of cash transfer are strengthened by the weaknesses of implementation. Certainly, it is easier to provide a minimum income through cash transfer than through an employment programme.

*Wage income from MGNREGA is a significant part of the annual income of beneficiary households.*

MGNREGS, however, is not merely a livelihood-security programme, though that is the avowed main objective of the Act. Its context, rising income, sectoral and regional inequality with high GDP growth, and its other macro-level objectives elevate it from merely a cash transfer to a new approach to development. Apart from providing livelihood security, it has managed to create a huge number of community assets that might have multiplier effects.

Some studies show that the multiplier effects of employment guarantee schemes are greater than those of cash transfers (Narayana, Parikh and Srinivasan, 1988). Greater community participation in local development, the strengthening of local institutions and women's participation through empowerment are also entirely new consequences.

Despite the difficulties and challenges involved in running such a vast programme, future prospects lie in the following developments:

- The right to work has entered into the imaginations of ordinary people.
- The programme enjoys unprecedented political consensus.
- Civil society is rising for attainment of its entitlements.
- Local institutions have started responding to demand. ■

Narayana N. S. S., Kirit Parikh and T. N. Srinivasan (1988). *Rural Works Programmes in India: Costs and Benefits*. *Journal of Development Economics*, Vol. 29, pp. 131-156.

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# Innovations in Administering Social Protection Programmes

**The Chile Solidario programme has one of the longest established and most comprehensive integrated management information systems in the field of social protection programming.**

**Mauritius is undertaking an institutional reform strategy with a view to “managing its social assistance programmes in an integrated way, enhancing the targeting performance of such programmes, facilitating more effective economic analysis and monitoring policies, and adopting a more unified approach to welfare to reduce leakages and address under-coverage” (Sooben, 2010).**

## Now that the positive

developmental impacts of cash transfers have been unequivocally proven by evidence from a variety of schemes around the world, and implementation is being scaled up in many instances, attention is shifting towards ensuring the efficiency, transparency and effectiveness of administration.

The panel on social information and delivery systems heard presentations from three countries that are in various stages of implementing comprehensive social information systems. Discussion focused on lessons learned and experience to date.

## Country Experiences

The *Chile Solidario* programme has one of the longest established and most comprehensive integrated management information systems in the field of social protection programming.

Designed as a ‘bridge’ to connect extremely poor and vulnerable families to a variety of social initiatives and services, as well as to strengthen their capacities for social inclusion, *Chile Solidario* focuses on ensuring “inclusion” in administrative structures and on providing easy access to information on the range of programmes that could facilitate a movement out of poverty. Hence the interlinked system, based on a modular infrastructure, has allowed various datasets to be integrated and is accessible by government departments at several levels: municipalities, provinces and regions, as well as by those providing a variety of public services.

Every Chilean citizen has a national identity number and the identification module for the integrated information system draws on such information from the civil registry service.

The module contains personal information (name, age, sex, address), which together with the social and demographic data that form the basis of the Chilean Social Protection Scorecard is used for targeting based on Chile’s preferred use of multidimensional vulnerability criteria.

Consequently, this is known as the Social Integrated Information System (SIIS) and it involves more than just a single registry of actual beneficiaries. It is likely to be of interest to countries in moving towards a more integrated approach to designing programmes based on multidimensional poverty criteria and in devising a delivery system that can facilitate proactive government support and coordination in programming.

The SIIS has been developed as a modular, interoperable system using open-source software tools that limit the overall costs of development and licensing. Thus it is also highly susceptible to scaling up at a relatively low cost (on the design and approach, see Salas Portuguese, 2010), and potentially to customisation in the context of South-South collaboration.

Mauritius’s social protection system encompasses a variety of cash transfer programmes (most notably a basic pension scheme), complemented by active labour market policies. Mauritius is undertaking an institutional reform strategy with a view to “managing its social assistance programmes in an integrated way, enhancing the targeting performance of such programmes, facilitating more effective economic analysis and monitoring policies, and adopting a more unified approach to welfare to reduce leakages and address under-coverage” (Sooben, 2010).

