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# Social protection for the poor: lessons from recent international experience

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## Summary

Governments and donor agencies increasingly recognise the need to provide protection for the poor against income fluctuations or livelihood shocks. In this context, 'social protection' is an umbrella term covering a range of interventions, from formal social security systems to *ad hoc* emergency interventions to project food aid (e.g. school feeding, public works). This paper synthesises current thinking and evidence on a number of issues around the design and impact of social protection programmes, including: the case for and against targeting resource transfers; alternative approaches to targeting; what form resource transfers should take (cash, food, agricultural inputs); the 'crowding out' debate; cost-efficiency of transfer programmes; whether these programmes meet the real and articulated needs of their 'beneficiaries'; impacts on poverty and vulnerability, and fiscal and political sustainability.

## Acknowledgements

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# 1 Introduction

'Social protection refers to the public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society' (Conway *et al.* 2000: 5). 'Social protection' could reasonably be described as 'safety nets for the new millennium' – broader in its scope and ambition, better conceptualised, politically more acceptable, and with greater potential to achieve sustainable impact on poverty. The rising popularity of various social protection interventions (including safety nets and Social Funds) since the early 1990s can be explained both by political expediency and by rising levels of need. Targeted income transfers to those left behind in the drive for economic growth, or made vulnerable by processes of liberalisation or globalisation (the 'East Asian' financial crisis of the late 1990s), became essential for political stability as well as to contain and alleviate poverty. In poor developing countries, targeted transfer programmes partly fill the gap that in wealthier countries is filled by more systematic social welfare or social security policies, and which in poorer countries was previously addressed – but inadequately, and unsustainably – by a range of untargeted subsidies. More recently, it has been recognised that well designed and accurately targeted transfer programmes can help to smooth consumption by reducing income variability, which is acknowledged to be a major source of ill-being for the poor.

Despite this growing interest in social protection as a policy instrument, experience to date remains limited and fragmented. A lengthy literature exists on public works projects and most Social Funds have been intensively evaluated, but only recently have attempts been made to apply a common conceptual framework to all categories of targeted transfer programmes (see Norton *et al.* 2000; also Holzmann and Jørgensen 2000, on 'Social Risk Management'). Similarly, a number of sub-literatures exists on specific topics – targeting mechanisms, the 'crowding out' debate, fiscal sustainability – though not enough on impact assessment, which remains a serious gap in knowledge. This accumulating literature has yet to be internalised by governments and donors, as evidenced by the reality that few social protection interventions provide an effective safety net for poor and vulnerable citizens. Unlike social security benefits, targeted transfers are not guaranteed in developing countries (citizenship does not confer an entitlement to minimum income security), their coverage is patchy, delivery is irregular, and they are rarely institutionalised. The ethos underpinning social protection in developing countries is one of charity rather than entitlement – humanitarianism, not human rights.

This paper draws together some lessons out of the rapidly evolving international experience with respect to social protection programmes in developing countries. The paper is organised around the following series of questions:

- ***Targeting:*** why do programmes target the poor? What are the ways of doing this? What works best?
- ***Drawbacks to targeting:*** are there negative effects of targeted programmes? Do they lead to stigmatisation?
- ***Cash versus commodities:*** what are the advantages of providing cash or in-kind benefits? What criteria should be applied in design?

- ***Responsiveness to needs:*** do benefits from (national) programmes respond to the needs of poor people?
- ***Effects on support networks:*** do targeted programmes crowd-out informal networks of support? Can they be designed to crowd these in?
- ***Transfer costs and efficiency:*** what is the evidence on costs and benefits of different types of programmes? How can this be measured?
- ***Sustainability and benefits:*** what knowledge exists on the sustainability of different kinds of programmes? What are the frameworks for analysing sustainability?

## 2 Targeting

During the 1990s, public transfer programmes swung away from universal benefits towards highly targeted transfers, mainly because untargeted transfers were seen as squandering scarce resources on the non-poor. But targeting introduces a range of technical (assessment and monitoring) costs, as well as political risks (loss of support for the programme). This section reviews the case for and against targeting, briefly assesses alternative targeting mechanisms, and suggests some criteria for selecting from among these alternatives.

### *2.1 The case for targeting*

The main argument in support of the 1990s shift away from universal benefits towards finely targeted transfer programmes can be summarised as 'the equity of efficiency'. Accurate targeting allocates scarce public resources more efficiently and equitably: reducing benefit leakages to the non-poor maximises public resources available for transfers to the poor. Previously, it was argued, the benefits of untargeted programmes, such as consumer price subsidies, had been disproportionately captured by politically influential but economically secure groups, such as the urban middle classes.

**Table 1 Distribution of benefits from Egypt's general food subsidy**

| Location | Households | Value of transfer (Egyptian Pounds) | Transfer as % of household spending |
|---|---|---|---|
| **Urban** | Poorest 20% | 15.4 | 8.6% |
| | Richest 20% | 18.1 | 3.4% |
| **Rural** | Poorest 20% | 11.9 | 10.8% |
| | Richest 20% | 15.2 | 2.7% |

Source: *World Development Report 1990* (World Bank 1990: 93)

A classic case in point is Egypt's food subsidy programme in the 1980s. Table 1 reveals how, while the poorest rural quintile benefited most in relative terms from this programme – which amounted to almost 11 per cent of their total spending as against just 3.4 per cent of the wealthiest urban quintile – the latter benefited most in absolute terms. The urban rich received 18 Egyptian Pounds worth of transfers, 50 per cent more than the rural poor, whose benefits amounted to less than 12 Pounds. Evidence such as this was used in the late 1980s to make the case against 'wasteful' general food subsidies and in favour of more 'efficient' targeting on the poor.

An unresolved targeting question in social protection is whether to target resource transfers to the chronically poor or to 'vulnerable groups'. Sumarto *et al.* (2000) point out that the concept of a 'social safety net' confuses two concerns: with *poverty* (living below a minimum level) and with *mitigation of risk* (social protection or social insurance to reduce vulnerability to shocks). Disaster relief programmes, for instance, target the vulnerable (emergency food aid to drought- or flood-affected people), rather than the chronically poor – though, importantly, the two categories typically overlap. Similarly, Social Funds were set up to assist groups who were negatively affected by processes of structural adjustment. In reality, though, this category (such as retrenched civil servants) is not necessarily poor or even vulnerable, as their savings plus retrenchment packages can leave them better off than the 'core poor'. For this reason, Sumarto *et al.* (2000) describes Social Funds as 'safety ropes' rather than 'safety nets' – they prevent beneficiaries from falling more than a certain distance, irrespective of whether that person has fallen into poverty. A review of 15 Social Funds found that the newer generation of Social Funds do tend to reach poor communities, but have difficulties in reaching the 'poorest of the poor', mainly because the nature of the projects excludes the non-working poor (Owen and van Domelen 1998: 20).

## *2.2 Negative effects of targeting*

Concerns about targeting relate to the costs that it introduces, and to the stigma that often attaches to being a targeted 'beneficiary' of an anti-poverty programme. These and other negative effects of targeting (e.g. resentment by the excluded) are examined below.

### *2.2.1 Administrative and political costs*

The main arguments against targeting relate to its *administrative costs* and *political risks*.

1. *High costs of administering targeting mechanisms may offset the savings from universal benefits and undermine the fiscal sustainability of the programme.* Restricting coverage by introducing means testing or other eligibility criteria introduces incentives to individuals (programme officials and the general public) to conceal information or change their behaviour in order to access transfers. Identifying eligible ('needy') beneficiaries and introducing monitoring systems to minimise leakages through corruption and fraud can raise administrative costs to such an extent that savings are outweighed by increased costs of means testing and monitoring. This argument applies mainly to means testing, and is usually resolved by resorting to different targeting mechanisms, such as observable proxies for need (e.g. age or disability), self-targeting (e.g. a work requirement), or community-based targeting (to circumvent information asymmetries).
2. *Loss of political support from those excluded from benefits by targeting may undermine the political sustainability of the programme.* Since poverty and political marginalisation tend to go together, allowing the politically influential (and tax-paying) non-poor to benefit from broad-based anti-poverty programmes may

secure a greater degree of public support than narrowly targeted programmes.[1] To put this another way: in order to 'buy' political support from those whose taxes pay for anti-poverty programmes and who have the political voice to lobby for these programmes, it may be necessary to accept a degree of leakage of benefits to these groups. However, there are counter-arguments. Moore (1999) has criticised the assertion by Gelbach and Pritchett (1997) that the non-poor will only support programmes from which they personally benefit, arguing instead that there are many other motivations, ranging from altruism to guilt to enlightened self-interest (fear of social unrest and violent crime) (Toye 1999).

Two further problems with targeting that have received too little attention before now need to be highlighted: (3) *fragmentation* or duplication of benefits among the target population; (4) the implications of *poverty dynamics* for targeting.

3. *Targeted programmes risk fragmenting interventions to such an extent that coverage becomes either patchy or duplicated.* An example is rural public works in Malawi, which comes in two forms: food-for-work (funded by WFP), and cash-for-work (under Malawi's Social Action Fund [MASAF]). Both programmes use geographic targeting, operating in subdistricts that are defined as food insecure each year in terms of estimated kilocalorie availability. The result is a concentration of both programmes in some parts of rural Malawi, and the neglect of others. While some communities enjoy access to both food- and cash-for-work projects, equally needy Malawians in neighbouring subdistricts are left out.
4. The case for targeting has been severely weakened recently by empirical evidence on *poverty dynamics*, which finds that substantial numbers of people in poor countries move in and out of poverty from season to season and year to year.[2] Not only does this evidence contradict conventional views of the poor as a static, well-defined category, it also implies that accurate targeting in these circumstances requires constant reassessment of beneficiaries' income or wealth status, with obvious costs for programme design and monitoring. Targeting 'the poor' is an attempt to hit a moving target.