In this context, it is moving towards a single registry system for the management of social assistance programmes provided by the various government departments. Currently, all Mauritian citizens are issued with a national ID number at birth and are then provided a card at the age of majority, but the departments in charge of social protection assistance all use their own databases to manage the beneficiaries of their programmes.

A recent restructuring of central administration has catalysed the debate on a single registry, which is occurring concurrently with a decision to shift the preferred method of targeting away from means-tested income to the inclusion of a set of variables other than income, and to the use of different approaches to address the needs of different constituencies. For example, the new approach is expected to enable the Ministry of Social Security to identify beneficiaries more effectively and to promote social protection of vulnerable groups such as the elderly, children and the disabled.

A new Ministry of Social Integration will be responsible for individuals in more transient categories of need, such as people of working age who are temporarily unemployed and who are believed to be better served by empowerment programmes. Mauritius's Ministry of Social Security already has an electronic network for the registration of beneficiaries, and beneficiaries' records are easily accessible electronically from any of its local offices throughout the island.

Once the cabinet agrees on proposed changes to targeting and institutional reform, the single registry can be made available to other government departments so as to reduce duplication, address under-coverage and ensure a better fit across programmes.

Because of the size of its population, India has the highest mountain to climb, but the unique ID programme has been launched and the first citizens were issued with universal ID (UID) numbers in late September 2010, well within the stipulated timeline of 18 months after

August 2009. Some 600 million more are expected to be registered in the next five years. The UID (now known as Aadhaar) project is being seen as a critical component of India's approach to inclusive growth. Proving identity is a first step towards being able to access public services, and is also central to encouraging empowerment and accountability.

The motivation for this initiative stems largely from the difficulty that many poor and vulnerable citizens face in being able to prove their identity, without which they are typically unable to access services to which they are entitled. The secondary benefit is streamlining registration, making it far more efficient and thus cost-effective for the government to provide public services and for the recipient to access them. This applies to more universal initiatives as well as targeted programmes and conditional cash transfers (see Mukherjee, 2010).

The Indian government has approved the "Know Your Resident" identity check as sufficient for banks to use in meeting the "Know Your Customer" regulations. Those with a UID can then register for a bank account and receive payment at any mini ATM (point-of-sale device) in the country. This is a significant benefit in effective cash delivery in a country with poor infrastructure for the physical transfer of cash, such as bank branches and post offices.

Thus an added bonus of this initiative is to facilitate access to financial services and banking for those who hitherto were unbanked. To lower the potential costs involved in the UID scheme, no cards are issued—only a number—and the biometric fingerprint data held on the system is required for verification to receive payments.

Unlike Chile, India has decided only to use the single registry (which is voluntary for all Indians) for five personal attributes, with the sole purpose of proving identity. Applicants' UID numbers can be authenticated in response to queries on inclusion in various beneficiary databases, to address both inclusion and exclusion errors.

*In India, the Universal ID (now known as Aadhaar) project is being seen as a critical component of India's approach to inclusive growth.*

*Proving identity is a first step towards being able to access public services, and is also central to encouraging empowerment and accountability.*

Registration for the UID can take place at any designated office, including banks, insurance companies and government departments.

### Emerging Issues and Lessons for Other Countries in the South

A single-registry management information system seems the most effective way of reducing many of the administrative costs of social protection programmes. Should other countries be interested, there is a wealth of experience around the world and many opportunities for South-South learning.

One of the biggest obstacles to a single registry in many southern African countries is the absence of a national identity scheme that charts and links, at a minimum, births and deaths. Swaziland, for example, with its relatively small population, decided to introduce a personal identification number (PIN) after the King's decision to introduce an old age grant.

The fact that beneficiaries did not already have a PIN raised questions about eligibility and led to inclusion and exclusion errors. Of course, if such a national identity scheme is launched at the same time as a categorical cash transfer such as an old age pension, it can provide a perverse incentive for falsification of information if cross-checks and biometric attributes are not built into the initiative.

Chile and Mauritius did not have this challenge when implementing/ considering a single registry, but the fact that India is aiming to register 600 million people over the next five years shows that this is far from an insurmountable hurdle. And of course once the system exists, it has benefits other beyond the social protection sphere, such as maintenance of the electoral register.

Another major obstacle to a single registry, and one that Mauritius is likely to face in the coming months, is the potential reluctance of other line ministries and government departments to relinquish their own databases and information management systems, suggesting a need for a clear policy on

advocacy and incentives. Though it seems perverse that agencies of the citizen-oriented civil service should be unable to see the broader benefits of a single registry, they are often preoccupied with their own pre-existing systems. The decision for change can only come from above, and social service-oriented ministries typically have less influence in the executive, so the world will pay close attention to the way in which Mauritius' Ministry of Social Security negotiates this potentially contested terrain.

Questions after the panel presentations raised a number of matters regarding the ease of introducing a single registry and/ or a unique ID number (Mauritius will have both). Concerns about privacy and the management of personal information are not thought to be a major problem in Chile, which has a long history of data collection.

In Mauritius the recently enacted data protection law ensures that the data commissioner has to approve the transfer of any data, even from one government department to another. India's UID Authority has been working to address privacy concerns: a query to the Authority elicits only a yes/no response as to whether individuals are who they claim to be; there are no details and thus no invasion of privacy.

Ensuring ease as well as accuracy in the recording of address data was also raised as an issue, given population mobility and individuals' frequent inability to prove place of residence. In Chile the onus is on individuals to prove their address and to update their records in the address changes.

This is simple, since all departments use the same Social Protection Scorecard for their purposes. In India, if individuals cannot prove their address, their information can be linked to their "introducer" (someone who already has a UID or Aadhaar number and can "vouch" for the person seeking to enrol); thus an approximate idea of their location will be available. This is important given the vast potential use of the UID in other rights-based and targeted programmes in the future, not to mention other unrelated

opportunities. Current discussions have pointed out that there is still some scope for fraud, either through a "colluding introducer" or the use of fake supporting documents, but also that potentially one can only fake an identity once, and this prevents the large-scale creation of "ghost identities".

The introduction of a single registry management information system has its challenges: it requires financial inputs, technology, integration with other government departments (and private sector partners for delivery), and political will. But there are clear long-term gains to a more efficient and effective administration of social protection programmes, for both the government and the beneficiaries.

Chile is one of the countries leading the way in this regard, as is Brazil. Mauritius and India are close behind, and many countries that are in the early stages of introducing cash transfers, such as East Timor, have also deemed the benefits of a single registry to outweigh the costs.

There is a range of experiences on which to build, and thus no country considering this strategy should feel that it has to advance alone.

For presentations, see: <http://pressroom.ipc-undp.org/about/3-day-workshop-on-social-protection/>.

- **Chile Solidario:** Rodrigo Alberto Salas Portuguez, Deputy Director of Institutional Development, FOSIS.
- **Mauritius Unique Identity Number and move towards single registry:** Jayavadee Sooben, Principal Assistant Secretary, Ministry of Social Security, National Solidarity and Senior Citizens Welfare and Reform Institutions.
- **India, Universal ID Number,** Anit Mukerjee, Research Fellow, NIPFP. ■

**For more information on the schemes mentioned in this article, see:**

**Chile:** [www.fosis.cl](http://www.fosis.cl) and <http://siis.mideplan.cl> (the single registry).

**Mauritius:** <http://www.gov.mu/portal/site/ssnsite/>.

**India:** [www.uidai.gov.in](http://www.uidai.gov.in).



# Tackling Poverty in India: The Role of the Unique ID Number

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**On 28 January 2009**, the Unique ID Authority of India (UIDAI) was set up as an “attached office” of the Planning Commission, with a mandate to issue identity numbers to Indian residents. This has become known as the Unique ID (UID) number project. The timeframe for the introduction of the UID number was between September and February 2010, with a target of 600 million voluntary enrolments by 2014.

The first milestone has already been reached: the first 10 UID numbers were given to selected residents in the remote tribal village of Thembli in the state of Maharashtra on 29 September 2010. Preparations for the introduction of the scheme across the country are progressing rapidly.