It is clear that any form of targeting inevitably results in the exclusion of some groups of poor people (see the Jamaica case study in Box 1), and that which targeting error should be minimised is not a technical question but a political choice. In practice, most policymakers are preoccupied with minimising inclusion errors by restricting coverage, rather than ensuring maximum coverage of poor or vulnerable population groups. Yet if social protection is to provide effective assistance to those who need it most, then Cornia and Stewart's (1993) proposal that exclusion errors should be weighted three times higher (admittedly a subjective figure) than inclusion errors, deserves serious consideration. A recent review of India's Public

1 'The beneficiaries of thoroughly targeted poverty-alleviation programs are often quite weak politically and may lack the clout to sustain the programs and maintain the quality of the services offered. Benefits meant exclusively for the poor often end up being poor benefits' (Sen 1995: 14).

2 See the *Journal of Development Studies* special issue on 'Economic mobility and poverty dynamics in developing countries', August 2000. In one case, McCulloch and Baulch (2000) found that only three per cent of households in rural Pakistan remained below the poverty line in all five years of a longitudinal panel survey, while 56 per cent were poor for some of the period (1–4 years), but not continuously.

Distribution System found that large numbers of the poor were excluded for various reasons from accessing subsidised food through the PDS, which substantially undermines its food security objectives. While the 'orthodox reformers' response (exemplified by the World Bank) is to recommend targeting PDS benefits more narrowly, Swaminathan (2000: 110) has taken the opposite position, arguing in support of 'broad targeting or near-universal provision' in order to maximise the likelihood that the poorest citizens are reached.

**Box 1 Targeting and coverage of Jamaica's safety net programme**

Spending on social safety net programmes in Jamaica accounted for 1.2% of GDP in 1999, well below the Latin America and Caribbean average, where expenditures range from a high of 9% in Chile to a low of 0.7% in Haiti. Jamaica's array of 45 safety net programmes includes income transfers, labour market programmes, school-based programmes, subsidised drug programmes, indigent housing and social fund-type programmes. An assessment of Jamaica's safety net revealed several deficiencies. Many labour market and other programmes are not designed to target the poor, while those that are fail to reach a significant share of their target group. The 'outdoor' Poor Relief Programme only covers 14,000 people annually, Operation Pride (indigent housing) only benefits 225 families. In school feeding and food stamp programmes, quotas are used to limit the total payout of benefits. For school feeding, only 20% of lunches in a particular school can be offered free of charge, regardless of how many children are poor, while in the food stamp programme, quotas are operated at the Parish level.

Despite the array of programmes, the existing safety net has low coverage of the poor. Formal social insurance systems like the national pension scheme is limited to those in formal sector employment who have made contributions, excluding the majority of the elderly who do not have a contribution history. The biggest safety net programme in Jamaica, the Food Stamp programme, provides benefits to approximately 170,000 individuals, but reaches only 15% of the households in the poorest quintile, while 67% of these households have never applied for food stamps. The Poor Relief Programme has reached only 5–7% of households in the poorest quintile in recent years. Only 14,000 out of 440,000 poor benefit from Poor Relief. A high proportion of the poor is unaware of the range of benefits available, or unable to afford the direct and indirect costs (travel, time, etc.) to obtain these benefits. Finally, Jamaica's social safety net programmes provide beneficiaries with a very low level of benefits that do not protect the poor adequately. The Food Stamp programme pays J$75 (US$1.88) per person per month, which can purchase less than two loaves of bread. The average Poor Relief benefit is slightly higher, but benefits are strictly rationed and eligibility criteria are not rigorously applied. The low level of benefits contributes to the high proportion of poor who do not even apply for their entitlement.

Source: World Bank (2000b)

### *2.2.2 Stigmatisation*

Social stigma has been used explicitly as a self-targeting device. During the 1983/4 African drought, food aid was provided in Kenya in the form of subsidised yellow maize – a less preferred cereal that is often used as animal feed – in order to discourage the non-poor from accessing this transfer. Another self-targeting strategy is to introduce 'access costs' such as requiring applicants to queue for benefits. Apart from the time costs that this imposes, wealthier individuals might think twice about queuing alongside the poor to claim relatively small cash or in kind benefits.

Advocates of food-for-work have argued that paying workers in kind rather than in cash has the effect of concentrating applicants among the poor, since food-for-work is universally stigmatised as 'poor person's work'. Food-for-work has also been used explicitly as a means of reaching poor women, drawing on project experiences which suggest that women are more willing to work for food than are men – or that men monopolise employment for cash wages when this is available, and 'send their wives' to do food-for-work. Evidence that food-for-work is more stigmatising than cash-for-work comes from Malawi, where men tend to dominate waged employment on the Malawi Social Action Fund (MASAF)'s Public Works Programme, whereas women dominate on WFP's food-for-work projects (Devereux 1999b).

Interestingly, recent evolutions in thinking about the nature of poverty and the objectives of developmental interventions have made the exploitation of social stigma for self-targeting increasingly problematic. Conceptual shifts away from narrow, income-based poverty measures towards broader understandings of poverty as social exclusion, powerlessness, and so on imply that anti-poverty interventions should address these multiple dimensions, in addition to income poverty or food deficits. Self-targeting mechanisms that rely on social stigma, thereby reinforcing the social marginalisation of transfer recipients, are incompatible with current definitions of development that emphasise social objectives (e.g. empowerment and dignity) as well as economic objectives.

Similar objections have been raised against paying public works employees very low wages – or even paying them in food rather than cash – and requiring them to undertake physically hard and socially demeaning manual labour. On South Africa's Community Employment Programme (CEP), for example, labour disputes occurred on many projects over wage rates and employment conditions (Everatt *et al.* 1996). CEP workers agitated over their right to form trade unions and to receive benefits that other employers were legally required to provide. CEP workers also questioned the use of labour-intensive methods of construction for roads and other infrastructure. In a country where capital-intensive technology (mechanical graders, etc.) is the norm, labour-intensive public works is widely perceived as pointless and degrading.

A related point to note is that targeting can create resentment among excluded groups. Even when very small benefits are transferred, resentment at being excluded – directed either at beneficiaries and/or project administrators – often tends to dominate over stigmatisation of beneficiaries. For instance, refugees from drought or conflict are often resented by the host population because refugees become eligible for benefits (from UNHCR or WFP) that are denied to locals who might be living in comparable poverty and vulnerability. Similarly, initial efforts to target benefits on AIDS orphans in Africa have given way to targeted support to all orphans – i.e. not selectively targeting AIDS orphans only – and to families caring for orphans, rather than providing benefits to orphans but denying these benefits from carers' biological children. It is important to avoid beneficiaries being stigmatised by their neighbours because they are regarded as receiving special treatment.

### 2.3 How to target?

In many cases, targeting modalities are intrinsic to the intervention – supplementary feeding targets undernourished children, pensions target the elderly, public works projects use self-targeting. In these cases, the choice of instrument dictates the type of targeting, and the problem of selecting a targeting mechanism does not arise. It should also be noted that rarely, if ever, is a single targeting method used: typically, a combination of mechanisms is used to divide the population into eligible and ineligible groups. For example, the first level of targeting is always geographic – transfers are made to people residing in a defined area.

Targeting mechanisms can be grouped into three broad approaches (following Grosh 1995):

- *individual assessment* of need (e.g. means testing or nutrition status)
- *group characteristics* as proxy indicators of need (age, sex, disability, location, etc.)
- *self-targeting* (where needy individuals select themselves).

A fourth approach is sometimes added to this list, although strictly speaking it is a 'channel' rather than a mechanism for beneficiary identification (Sharp 1997):

- *community-based targeting* (where communities are directly involved in identifying beneficiaries, using eligibility criteria of their own devising).

#### 2.3.1 Individual assessment

Individual assessment is the most objective and accurate targeting mechanism in theory, but the most difficult and expensive to implement in practice. In its strictest application, individual assessment is based on valuing a person's assets plus income. This is also known as 'means testing': applicants report their income and if it is deemed to be inadequate it is supplemented by public transfers. The 'moral hazard' problems are obvious – applicants have powerful incentives to conceal or understate their actual incomes – and these incentive effects can induce behavioural distortions, such as choosing leisure to claim unemployment benefits. For these reasons close monitoring is essential, which is not needed under untargeted or self-targeted programmes. Besley and Kanbur (1993: 71) hypothesise that the administrative costs of any targeting mechanism rise 'at an increasing rate' as targeting accuracy increases, which sets up the 'targeting dilemma'. On the one hand, it is important for efficiency and equity reasons to minimise leakages to the non-needy; on the other hand, higher administrative costs reduce available transfer resources, again creating efficiency and equity losses (see the Mozambique case study in Box 6).

#### 2.3.2 Group characteristics

Identifying common characteristics of poor people or 'vulnerable groups' as proxy indicators of need is simpler and cheaper than individual assessment and is less susceptible to incentive distortions – an individual's age or sex is more readily observable, and more difficult to conceal or change, than their income or consumption. But this approach is only as good as the specific proxy selected, and is highly susceptible to both types of targeting error. Nonetheless, where financial and personnel resources are limited, or where time is short, it is common practice for transfers (such as emergency food aid during a drought) to be distributed on the basis of proxy indicators of vulnerability. Instead of evaluating each individual case, every person displaying the required characteristics is declared eligible for assistance. Of course, programme designers do not assume that all members of these groups are equally vulnerable; rather, this classification method allows for rapid and inexpensive identification of large numbers of beneficiaries at the cost of an acceptable degree of leakage to the non-needy.

Proxy indicators used during emergencies are often *geographic* ('disaster zones'), but in non-emergency contexts are more often *demographic* in that they isolate sub-groups of the population on personal characteristics such as age, sex, or disability. During recent African droughts, governments and donors have adopted a combination of geographic and demographic proxies: food-for-work for able-bodied adults in designated drought-affected areas, plus free food distribution to 'vulnerable groups', including female-headed households, pregnant and lactating women, elderly people living alone, the chronically ill and disabled, and undernourished children. In the Namibian case study discussed in Box 2 below, old age was used as a proxy for vulnerability during the 1991/2 drought emergency, but this proxy was seen to have serious limitations.

Panama's Emergency Social Fund (*Fondo de Emergencia Social*, or FES) includes a number of social assistance projects to *Grupos Vulnerables*. These categories of socially marginalised people are defined by their vulnerable demographic, economic or social status. These groups include street children, the elderly poor, marginalised youth, disadvantaged women, abused women, and indigenous populations (Lindert 1999).

Evidence suggests that demographic categories, such as female-headed households and the elderly, are crude and often inaccurate proxies for poverty (see Box 2). Are female-headed households more vulnerable (and therefore more in need of social protection) than male-headed households? The empirical evidence is mixed. An analysis of household income and expenditure data in Uganda found no correlation between sex of household head and the probability of being poor. Other studies in Africa and South Asia emphasise the distinction between *de jure* and *de facto* female-headed households, where the former (e.g. widows and abandoned mothers) are more likely to be poor than the latter (e.g. women whose husbands or sons are working elsewhere but supporting them with regular remittances).

**Box 2 Experiences with targeting by demographic proxy indicators**

***Female-headed households in Ethiopia***

A study of food aid targeting in Ethiopia found that a policy decision to target female-headed households had been implemented accurately: female-headed households received four times as much food aid than male-headed households. However, various indicators of food insecurity revealed that sex of household head was a poor proxy for need: female-headed households were no more likely to be food insecure than male-headed households.

Source: Clay *et al.* 1998

**_The elderly in Namibia_**

During the 1991 southern African drought, a number of 'vulnerable groups' were identified as requiring assistance in the form of food-for-work or free food aid. In Namibia these designated vulnerable groups included children under five, pregnant women, and the elderly. However, it was soon realised that the elderly were among the least vulnerable groups in Namibia, because the social pension already provided everyone over 60 with a reliable source of income that was not correlated to the drought. Accordingly, the elderly were removed from the list of eligible groups for drought relief transfers.

Source: Devereux and Næraa (1996)

### *2.3.3 Self-targeting*

Self-targeting is popular with designers of safety net programmes because it is (theoretically) cheaper and more accurate than most alternatives. Instead of identifying beneficiaries by (costly) individual assessment or (crude) proxy indicators, the poor are encouraged to select themselves. The mechanism is to raise the cost of accessing the resource relative to its benefit, either by lowering the *value of the transfer*, and/or by raising the *costs of accessing the transfer*. Any transfer that comes with a work requirement, such as public works projects, exploits self-targeting by imposing significant 'access costs' (time and effort) and the value of cash wages or food rations paid is usually low. Other 'access costs' include opportunity costs (income forgone from other activities) and social stigma (for example, as noted, less preferred staple cereals such as yellow maize are often distributed or subsidised on food aid programmes, to deter those who consider this to be 'poor people's food').

Both self-targeting mechanisms used most frequently on public works projects – the work requirement and a low wage rate – present problems. The work requirement discriminates against labour-constrained (e.g. female-headed) households. A study of food-for-work in Ethiopia found that participation was highest among eligible households with labour to spare, while many food insecure households were unable to participate in labour-demanding food-for-work activities (Gebremedhin and Swinton 2001). Introducing gender quotas in an attempt to ensure that women benefit directly from employment creation and resource transfers can backfire in various ways. Unless programme designers understand the local sociocultural context, attempts to achieve gender-enhancing outcomes could achieve precisely the opposite in practice. For example:

1. women in poor households work longer hours than men (Haddad and Hoddinott 1997), so adding to their workload exacerbates their 'time poverty' (Cagatay and Razavi 1998);
2. since public works employment is typified by heavy manual labour, the effort required by undernourished women can be excessive (Jackson and Palmer-Jones 1998);
3. men might use their wives' earnings from public works as an excuse to renege on their responsibility to provide food and other necessities to the household.

The problem with setting the wage rate on public works projects below the local wage rate, to discourage all but the poor from applying for employment, is that rural poverty is often so widespread that the food ration or cash wage would need to be set unfeasibly low to equilibrate the number of applicants (labour supply) with the project budget or available workplaces (labour demand). In rural western Zambia, where 86 per cent of the population lives below the poverty line, job rotation was introduced on a drought relief cash-for-work programme in 1995/6, to maximise coverage while offering a fair wage within the donor's budget constraint (Devereux 1999a). A similar dilemma confronted the Employment Guarantee Scheme in Maharashtra (MEGS). Until 1988, this public works programme provided low-wage employment to any citizen who applied for work, but a sharp wage hike was implemented in mid-1988 to comply with statutory minimum wage legislation, and job rationing followed (Ravallion *et al.* 1993). Unless the state or donor has an unlimited budget, a choice must be made between two policy options: maximise coverage of the poor by adjusting the wage rate downwards (wide coverage, low wage), or pay a socially acceptable wage rate but reach fewer beneficiaries (limited coverage, higher wage) (Ravallion 1991).

### *2.3.4 Community-based targeting*

Community-based targeting exploits the personalised knowledge that community members have of each other, so that the community itself takes responsibility for identifying vulnerable individuals and households. The community is better placed to verify eligibility criteria (such as livestock ownership, or household income levels) that programme administrators cannot directly observe. The community may even select beneficiaries without resorting to proxy criteria (e.g. through discussion), which can provide a more holistic means of assessing poverty or vulnerability. Devolving some responsibility for targeting to communities is also participatory in the sense that it increases local control over programmes. So community-based targeting is appealing on grounds of both accuracy and equity – exploiting local knowledge and involving beneficiaries directly in the decision-making process.

However, no community is homogeneous, and this targeting channel is vulnerable to capture of benefits by local elites. Community 'representatives' might be drawn from powerful families who do not prioritise the interests of their poorest and socially marginalised neighbours, but instead divert benefits to their families and allies. Moreover, devolving responsibility for allocating public resources to the community itself can politicise the process, in a way that using 'objective' criteria avoids. Asking community representatives to select local beneficiaries divides communities and creates resentment by the excluded against the community's targeting committee. So community-based targeting can solve the *technical* problems of targeting (setting eligibility criteria and identifying beneficiaries), but at the cost of potentially introducing new *political* problems.

It is not surprising, therefore, that experiences with community-based targeting in practice have yielded mixed results. Evidence from Ethiopia has demonstrated variable results from one region to another, suggesting that the likelihood of success is highly contingent on local sociocultural contexts. In Malawi in 2000, attempts to use community structures to identify beneficiaries of 'Starter Packs' (packages of fertiliser and seeds) failed because communities refused to divide local residents into 'needy' and 'not needy', arguing: 'We are all poor'.

A South African Commission on Child and Family Support was dismissive of the potential for 'the community' or 'community leaders' to decide on eligibility for programme benefits. 'In South Africa's divided communities, this would have limited success…."communities", especially in poorer rural areas, are so greatly under the domain of traditional leaders with extensive powers of patronage that caution should be exercised in this approach. The track record of civic associations in impartial decision-making is likewise uneven' (Lund 1996: 31).

Five lessons emerged from a recent review of several case studies of community involvement in delivering social safety net benefits across four continents (Conning and Kevane 1999).

1. Communities vary in their ability to mobilise information and implement effective monitoring systems;
2. Communities vary in their willingness to target the poor;
3. Population movements and other externalities between communities may be substantial;
4. National political economy effects are likely to be complex;
5. Evaluating community-based targeting poses several special problems.

Sharp (1997: 92) proposes four requirements for effective use of community-based targeting:

1. *transparency* – community members should know how targeting decisions were made;
2. *information* – about resource allocations to the community, and targeting rules;
3. *accountability* – decisions can be challenged, and representatives can be replaced;
4. *audit* by an impartial outside authority.

A final limitation of community-based targeting is that many people who are most in need of social protection are socially excluded individuals and are not members of well defined and organised 'communities' at all. Examples include beggars and street children (e.g. AIDS orphans), who are a rapidly growing category in many countries, but need to be identified by other targeting mechanisms.

# 3 Cash *versus* in-kind transfers

There are both theoretical and pragmatic reasons for transferring resources to the poor in the form of cash, food, other commodities (e.g. fertiliser), or services (e.g. training). In practice, though, 'objective' (theoretical) and 'subjective' (ideological) perspectives overlap and are often confused. For example, certain transfer programmes are 'fashionable' at some times and unpopular at others – subsidies on food and agricultural inputs are a case in point. As our earlier discussion on targeting revealed, it should not be assumed that the backlash against subsidies and the shift towards narrow targeting during the 1990s necessarily represents progress towards greater efficiency and equity in programme design and delivery of benefits.

The obvious pragmatic reason why food aid deliveries tend to be preferred to cash transfers (even to farmers whose primary livelihood activity is food production) is that donors are more likely to have food surpluses than cash to disburse. However, this reality is often reinforced by a prejudice on the part of policymakers against giving people choices. There is a widely held belief that cash given to poor people (especially to men) will be squandered on alcohol and other non-essentials, whereas food (especially if targeted at women and children) will translate directly into nutritional gains. Both these assumptions are questionable. Men do not necessarily prioritise their own interests above the basic needs of their families, and since food is fungible it can be sold or exchanged for other commodities instead of consumed.

Table 2 lists several advantages and disadvantages of cash and food transfers.

**Table 2 Cash *versus* food transfers**

| Food | Cash |
|---|---|
| **Advantages:**<br>• Donor food surpluses are available<br>• Immediately increases food availability<br>• Directly addresses nutritional deficits<br>• Can be self-targeting<br>• Usage favours women, children, elderly<br>• Lower security risk | **Disadvantages:**<br>• Limited donor resources available<br>• Losses from inflation<br>• Can be used for non-food consumption<br>• More difficult to target<br>• Usage favours men<br>• Heightened security risk |
| **Disadvantages:**<br>• High transport and storage costs<br>• Losses from spoilage and theft<br>• Less easily exchanged than cash<br>• Disincentive effects on production<br>• Competes with local markets and trade | **Advantages:**<br>• More cost efficient<br>• Allows more beneficiary choice<br>• More fungible than food<br>• Encourages production<br>• Stimulates the market |

Source: Adapted from Peppiatt, Mitchell and Holzmann (2000:37–38)

One of the critical (theoretical) elements in the choice between cash or food transfers is the level of market development and integration. Where commodity markets are well functioning (e.g. in much of South Asia and southern Africa), it makes sense to provide transfers in the form of cash rather than food – this creates virtuous circles in terms of stimulating, rather than undermining, food production and trade. This analysis derives from Sen's 'entitlement approach' to poverty and famines, which argues that livelihood shocks should be addressed by income transfers rather than by food aid, since restoring *access* to food is more sustainable than food handouts.