Every major project of this magnitude has a context. The UID project has its roots in a growing perception among policymakers, as well as in the findings of an increasing body of empirical research, that the benefits of government policies and programmes are not reaching the truly poor and marginalised sections of the population.

At the same time, the amount being spent on social protection programmes is greater than ever before: nearly 4 per cent of GDP is spent by the federal government alone on “flagship” schemes in the fields of poverty alleviation, health, education, nutrition and so on.

One of the critical barriers for the poor with regard to accessing public services is providing documentation to prove who they are. It is also difficult for the government to track whether the benefits of poverty reduction schemes are actually paid to the intended beneficiaries. The primary mandate of the UID project is to create

the conditions for *better and more efficient delivery of public services* and programmes, especially those aimed at tackling poverty and achieving the Millennium Development Goals (MDGs) by providing “a unique identification number linked to the residents’ demographic and biometric information, which they can use to identify themselves anywhere in India, and to access a host of benefits and services. The number (referred to until now as the ‘UID’) has been named Aadhaar, which translates into ‘foundation’ or ‘support’”<sup>1</sup>

The UID provides a multipurpose platform for inclusion. It was recognised at an early stage of the project’s conceptualisation that merely building another pipeline for the delivery of social protection benefits would not lead to “inclusiveness” in the long run.

The evidence from several academic studies and policy reports pointed to the lack of access to formal financial institutions such as banks, post offices and their direct intermediaries as a major reason for rural poverty and indebtedness.

Less than 10 per cent of India’s villages have a bank branch within a radius of five kilometres. The rural poor and the illiterate feel disempowered to engage with the banking institutions, the first obstacle being the inability to provide proof of identity.

For a migrant labourer and his family, this lack of financial access means that sending money home is riskier, apart from the fact that the informal financial market charges a much higher rate of interest on his financial transactions.

For a long-term poverty alleviation programme to be successful, therefore,

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**One of the critical barriers for the poor with regard to accessing public services is providing documentation to prove who they are.**

**The primary mandate of the UID project is to create the conditions for better and more efficient delivery of public services and programmes.**

**India’s UID or Brazil’s Single Registry can be the first steps towards effective grievance redressal mechanisms, which are often ignored in policy discussions on inclusive growth.**

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1. See <<http://uidai.gov.in>>.

*The UID provides a multipurpose platform for inclusion.*

*The rural poor and the illiterate feel disempowered to engage with the banking institutions, the first obstacle being the inability to provide proof of identity.*

it also has to be seen in the context of a *financial inclusion strategy*. The UID project tried to incorporate an approach to facilitating micropayments into its design from its inception. This involves helping poor residents to easily establish their identity to banks, thus reducing the transaction costs for banks to reach out to the underserved

Better public service delivery along with financial inclusion needs a third factor: *greater accountability and transparency* in the use of public resources. Without a focus on governance, neither public service delivery nor financial inclusion strategies would be able to deliver the kind of systemic changes required for the “big push” to end poverty and achieve the MDGs within a realistic timeframe.

Several countries, however, have moved independently towards legal structures for data transparency and disclosure norms since the 1990s. Assuming that the programmes in question can effectively identify all the intended beneficiaries, India’s UID and the Single Registry (*Cadastró Único*) in Brazil, as well as systems in Chile and other Latin American countries, can essentially be viewed as a step towards better standards of governance and accountability, by contributing to open and transparent governance in the delivery of public services.

In this regard, India’s UID or Brazil’s Single Registry can also be the first steps towards effective grievance redressal mechanisms, which are often ignored in policy discussions on inclusive growth.

The UID shares some characteristics with initiatives such as Brazil’s *Cadastró Único* and Chile’s *Sistema Integrado de Información Social* (SIIS), but it differs in that the 12-digit Aadhaar number will be used for all government schemes and programmes but the registry will contain only a person’s demographic and biometric information, not data on income or other multidimensional poverty criteria used for targeting.

It has to be understood at the outset, therefore, that a UID number cannot eliminate targeting errors. If a social protection programme is designed

to include only those below a certain threshold level of income or consumption (“poverty line”), then the UID number per se will not enable identification of all the intended beneficiaries. But once the beneficiaries are identified through other methods, the UID number (along with financial inclusion) can make the social protection programme more efficient by matching the benefits with the beneficiaries while minimising leakage.