Conversely, where commodity markets are weak, food transfers may be justified. In the Horn of Africa, where people walk for days to markets in the dry season and rural trader networks are limited, injections of cash into isolated communities would only be inflationary – raising prices beyond the reach of the poor by boosting demand for food without increasing supplies.

Experiences with cash transfers in emergencies are more extensive than is generally realised, and evaluations have invariably been very positive. Cash was distributed to drought-afflicted people in Sudan in 1948 – even earlier in colonial Tanganyika, Rhodesia and China – and to cyclone-affected people in Bangladesh in the 1970s. Cash was also distributed to selected communities during the 1984 droughts in Ethiopia and Sudan, though only in areas where markets were functioning and roads plus transport infrastructure were adequate. More recently, cash transfers have been included in packages of assistance to food insecure households in northern Ghana (1994), flood-affected families in Bangladesh (1998), farmers affected by Hurricane Mitch in Guatemala and Nicaragua (1998), Albanian families hosting Kosovar refugees (1999) and people recovering from the war in Kosovo (2000) (Peppiatt *et al.* 2000). In all of these cases, evaluations concluded that the cash transfers had achieved the primary objective of enhancing access to food and alleviating hunger, with little or no negative side-effects such as food price inflation. Several evaluations highlighted the merits of allowing beneficiaries to exercise choice over how to allocate their transfer income.

Apart from food and cash, other transfers made through social protection programmes include agricultural inputs, training and education. In many cases, these are attempts to induce changes in behaviour – e.g. 'food-for-education' – where the perceived benefit of taking up a service is not sufficient on its own to attract participation by the poor. In other cases, non-food goods and services are offered (or are requested) as a form of compensation for market failures.

For example, a survey of public works participants was conducted in southern Malawi soon after repeated devaluation of the Malawi Kwacha and the phasing out of fertiliser subsidies had raised the price of fertilisers to farmers by sixteen times in three years. Both male (47 per cent) and female (43 per cent) respondents in this survey expressed a strong preference for payment in fertiliser, with food being the second choice for women and cash being the second choice for men (Devereux 1999b: 49). Similar investigations into preferred mode of payment by public works participants in Malawi are reported in Box 3.

**Box 3 Let the people choose? Payment preferences on public works programmes**

Evaluations of public works programmes in Malawi have found that participants' preferred mode of payment varies seasonally, geographically, and by gender. 'At various times of year, people are interested in receiving different forms of payment. Before harvest participants want maize and after harvest they are interested in other items, especially seeds and fertiliser' (Dil 1996: xv). A majority of cash-for-work participants surveyed on Malawi's Social Action Fund (MASAF) expressed a preference for payment in cash around harvest time, in agricultural inputs around planting time, and in food during the hungry season (Zgovu *et al.* 1998). Women were more likely to request payment in food than men, most of whom favoured cash. Communities further from roads and towns (i.e. far from functioning markets) were more likely to request food, while closer proximity to roads or towns was associated with higher preferences for cash. Responding to these articulated preferences would require greater flexibility on the part of donors and governments than has been practised in the past. A fully responsive public works programme would provide cash-for-work after the harvest, inputs-for-work in the planting season, and food-for-work in the hungry season.

## 4 Do benefits respond to needs?

This question raises the issue of impacts, which are difficult either to assess or to attribute to specific policies or programmes. In the context of social protection interventions, two positions are commonly found in the literature. One sees social protection in purely welfarist terms, as immediate consumption support with little other benefit or impact. The second position argues that welfarist interventions can have long-term productive impacts. This argument is grounded in the 'linking relief and development' literature, which asserts that transfer programmes such as rural public works can achieve both immediate consumption enhancement and longer term asset creation goals, through the creation or maintenance of community-level infrastructure.

Much of the debate on the potential impacts of social protection programmes is confused, because of a failure to separate social *welfare* support to economically inactive groups (such as people with disabilities) from *productive* support to economically active groups. No distinction is made between transfers to the working poor and transfers to the non-working poor. It is certainly true that the multiplier effects of injecting cash or food into poor communities has invariably been underestimated. A recent study of PROCAMPO, a cash transfer programme in Mexico, concluded that these transfers generated income multipliers in the range 1.5–2.6 (Sadoulet and de Janvry 2001). A study of safety net programmes in three southern African countries found that poverty headcounts among beneficiary households fell significantly for as long as the income transfers continued. The higher the value and the longer the duration of the cash transfers, the more beneficiaries were able to acquire productive assets, to invest in farming and informal economic activities, to save, and to provide assistance to their relatives. Secondary beneficiaries of these safety net programmes included not only the participant's immediate and extended family, but also local traders and others who benefited from income multipliers generated by spending of transfer income (Devereux 2000a).

However, it is also true that most social protection programmes are too piecemeal and *ad hoc* to impact sustainably on poverty reduction, or even to meet the basic need of the poor for a certain degree of stability and consumption security. Social protection programmes that have achieved greatest success in terms of asset creation and facilitating investment as well as consumption by beneficiaries are those that are guaranteed and regular or permanent, such as the Employment Guarantee Scheme in Maharashtra, or the social pension in Namibia.

### *4.1 Project food aid*

Project food aid – food-for-work, school feeding, and supplementary feeding – is one of the traditional mechanisms for delivering social protection. An independent review in 1995 of the World Food Programme's non-emergency food aid concluded that project food aid had achieved very little in terms of long term nutritional impacts or reduction of household food insecurity. The review recommended that project food aid should be phased out and that WFP should concentrate entirely on emergency food aid interventions in future. In response, WFP commissioned a series of studies investigating the developmental benefits of project food aid, arguing that the long-term benefits of food aid were more significant than the immediate nutritional impacts (WFP 1998). Among the developmental impacts claimed for project food aid are the following:

- *School feeding* enhances learners' ability to concentrate in class, thus raising their educational performance and ultimately their future income earning potential. The main benefits from school feeding programmes may be in terms of child enrolment, attendance and performance rather than child nutrition. In 1995, WFP effectively scrapped the child nutrition objective in favour of the development objective, when it was agreed that evaluations should assess only whether or not school feeding programmes raised enrolment levels, not nutritional status (WFP 1995).

- *Supplementary feeding* enhances the physical and mental capacity of children and significantly improves their prospects of enjoying a long, healthy and economically active life (Behrman 1995; Scrimshaw 1997).
- Investment in productive assets (agricultural or rural infrastructure) through *public works projects* is expected to increase and/or stabilise food production, reducing food insecurity and ultimately eliminating the need for food aid altogether.

Box 4 summarises key findings from various impact assessments of project food aid, many of these coming from a USAID evaluation of 38 years of its food aid interventions in the Sahel. While cautioning that it is extremely difficult to measure and attribute long-term outcomes, the evaluation concluded that mother-child health programmes had mostly 'failed', food-for-work projects had produced a diverse spread of results, and only school feeding programmes had achieved positive long-term developmental impacts (USAID 1997b).

School feeding programmes might enhance the educational performance of learners from poor households in three related ways. The first is through improving long-term nutrition and health status, which is expected to improve learners' attendance and performance at school. The second is through short-term nutritional effects: a morning meal improves cognitive capabilities (short-term memory and concentration) in class. The third route is economic: poor households receive school meals for their children as an in-kind income transfer, and they might be more inclined to send their children to school primarily to access this benefit.

Cueto *et al.* (2000) tested for all three effects – improved nutrition, cognition and attendance – on a school breakfast programme in rural Peru. No significant differences were found between learners who received breakfasts at school and those who did not in terms of nutritional status, memory and achievement, though this might be explained by the fact that hunger was not prevalent in the study area, and children in the 'control' group had often had breakfast at home. Other studies have found significant differences in cognitive performance between malnourished children who received a morning meal and those who did not. The Peru study did find that attendance rates were higher, and dropout rates lower, in schools providing meals than in those with no school breakfast programme.

**Box 4 Impacts of project food aid**

***Food-for-work***

While food-for-work projects in the Sahel were successful in targeting food to the poor, their longer term developmental impact was mixed. Some useful infrastructure was created – tree-planting to stabilise dunes being one success story – but in other cases this infrastructure was of low quality and not sustained. Food-for-work projects that succeeded emphasised the creation of worthwhile assets and were designed in a 'bottom-up' manner, with local communities selecting their projects (USAID 1997b: 14). This policy conclusion was supported by evidence from Indonesia, that assets created under food-for-work were better implemented and maintained when local communities chose the projects themselves (USAID 1997a).

***School feeding***

School feeding programmes often generated positive long-term results. The objectives of school feeding programmes are to increase school enrolment and attendance rates, improve the nutritional status of learners, and improve the cognitive or academic performance of learners. Evaluators of a large programme in Burkina Faso 'found evidence that this program had a positive impact on children's nutrition, attendance, and academic achievement' (USAID 1997b: 2). Attendance increased by 10–20%, promotion rates were significantly higher and drop-out rates significantly lower, and pass rates in exams averaged 45% in programme schools as compared to 38% non-programme schools.

***Supplementary feeding***

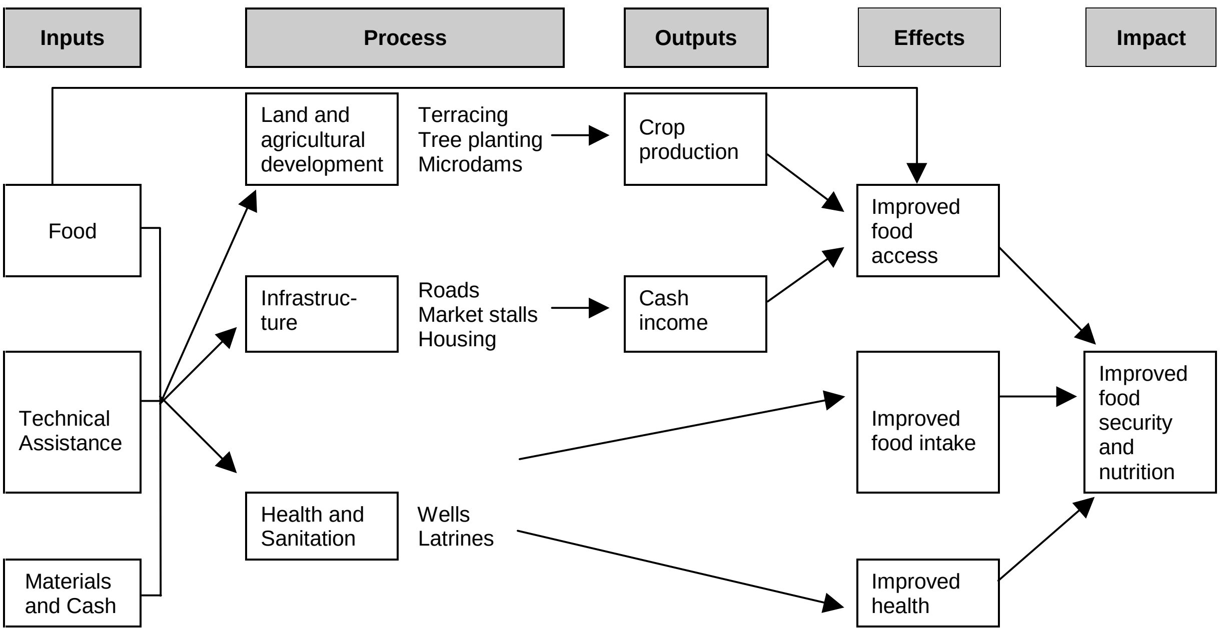
Maternal and child health (MCH) programmes in the Sahel generally failed to achieve their primary objective – positive nutritional impacts, especially on young children. By the late 1980s, most of these MCH programmes were closed (USAID 1997b: 2). Similarly pessimistic conclusions were reached elsewhere. An evaluation of Indonesia's Family Nutrition Improvement Program concluded that 'except for the most severe cases, food aid has had a limited effect on malnutrition' (USAID 1997a: 10). A critical evaluation of WFP's impact in Malawi concluded that WFP's supplementary feeding programme had achieved little in over twenty years, either to reduce levels of undernutrition or to address the underlying causes of food insecurity (FSG 1994).

Food- or cash-for-work projects respond to two distinct sets of needs: the need of the poor for food or cash, and the (perceived) need of the local community for the assets created by the project (see Figure 1). Most public works projects list among their objectives the creation of assets that will enhance the livelihoods of participants, for instance by strengthening rural feeder road networks to integrate markets and reduce food price seasonality.

The largest food-for-work project in Africa is WFP's Project Ethiopia 2488 – 'Rehabilitation and development of rural lands and infrastructure'. 'The long-term objectives of the project are to stabilise land productivity, increase farmers' incomes and improve food security…through the rehabilitation of degraded land, protection of the environment, and the development of infrastructure in selected communities of chronically and severely food-deficit areas' (WFP 1997: 7). The overarching goal is to 'drought-proof' the rural economy of Ethiopia.

In Tigray, which suffers from structural food deficits, the government has more ambitious aims for food-for-work. In 1993 Tigray had 500,000 food aid beneficiaries, including refugees from Eritrea and South Sudan, but the plan was that this figure would fall by 50,000 every year (except in drought emergencies), towards a target of 100,000 'core' beneficiaries by the year 2000. The rehabilitation of refugees and farmers displaced by the civil war (after 1991) involved the government settling farmers and giving them inputs on credit – oxen, ploughs, tools, fertiliser, seed. Also, by selecting food-for-work projects – terracing, microdams – that enhance agricultural productivity and reduce farmers' dependence on variable rains, the aim is to raise food production towards self-sufficiency, thereby steadily reducing the need for food-for-work interventions.

**Figure 1 Impact tree for rural public works projects** [3]




### *4.2 Social security programmes*

Conventional social security systems start by covering urban workers, and later extend to other categories of citizens. Brazil's social security system, for instance, started in the 1930s, and included retirement and disability pensions, and medical services. These benefits were extended to rural workers only in 1971, to domestic servants in 1972, and to self-employed workers in 1973 (Draibe *et al.* 1995). Since these benefits are based on compulsory employer and employee contributions, the unemployed and others outside the formal job market are excluded from the system. However, social security is complemented by a range of welfarist public safety net programmes, including food and nutrition support since the mid-1970s (e.g. a universal School Lunch Programme) and several means tested transfers to the poor. Guaranteed basic benefits to all citizens whose income falls below a certain level is formalised as a right of citizenship in Brazil's Constitution of 1988. Brazil now has a comprehensive social protection system for all its citizens,

3 Adapted from Riely and Mock (1996: 15).

though there are concerns about its fiscal sustainability and ongoing political debates about its coverage and the cost to taxpayers.

In India – as elsewhere – social security has historically been concentrated on the organised sector, even though over 92 per cent of the workforce (and 96 per cent of women) in India are active in the unorganised sector. All social security benefits accrue to the organised sector, but 39.7 per cent of the population live below the poverty line, all of them subsisting in the unorganised sector (Subrahmanya and Jhabvala 2000: 18).[4] Non-contributory pension schemes are found in certain Indian states, such as Kerala. Kerala also provides social insurance for about half of its workers in the unorganised sector. Tamil Nadu provides means tested benefits for ±17 per cent of households below the poverty line – social pensions for the elderly, widows, people with disabilities, and agricultural labourers. Targeting efficiency for these programmes is high and overhead costs are low (3–5 per cent).

The social pension scheme in South Africa and Namibia has sustained millions of poor people for decades, providing a regular monthly income that transforms elderly relatives from being economic burdens in their old age into net contributors to household income. Social pension income reduces the incidence and depth of poverty, smooths consumption through difficult times, and supports not just pensioners but their unemployed relatives and grandchildren. An interesting feature of the pension is that, though targeted on an economically inactive group, it plays a vital role in funding education of grandchildren, so it achieves productive impacts indirectly, through informal redistribution to secondary beneficiaries (Devereux 2001).

### *4.3 Safety nets in Southeast Asia*

The global financial crisis of the mid- to late-1990s prompted a series of 'emergency social safety net' responses by policymakers in the worst affected countries of Southeast Asia (Box 5). Mostly these took the form of scaling up or extending the coverage of existing safety net provisions, but in some instances, entirely new programmes were introduced. Public works was especially popular, since it was seen as appropriate to provide employment to retrenched workers, who had lost not only their incomes but also their dignity and sense of self-worth. An assessment of the safety net response to the financial crisis concluded that it was most effective where it built on pre-existing well-functioning programmes, where institutional and delivery capacity of central and local agencies was able to cope with rapid expansion, where budgetary allocations were adequate, and where redistributive and poverty alleviation efforts were driven by political will and commitment (World Bank 2000a: 59). However, these conditions were not always met. 'Even where public spending on safety nets increased significantly, the impact on poverty was limited for several reasons. These included the absence of safety nets before the crisis, response lags, institutional problems, and low levels of spending relative to the scale of poverty' (World Bank 2000a: 48).

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[4] The unorganised sector includes: people employed in establishments that are not covered by social security legislation; casual labourers; own-account workers (including small farmers); work-seekers (e.g. migrants); and people who can no longer work.

**Box 5 Safety nets and the East Asian crisis**

***Republic of Korea***

Government spending on safety nets rose steeply, from 0% to 5% of the budget in 1996–98 – by far the highest share in East Asia – but was still inadequate to deal with the poverty created by the crisis. Safety net programmes reached only 7% of the 'new' poor, and overall coverage of the poor fell from 30% before the crisis to 16% in 1999. The major component was a public works scheme that employed 410,000 participants in mid-1999. Despite paying wages below the prevailing unskilled wage rate, the programme did not achieve its goal of guaranteeing a job for all who wanted one – there were 700,000 applicants in January 1999. Women were often excluded from public works.

***Indonesia***

The budgetary share of safety nets rose from 0% to 3.6% by 1998. Two new safety net programmes were introduced: a targeted rice subsidy scheme (OPK) and a public works scheme (Padat Karya). However, their coverage and impact have been limited. OPK transfers 10kg of rice to poor households at subsidised prices, equivalent to just 5–6% of the average income of a household of five living at the poverty line. Over one in three poor households have participated in the public works scheme, but there have been significant leakages to the non-poor.

***Thailand***

Government spending on safety net programmes rose only slightly between 1996 and 1999, from 2.6% to 2.8% of the total budget. Although Thailand has several established income transfer programmes, such as social pensions and family allowances, these are deliberately underfunded, because the government believes in not undermining informal safety nets with formal interventions. (In fact, available evidence suggests that informal transfers contracted during the financial crisis.) The social pension, for instance, covers less than one-third of subsistence requirements (and its real value is falling because it is not adjusted for inflation) and reaches only one-third of the target group.

Source: World Bank (2000a: 61)

### *4.4 Social Funds*

Although the focus of this paper is on social protection programmes rather than Social Funds, there are useful lessons to draw from experiences with Social Funds, especially in terms of whether these interventions respond to the needs of the poor. In principle, Social Funds provide support to small-scale projects that directly benefit the poor, including social and economic infrastructure, as well as productive activities and microfinance. 'Social Funds are demand-driven; they are meant to respond to the expressed needs and priorities of communities' (Salmen 1999: 1). Social Funds prioritise community participation to ensure that programmes are demand-driven, to promote sustainability, and to achieve empowerment of beneficiaries (Alcázar and Wachtenheim 2000).

A review by the World Bank of 15 beneficiary assessments of Social Funds in eight countries concluded that they 'overwhelmingly reflect felt needs of poor communities [which] confirms the demand-driven nature of Social Funds' (Owen and van Domelen 1998: 18).[5] This finding was qualified by a recognition that community responses reflected their understanding of the limited range of activities that Social Funds are designed to undertake. A more fundamental range of needs remains unmet, because they are not addressed by Social Funds. 'Rarely mentioned by beneficiaries were such obvious needs as increased income or employment, communications, access to credit, agricultural technical assistance/inputs, etc. which one might expect to see if questions had been structured in a more open way.…the menus of eligible projects may not be inclusive enough and projects may be too narrowly defined' (Owen and van Domelen 1998: 19). Few beneficiary assessments asked what else should be included on the menu of Social Funds. This 'misses an opportunity to adjust investments more closely in alignment with *true demand*' [emphasis added]. Where this question was asked – in Peru – requests for more productive investment projects came strongly to the forefront.