If the full potential of the UID as a targeting and delivery platform is to be realised, information on the whole network of government benefits, transfers and receipts needs to be made available by linking all the databases that are now highly fragmented.

This is something that needs to be reflected upon, and lessons can be learned from other countries of the global South.

### **UID-Linked Social Protection for Poverty Alleviation and Achieving the MDGs**

A broad-based, UID-enabled public service delivery mechanism that takes achievement of the MDGs as a benchmark needs several elements embedded into the policy design. We outline some of the major opportunities and challenges below.

#### **Universal and targeted benefits**

As a principle, universal and homogeneous endowments are easier to implement than highly targeted benefits with complex means-testing and eligibility criteria.

It is generally believed that universal endowments would be expensive to implement, but that is mitigated by self-selection and self-targeting, such that the costs remain more or less the same. Universal benefits, however, may not be politically justifiable from the equity perspective, so we are resigned to live in a world in which targeting is the norm and not the exception.

As mentioned above, single registry systems (including the UID, which encompasses more than the set of eligible beneficiaries for programmes targeted at the poor)<sup>2</sup> will, by definition,

2. The UID in its current form “collates” two separate schemes initially envisaged: a National Population Register under the Citizenship Act of 1955, and the Unique Identification Number project for below poverty line (BPL) families of the Department of Information Technology. The UID is open to any individual who is a resident in India and satisfies the verification process laid down by the UIDAI.

have a certain level of in-built targeting errors. With greater communication across databases, however, the targeting errors can be moderated to a large extent. Smaller countries at an early stage of designing a single registry system will have a comparative advantage in introducing the necessary strategy, so that errors of inclusion and exclusion can be minimised in the design of social protection policies.

#### **Addressing the demand and supply side of service delivery**

The experience in most countries that are lagging in meeting the MDGs is that the demand for public services surpasses the supply. The reverse can also be true—that the supply of public services far exceeds the demand.

The reason for the former is obvious: people demand more public services than the countries in the global South can supply, given their budgetary and capacity constraints. On the other hand, there are also instances of empty public schools and health facilities: people voting with their feet and paying for private health and education services because of poor standards in the public system.

A major reason for this mismatch is the lack of data. Government systems are typically constructed and run according to a set of norms that rarely take account of actual needs. For example, from the ante-natal to the pre-school stage (0–6 years), there are at least six major worldwide programmes that relate directly or indirectly to MDGs 1–5, especially those concerned with maternal and child health.

Identifying and tracking families that access such public services can be one of the core value additions of an UID-based system in India. The tracking of beneficiaries and the transfer of benefits through the financial channel (in the case of the cash transfer component of the programme) are both location-independent.

In this context, UID-enabled service delivery systems can generate the data needed to identify where additional programme capacity may be needed, by

tracking the beneficiaries across the country in the maternal and child health programmes.

At the policy level too, awareness can be raised about planning priorities to better match demand and supply for public services.

#### **Leveraging technology for appropriate delivery of public services**

Governments around the world spend considerable sums of money on what are known as “e-governance” systems. In most cases, systems are set up separately for each programme and thereafter these operate as “silos” without an overarching vision of how the systems can fit together to achieve better results in the short and long run.

Once set up, however, they become white elephants with their own protocols of database management, and are slowly rendered redundant because of their lack of “interoperability”—that is, how much of the data generated can be used by other systems across different platforms.

It is important to understand that government bureaucracies generate different kinds of data that are mostly budgetary and administrative.

The data systems, however, rarely record transactions at the level of detail that would be useful in tracking public service delivery or use of the cash transfer system, for example. Having single-registry systems like the UID or the *Cadastró Único* provides an opportunity to re-engineer data collection, management, sharing and analysis under one overarching platform.

In other words, within the delivery mechanism to address a particular MDG, the use of technology and the single registry/UID database can be used to stratify information that is appropriate for each target group.

It is only then that the power of identity can be combined with the power of technology to generate the power of information—to be channelled into better service delivery, broader inclusion and greater accountability. ■

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