## 5 Crowding out

Concerns that targeted transfer programmes could undermine well-functioning informal social safety nets have been articulated ever since the extent and social and economic significance of these informal mechanisms were first observed. Some writers argued that public transfers might simply 'crowd out' informal transfers, leaving programme beneficiaries no better off than before (Cox and Jimenez 1995). Even worse, once these social relationships have been disrupted and the transfer programme is terminated, the poor might be unable to restore these vital relationships and be left *worse off* than before (a dependency effect).

In reality, the actual significance of these adverse consequences will vary according to the level of informal transfers to the poor before the formal intervention, the value of benefits transferred by the intervention, and the responsiveness (or 'elasticity of supply') of informal transfers to the intervention. Each of these empirical facts is complex to assess, and is not readily amenable to generalisation.

One trend that can be generalised is the empirical observation that 'traditional' practices of 'vertical' redistribution (transfers from rich to poor) are rapidly disappearing throughout Africa and South Asia, or are becoming increasingly monetised and commercialised. Sen (1983) argued that poor communities in Africa and Asia were facing a period of heightened vulnerability during the transition from a 'moral economy' to a 'market' economy, since traditional social insurance mechanisms were being undermined before fully functioning efficient markets and state social security systems were in place.

'Horizontal' redistribution (among the poor) remains widespread but usually has nominal impact on livelihoods, being practised for social as much as economic reasons. Theorists of 'social capital' argue that people invest in building relationships partly so that they can draw on these connections when they need assistance, so informal safety nets might be expected to increase in significance during economic crises. In practice, however, the ability of the poor to draw on informal support networks is weakest precisely when it is most urgently needed. Informal transfers provide a small and generally ineffective safety net, not least

[5] The eight countries were Armenia, Bolivia, Chile, Ecuador, Malawi, Peru, Senegal and Zambia.

because transfers among the poor are limited by poverty and are susceptible to covariate risk (e.g. a drought that undermines livelihoods across a farming community).

For example, Adams (1993) found that poor Malian farmers gave away up to 20 per cent of their harvested grain to relatives, friends, visitors and destitutes. During the annual *soudure* (hungry season), informal transfers of food covered approximately one in four production deficit days, with most families giving as well as receiving assistance. In difficult years, the extent of this redistribution increased in response to need, but during drought crises these transfers contracted because harvest failures left no surplus for redistribution.

In non-emergency contexts, there is evidence from South Africa that remittances to elderly relatives tends to decline once they become eligible for the government's social pension. In cases where the value of transfers to the poor is sizeable, beneficiaries who were previously net recipients of informal remittances often repay their relatives by informally redistributing their transfer income, becoming net remitters. Conversely, a recent evaluation of Mexico's PROGRESA found no evidence that participants experienced a decline in informal remittances (Cord 2001).

To the extent that informal transfers occur mainly within poor families and poor communities, concerns that formal transfers will displace these informal support systems is misguided. Informal transfers might help the poor survive a livelihood shock, but only at the cost of impoverishing their relatives and neighbours, and only if the pool of resources available for informal redistribution is adequate to allow effective risk-sharing. Informal transfers will not assist the poor to escape from chronic poverty. Even if formal transfers do displace and undermine informal transfers, this displacement occurs mainly within the poorest sections of the population, so the poverty impact of the transfer is positive even if part of the benefit is (in effect) captured by relatives of the target group.

Crowding out can also occur at the *intrahousehold* level, if household members other than the intended beneficiary derive transfer benefits either directly – by appropriating resource transfers – or indirectly, by reallocating household resources away from the transfer recipient. An example of benefit *appropriation* comes from the Grameen Bank's microcredit programme. A (controversial) study found evidence that poor women who were targeted for loans were sometimes forced to hand over the cash to their husbands, who frequently did not repay them, leaving the women indebted and worse off than before (Goetz and Sen Gupta 1996).

An example of the *reallocation* effect is provided by school feeding programmes, which have long been plagued by controversy over whether providing a meal at school has any nutritional impact, or simply results in the child being deprived of a meal at home. If some form of substitution does occur, then school feeding is effectively an income transfer to the household – which diverts the resources saved to other purposes that may benefit other household members – rather than a direct consumption enhancement to the targeted child. In effect, the public transfer of the school meal 'crowds out' the private allocation of food to the child within the family. However, the extent to which this substitution of free meals at school for meals at home actually occurs is not well known. One study from a Philippines school meals project found that reallocation was surprisingly limited. Almost 90 per cent of calories consumed as school meals were additional to calories consumed at home, implying a highly significant 'flypaper effect' (the extent to which a transfer 'sticks' to the intended beneficiary) (Jacoby 1997).

This finding should not be taken as a general rule. Other studies (of supplementary feeding programmes, for instance) have found that substitution of transfer benefits for household resources is significant, which substantially reduces the consumption or nutritional impact of these programmes on targeted individuals. But such findings should not be taken as evidence that the programme has 'failed'. Often this reallocation behaviour is a rational response by a poor household to the receipt of incremental food or income, and reflects internal decision-making processes that are intended to benefit the household as a whole.

## 6 Transfer costs and efficiency

As a rule, designers of safety net programmes aim to transfer as high a proportion of total programme costs as possible to the beneficiaries or participants themselves, to maximise cost-effectiveness and transfer efficiency. The ratio of benefits to total costs is also known as the 'alpha-ratio'. A review of 30 transfer programmes in Latin America (including targeted food stamps or cash transfers, general food subsidies, primary education and primary health care) found that administrative costs ranged from 0.4 per cent to 29 per cent (Grosh 1995). Targeted programmes had higher administrative costs, though less than might be expected – individual assessment added just 8 per cent to total programme costs. However, targeted transfers achieved significantly more progressive incidence: the poorest two quintiles received 72 per cent of these benefits but only 33 per cent of the benefits transferred through general food subsidies.

Concern with cost-effectiveness can be taken so far that it becomes counter-productive. As illustrated by the case study of 'GAPVU' in Mozambique (Box 6), unless adequate monitoring systems are installed, information asymmetries are likely to be exploited by both officials and claimants for illicit appropriation of programme resources.

Poverty that is related to personal characteristics ('idiosyncratic risk') – e.g. old age, chronic illness, physical or mental disability, being widowed or orphaned – can be addressed by social insurance in the West, but by social assistance in poor countries, if it is addressed at all. Personal circumstances that leave individuals unable to work and provide for themselves cannot be addressed by programmes that enhance access to employment or to productive assets; instead, welfarist income transfers may be the only realistic intervention.

A review of contingency-related social assistance programmes concluded that they achieved better (i.e. lower) cost-benefit ratios than other safety net interventions, including public works programmes (Cornia 1999: 5). One reason for this is that employment programmes introduce management, supervision and training costs, as well as requiring equipment (e.g. tools for road construction) that consume budgetary resources and reduce the alpha-ratio well below the 0.9 or above achieved by pure income transfer programmes – typically to the range 0.6–0.8. The trade-off here, between investing in the quality of the work undertaken on the project, and maximising the proportion of programme funds transferred as income to the target group, is a policy choice rather than a technical question.

**Box 6 Inefficient cost-effectiveness: GAPVU in Mozambique**

Between 1992 and 1997, GAPVU was a highly regarded safety net programme that transferred small amounts of cash (equivalent to £1.50 per month) to destitute urban households in Mozambique's 13 cities and towns. GAPVU – a Portuguese acronym meaning 'Office for Assistance to the Vulnerable Population' – was means tested. Destitution was defined in terms of a poverty line and local *bairro* (community) leaders visited applicants to assess their living conditions. Mothers whose children were registered as malnourished at health clinics were also eligible. When GAPVU started there were an estimated 60,000 destitute households in Mozambique, but following a period of rapid expansion, a total of 93,000 beneficiaries were registered by 1996.

A 1993 survey found that 90% of beneficiaries in Maputo were either destitute or 'absolutely poor'. At that time the share of administration in total expenditure was 13%. However, as GAPVU expanded so targeting accuracy deteriorated. GAPVU's Director, reacting to pressure from donors to maximise cost-effectiveness, refused to increase staff levels as beneficiaries increased, and by 1995 administration costs had fallen to 7%. GAPVU appeared to be performing extremely well in cost-efficiency terms. But lack of supervision of project staff and monitoring of beneficiaries resulted in massive leakages to the non-poor and petty corruption by state officials responsible for implementing GAPVU. Some officials or community leaders levied unauthorised 'registration fees' which they kept for themselves. Nurses recorded healthy babies as malnourished in return for a 50:50 split of the mother's GAPVU income. In one town a mother 'lent' her malnourished baby to six friends who all registered the infant for GAPVU purposes. In some towns officials created lists of 'ghost' names and pocketed the money that was supposedly paid out to the non-existent beneficiaries.

In June 1997 GAPVU was suspended and many officials were dismissed, including the Director (who was briefly imprisoned). All beneficiaries were cross-checked and re-registered, and the numbers immediately fell by two-thirds, to 34,700. GAPVU's name was changed, and in December 1997 it was relaunched as 'INAS' ('National Institute of Social Action'). Some basic procedures were also changed: for example, nurses are now remunerated per week rather than per child registered, to eliminate incentives for over-registration. Double-checking and random verification visits by senior staff were introduced, increasing programme costs: administration now absorbs 15% of the total budget.

Despite its apparent cost effectiveness, GAPVU's drive to expand coverage and minimise exclusion errors had succeeded only in introducing massive leakages. Losses to ineligible claimants and corrupt officials were estimated at 50%, so the proportion of programme budget actually transferred to urban destitutes was closer to 40% than 93%. Paradoxically, the best way to maximise GAPVU's efficiency and targeting accuracy was to increase administrative overheads, not to cut them.

Source: Devereux (1999a).

Contingency-related social assistance also achieves better targeting accuracy, and greater political acceptability, than other transfer programmes to the poor. Targeting accuracy is higher because eligibility criteria based on physical characteristics, such as age or disability, are more easily observed than criteria based on income or asset ownership. Political support is higher because the tax-paying public is typically more sympathetic towards the 'deserving poor' (those who are physically unable to work) than the able-bodied poor (who are often castigated as 'lazy').

It has been argued that Social Fund projects rate very highly in terms of cost-efficiency, at least by comparison with government programmes: 'Social Funds appear to deliver services at a lower overhead cost compared to public agencies' (Bigio 1998). While it is true that Social Funds can achieve high alpha-ratios, this is deceptive, because many costs are transferred from project implementers to project participants. 'The apparently low administrative costs of recent [Social Funds] is certainly in part due to the fact that the "demand-driven" character of most of the schemes requires the costs of project design and preparation as well as, in many cases, implementation, to be borne by NGOs and community organisations' (Reddy 1998: 40). Sometimes communities are required to demonstrate their 'commitment' to the social fund by making a compulsory contribution equivalent to 20 per cent of total programme costs, either in kind (e.g. labour) or cash. This contribution is not factored in to calculations of cost-efficiency.

# 7 Sustainability

Sustainability can be defined and analysed in many different ways, and relates to either the programme itself or the benefits it is intended to provide. Three aspects are considered here.

1. *Fiscal sustainability*: is the funding basis for the programme secure, and will it remain secure even if the programme expands in the future?
2. *Political sustainability*: does the programme have the support of politicians and influential groups, and will it retain this support in the future?
3. *Sustainability of impacts*: if the transfer is withdrawn, will beneficiaries retain a higher standard of living than before or will they return to their pre-transfer state?

It is also important to note the corollary: that a dependence on social protection transfer benefits is not necessarily 'unsustainable', provided the fiscal base and political support for the programme are secure. An example is a well defined entitlement to a social pension, which has been provided to the elderly poor in South Africa since the 1940s and in Namibia since the 1970s (see Box 7), and is also an established intervention in many Indian states and several Latin American countries. The social pension guarantees a viable livelihood to millions of elderly poor citizens in these countries.

## *7.1 Fiscal sustainability*

It is often argued that comprehensive social protection programmes are affordable only in relatively wealthy countries with a high degree of income inequality, to provide the basis for fiscal redistribution. Conversely, in low-income countries with relatively low inequality, the fiscal base is inadequate for large-scale redistribution from the wealthy minority to the poor majority. Moreover, political support for social protection measures tends to be lower, relative to support for 'developmental' interventions, where a high proportion of the working age population is living in poverty. The contrasting cases of social protection in Malawi and Namibia (Box 7) illustrate both these points.

**Box 7 Fiscal sustainability of social protection programmes in Namibia and Malawi**

***Social pensions in Namibia***

Namibia is a middle-income African country of 1.5 million people with a bimodal income distribution – a wealthy elite alongside a poor majority. Namibia has implemented a social pension scheme, which entitles all its citizens aged 60 and above to a regular cash transfer (currently equivalent to £16 per pensioner per month), since the 1970s. The social pension is non-contributory, and is funded entirely out of government revenues. After Namibia achieved independence in 1990, the colonial system of racially discriminatory pension payments was declared unconstitutional, and pensions were equalised at a rate between the previous top (White) and low (Black) rates. The new government also took steps to extend coverage to previously neglected groups of elderly citizens, notably those living in isolated rural communities. Rising numbers plus rising marginal costs of registering pensioners dramatically increased programme costs, and by 1998 it accounted for 4.8% of total government spending. A study by the World Bank concluded that the social pension was fiscally unsustainable (Subbarao 1998). However, it could equally be argued that questions of fiscal sustainability are matters of political choice rather than economic necessity (Devereux 2001).

***Safety nets in Malawi***

Landlocked Malawi has a population of 10 million and is one of the world's poorest countries. In 1998 the donor community argued that Malawi's steadily deteriorating economic situation and rapidly rising food insecurity necessitated the urgent introduction of a large-scale, long-term social safety net programme for the poorest 20% of the population – approximately two million people. The World Bank led the process of conceptualising and designing the safety nets package, with financial support promised mainly by DFID and the EU. The initial proposal was costed at $28 million per annum over 20 years. This raised obvious questions about the financial and political sustainability of such a long-term commitment on the part of the donors, most of which operate on 4–5 year planning cycles and are subject to unpredictable budget changes as domestic political and economic conditions change. Interestingly, it was the Government of Malawi – one of the world's most aid dependent countries – that was most sceptical about the proposal, arguing that if the donors could afford to spend so much on safety nets they should invest this money in 'developmental programmes' instead. In October 2000, the Deputy Finance Minister suggested in a PRSP meeting with donors that Malawi's Poverty Reduction Strategy Paper should not focus on the poor, because 'they can't get any poorer'; instead, policy attention should concentrate on 'productive growth potential areas' (Devereux 2000b).

Two concerns have been raised about the sustainability of Social Funds. Firstly, it is argued that resources allocated to Social Funds may undermine the ministries whose services they complement (Reddy 1998: 40). (In fact, donor reaction against financing 'parallel ministries' through Social Funds or 'service provider' NGOs is largely responsible for currently fashionable Sector-Wide Approaches, or 'SWAPs'.) Secondly, Social Funds that rely heavily on external funding may be financially unsustainable over the long term – one review found that external funding of Social Funds averaged 88 per cent in Africa and 72 per cent in Latin America (UNCTAD 1994: 12).

More generally, any donor-funded programme is vulnerable to 'project cycle unsustainability'. Few donors plan or budget more than 4–5 years ahead, and when country officers change desks they routinely close down old projects in favour of their own ideas and preferences.

### 7.2 Political sustainability

The importance of broad-based political support for redistributive programmes that benefit the poor has been emphasised earlier in this paper. Targeted income transfers require resources to be taken from politically powerful groups and transferred to the politically weak and socially marginalised. Achieving this means that politicians have to appeal to the altruism or 'enlightened self-interest' of their constituents. Even in the wealthiest countries, the debates over appropriate levels of taxation and public spending that dominate election campaigns reveal how politically sensitive this judgement is.

Alternatively, funding for social protection programmes might be sourced externally, from bilateral donors (e.g. DFID, USAID), multilateral donors (the EU, WFP, other UN agencies), or the multilateral financial institutions (IMF, World Bank, African or Asian Development Bank). Apart from providing access to larger pools of resources – and on concessional terms – than developing country governments can raise domestically, this also appears to circumvent the need to build political support for anti-poverty programmes. But does it? The political sustainability of externally funded programmes is undermined by donor politics and the rapidly evolving development discourse, which sees new sets of fashionable ideas constantly displacing the old, almost from one year to the next. With the possible exception of WFP's Project 2488 in Ethiopia, no donor-funded public works programme has been as enduring and as successful as Maharashtra's Employment Guarantee Scheme (MEGS), which is fiscally sustainable because it is financed entirely from domestic revenues. Uniquely, the political sustainability of MEGS its entrenched in state law, which guarantees every citizen the right to employment.

As the Malawi case study in Box 7 illustrates, 'beneficiary' governments do not necessarily accept every external intervention uncritically just because it is offered on concessional terms. One reason for the failure of the World Bank's safety net initiative in Malawi was that the Bank failed to build a coalition of support behind the initiative within government, so there was no sense of ownership by those who would, after all, be instrumental in implementing the programme. As Graham (1995: 150) correctly concludes: 'No level of external aid can substitute for domestic political commitment'.

### 7.3 Sustainability of impacts

Current thinking favours beneficiary participation and demand-driven approaches to development programming. Reddy (1998: 34) argues that demand-driven approaches 'are more likely to finance projects of greater economic and social utility, such as social service infrastructure, and to have sustainable and long-lasting effects'. Cornia (1999: 9), however, argues against this view and in favour of supply-driven approaches, because 'they facilitate rapid targeting of the poor in order to attain short-term reach and impact'. Clearly, there is no 'correct' approach; much depends on the nature of the project. In the context of social protection, accurate identification and efficient transfer of public resources may be more important drivers of policy than 'sustainability'. On the other hand, where social protection embodies the creation or transfer of assets (as in public works projects), the advantages of quick disbursement under supply-driven approaches may compromise sustainability if the participants have little ownership over the process and hence little interest in the project.

Although community participation is widely believed to be a prerequisite for the success of social protection programmes, it is important to examine what participation means in each specific context. Community participation is invariably a formal requirement on Social Funds projects, for instance, but it is often nominal or even coercive in practice (Reddy 1998: 55). Often community participation in Social Funds is defined in terms of coercive *contributions* (typically labour but often cash, especially in urban areas), rather than genuine community involvement in project selection and decision-making during the lifetime of the projects. Community contributions are justified in terms of enhancing local ownership and sustainability of projects, but findings on this are mixed. Where communities co-finance projects, say by hiring contractors to work on physical infrastructure, the sense of ownership is limited (e.g. in Chile), but where community labour contributes to rehabilitating community assets the sense of ownership is greater (e.g. school buildings in Zambia, where vandalism was reduced).

An evaluation of 570 projects implemented under 'FONCODES', Peru's Social Investment Fund, between 1994 and 1997, found that community participation did not guarantee success of SIF projects.[6] Instead, the positive impact of community participation was enhanced in direct proportion to 'the level of development of the communities, the stock of human capital of the participants, and the inclusion of community training on the project' (Alcázar and Wachtenheim 2000: 1).

The critical indicator of success of any social protection intervention is: *What is the project's impact on poverty?* (Bigio 1998: 91). However, this is precisely the question that is the most difficult to answer. Although the number of holistic project impact assessments is increasing, it remains true that monitoring and evaluation activities are dominated by 'implementation monitoring', rather than 'benefit monitoring' (USAID 1985: 22). A 1996 review of Finnish development assistance concluded: 'It was astonishing to find how little information on the impact of Finnish bilateral development projects was conveyed by the evaluation and review reports' (Koponen and Mattila-Wiro 1996: v). Project evaluations tend to focus on *process* indicators (days of work created, tons of food transferred, kilometres of road constructed) rather than on *outcomes*, or on immediate outcomes rather than long-term impacts. The problem of *attribution* – isolating the poverty reduction impact of specific interventions from all other factors – also leads to proxy indicators or input variables being selected for analysis (such as school attendance rates with and without a school feeding programme).

For instance, despite extensive evaluations of Social Funds in Latin America, Africa and elsewhere, relatively little information is available to date on their longer term impact. However, concerns have been expressed that the projects funded by Social Funds may deliver immediate benefits but have little lasting value. In particular, infrastructure projects financed by Social Funds may generate long-term recurrent costs (e.g. regular maintenance) that are not budgeted for, leading to the neglect of these assets and

6 FONCODES (*Fondo Nacional de Compensación y Desarrollo Social*) was established in 1991 and finances social infrastructure (53 per cent of all projects in the period 1991–96), economic infrastructure (22 per cent), productive projects (13 per cent) and social assistance (12 per cent).

depreciation or loss of the investment (Reddy 1998: 40). One World Bank review of Social Funds concluded that the long term sustainability of benefits provided by their subprojects was limited (Bigio 1998). The sustainability of assets created is compromised:

- when projects do not reflect community priorities, so that community demand for the assets is low (this is a particular risk with supply-driven Social Funds), and
- when operating and maintenance costs are high but are not covered by the project.

Both these points have undermined the effectiveness of public works, or 'employment-based safety nets', in the past. In the early days of food-for-work, the principal objective of the work component was to (self-) target the poor; the actual work undertaken by project participants was irrelevant. Once it was realised that public works projects could produce useful physical and social infrastructure, the objective of creating lasting developmental assets (e.g. roads, dams, hillside terracing for soil and water conservation) was added. More recently, it has been argued that the primary benefits of public works assets should accrue directly to the participants, and that any assets created should generate lasting, sustainable benefits. (WFP [1998] calls this the 'Gaeta principle', and has renamed its food-for-work projects 'food and assets for sustainable employment' [Tajgman 1998].[7])

During the 1980s, USAID funded large-scale rural public works programme in Bangladesh with Title II food aid. Each year more than 25 million person-days of labour were created and over 6,000 miles of rural roads were reconstructed under this programme. It is notoriously difficult to assess the economic value of physical infrastructure. However, one evaluation concluded that: 'the completed roads improved local communication, reduced transportation costs, increased use of new farm technology, increased commercial activity, increased access to health services, increased use of family planning services, and increased primary school attendance' (USAID 1985: 23).

Increasingly, the 'Gaeta principle' is being extended to the gender equity objective of public works, by attempting to select projects that will benefit female participants directly. For example, where women waste hours daily on water and firewood collection, boreholes or hand-dug wells and community afforestation projects are being undertaken – using food- or cash-for-work to mobilise labour – in an effort to reduce women's 'drudge time'. Nonetheless, it remains paradoxical that undernourished, often overworked poor women are required to undertake heavy physical labour in return for small food rations or cash wages. The energy expended on the work inevitably reduces the net nutritional value of food or cash transferred.

In Ethiopia and Bangladesh, rural public works programmes have become institutionalised and create significant employment opportunities in poor communities. There are real dangers of dependence on this form of employment, particularly since there is little evidence that participants acquire skills or assets that empower them to graduate to permanent or better-paid jobs. Given this fact, employment based safety

[7] From WFP's perspective, this shift was partly strategic. As noted above, criticism from a Tripartite Review in 1995 about the low nutritional benefits of project food aid, led to a renewed focus on the value and sustainability of the assets created or supported by food aid projects.

net programmes 'can only be withdrawn at considerable risk to the subsistence base' of the workers and their family members 'who benefit from annual work opportunities and the food earned' (USAID 1985: 23).

## 8 Conclusion

Although empirical evidence about social protection programmes is accumulating, there are very few definitive answers to the questions posed in the Introduction to this paper, and a number of key issues remain unresolved.

On *targeting*, for instance, it is by no means clear that the efficiency and equity gains from restricting eligibility to specific target groups outweigh the identification and monitoring costs, as well as the political risks, that targeting introduces. Further comparative work on the full costs of targeted and untargeted interventions is needed. Similarly, the choice of targeting mechanism – individual assessment, group characteristics, self-selection, or community-based targeting – should probably be made on a case by case basis, rather than being prescribed for all transfer programmes in all contexts. Each mechanism has its own strengths, but each also has significant weaknesses; there is no single 'solution' to the targeting problem.

On the issue of *cash versus in-kind* transfers, two principles can be extracted from international experience – neither of which is necessarily adopted in most cases, but both should be! First, the judgement about which resource to transfer (assuming the donor can exercise flexibility) should be based on a pre-assessment of local economic conditions, especially of market functioning. This applies especially to the choice of cash *versus* food: the positive and negative impacts of each on local production, employment, trade and prices must be carefully assessed. Secondly, the voices of the intended beneficiaries should be heard and, wherever possible, their preferences should be respected. This might entail transferring different resources to different categories of people (men *versus* women, or urban *versus* rural residents), or at different times of year (in rural areas, pre-harvest needs differ from post-harvest needs).

The issue of *whether benefits respond to needs* raises questions about impact assessment methodologies that have been asked for decades, yet remain substantially unaddressed. Few programme evaluations look further than short-term effects; few holistic case studies of long-term impacts exist in the literature. It is well established, for instance, that all forms of project food aid have made little discernible dent on chronic food insecurity and malnutrition. Instead, any long-term benefits of school feeding, supplementary feeding, and food-for-work must be found in their impacts on educational attendance and performance, health clinic attendance, and infrastructure created or maintained by food-for-work projects, respectively.

Social protection programmes that involve regular cash payments (e.g. social pensions) give beneficiaries most choice and the confidence to use some of this transfer income creatively – saving, investing in informal enterprises or education, supporting relatives. Therefore, these programmes generate the highest value and broadest range of benefits – at the *individual* level. At the *national* level, targeted transfer programmes are severely limited in their impact, because most are not institutionalised, because transfers are irregular and unpredictable (e.g. prompted by livelihood shocks such as drought) and because narrow eligibility criteria exclude large numbers of the poor. (One positive counter-example is Maharashtra's Employment Guarantee Scheme, which is always invoked as an exemplary case precisely because it remains unique.)

*Crowding out* of private transfers by public transfer programmes certainly occurs, but this is not necessarily a major concern. Displacement is rarely total, so recipients of public transfers should be better off than before. Besides, most informal transfers occur horizontally rather than vertically – between relatives and neighbours within poor communities, rather than from rich to poor – so a well targeted transfer will benefit poor families, even if the benefits are spread among a broader group of poor people than the programme intended.

*Cost-effectiveness* is another area where policymakers have concentrated too much (often misguided) attention. A reasonable level of investment in administrative staff and procedures is essential for any well managed programme. The preoccupation with *maximising* rather than *optimising* the alpha-ratio – minimising overheads so as to maximise transfers to the poor – has produced many well documented cases of massive fraud and corruption, which ultimately results in *declining* proportions of programme resources being transferred to the poor.

The *sustainability* of a programme depends on its funding base as well as the political commitment that drives it. Domestically financed social protection programmes are often labelled 'fiscally unsustainable' because poor governments should (according to this view) invest their scarce resources in developmental programmes rather than welfarist transfers. Externally financed programmes are vulnerable to project cycles and development fashions. This is an area where donors and governments need to work together to develop new models for sustainable programming. As far as the sustainability of *impacts* is concerned, the benefits of any programme are sustained for as long as the programme lasts. Thereafter, assets transferred to the poor (e.g. roads built on public works projects) will be maintained only if (1) the asset meets a real local need, and (2) if resources and systems are put in place to maintain the asset. In too many cases, the benefits of physical assets transferred to the poor are dissipated soon after the project ends, because these two principles are violated.

Finally, it should be emphasised that an effective and comprehensive social protection system requires a number of complementary institutions and structures to be in place. Any resource transfer programme requires a well functioning and efficient bureaucracy, logistical capacity to reach beneficiaries (roads and telecommunications infrastructure, distribution channels such as post offices),[8] as well as political will to redistribute income (from elites to the poor). Difficulties arise when any of these preconditions are not met. Also, multifaceted livelihood shocks or crises require multisectoral, coordinated responses, not single-prong transfers. Providing employment opportunities on public works

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8 As Cord (2001) notes, high transport costs associated with the inaccessibility and remoteness of poor communities might make effective social protection unfeasible in many developing countries, even if fiscal constraints are not binding.

projects is of little use to those whose poverty and vulnerability arises from their inability to work (the labour-constrained poor). Social protection interventions should be carefully designed according to the specific problems and target groups whose articulated needs they are intended to address.

## Appendix: Guiding principles for social protection

### *Targeting*

1. Policymakers should prioritise maximising coverage of the poor: minimise exclusion errors.
2. Stigmatisation of beneficiaries and resentment by their neighbours must be minimised.
3. Comparative research is needed on the full costs of targeted and untargeted transfers.

### *Mode of transfer*

1. Assess local market conditions and livelihood systems before deciding on what to transfer.
2. Do not 'disincentivise' farmers and traders with food handouts, unless this is unavoidable.
3. Respect preferences: ask people what they want, then give them what they ask for.

### *Relating benefits to needs*

1. The primary objective of social protection is welfarist: to reduce income insecurity and/or consumption variability.
2. The secondary objective is economic: resource transfers can build assets and encourage investment.

### *Crowding out*

1. Crowding out is not an important concern at inter-household level, if private transfers are concentrated among the poor.
2. Crowding out is more of a concern at intra-household level, if public transfers intended for a specific vulnerable group are appropriated by other household members.

### *Sustainability*

1. Fiscal sustainability
   - medium-term commitment for social protection must be created, possibly by using new budgetary mechanisms such as Medium-Term Expenditure Frameworks
2. Political sustainability
   - include a safety nets or social protection strategy in national PRSP processes
   - campaign for the right to food and livelihood security
3. Impact sustainability
   - create assets that meet identified local needs
   - put resources and systems in place to maintain these assets
4. Impact assessment
   - new holistic impact assessment methodologies are needed, with longer time-frames and indicators to reflect the full range of economic, social and other impacts of interventions.

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