

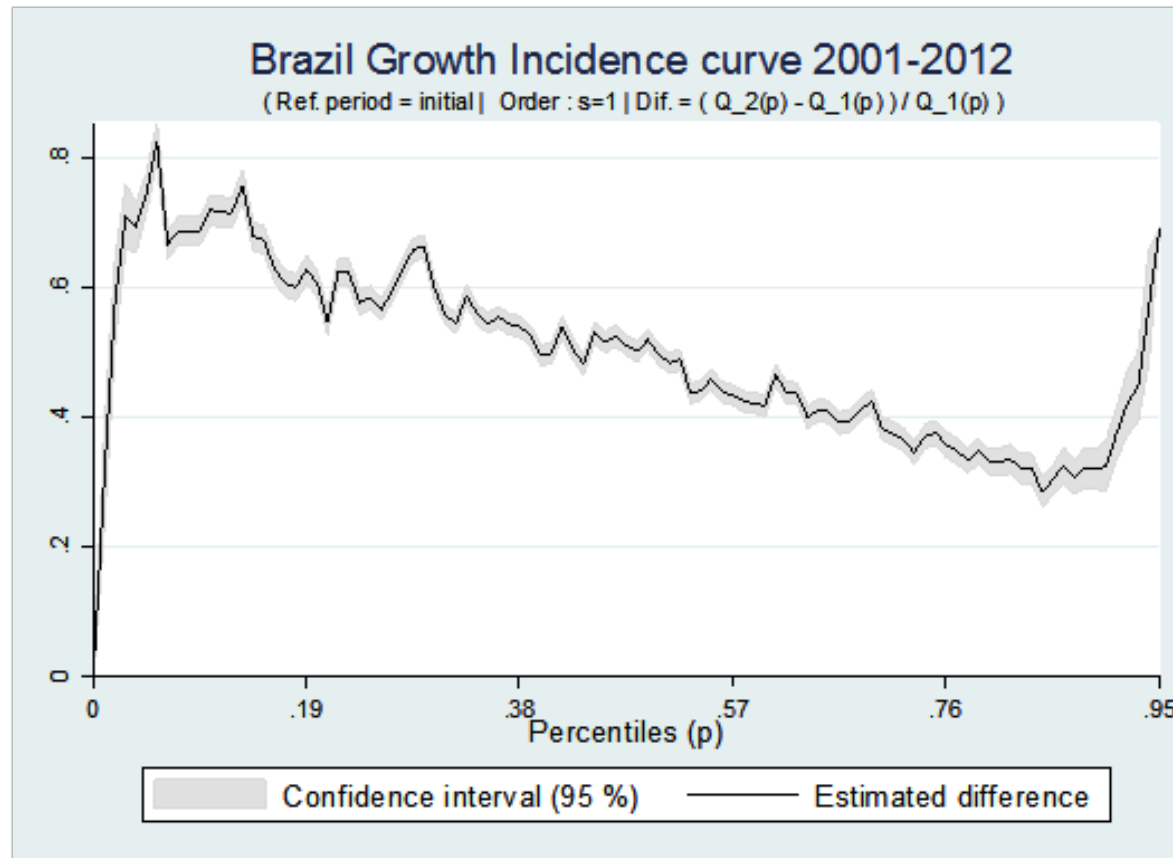
Antipoverty transfers and growth

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Seminar on *Cash transfer or safety net: which social protection programmes are affordable and inclusive?*
INCLUDE, UNICEF Netherlands and Ministry of Foreign Affairs, The Hague 23rd June 2016

Inclusive growth in Brazil



Own estimates from PNAD data, using per capita household income

Decompositions identify main factors are: changes in labour market conditions and policy, including real growth in the minimum wage, and antipoverty transfers, especially non-contributory pensions and Bolsa Família transfers

Rapid expansion of social assistance = large scale programmes providing transfers in cash and in kind to households in poverty

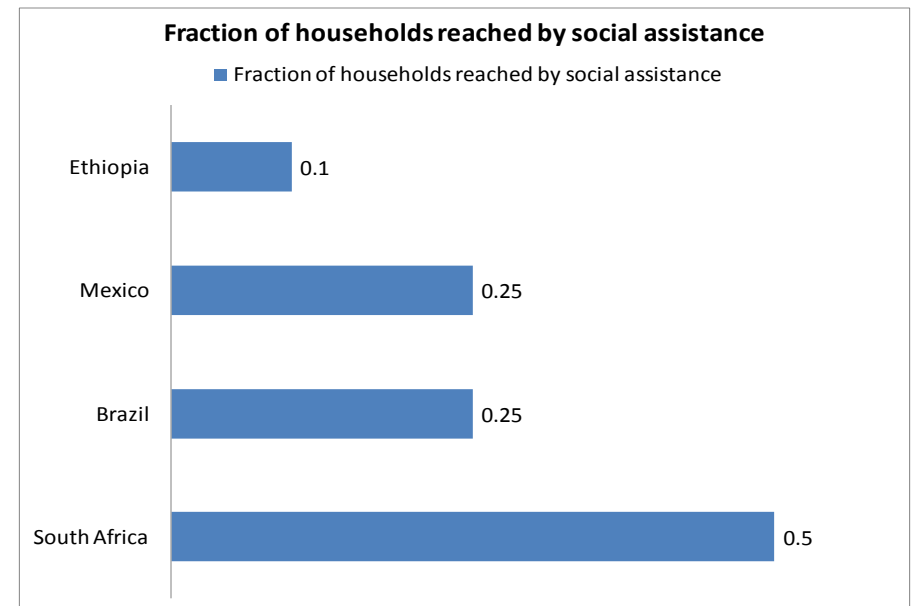
Globally ~1 billion people reached by transfers

They have made a contribution to poverty and inequality reduction globally

They signal the emergence of new welfare institutions in low- and middle-income countries

Distinct features:

Large scale (not residual); Productivist (support economic inclusion); Citizenship based (not contributory); Combine protection against social risks with social investment (not compensatory)



Types of transfers

Pure income transfers

Social pensions, child grant, family allowances [[South Africa's Older Person Grant](#), [Argentina's Family Allowance](#)]

Income transfers combined with asset accumulation

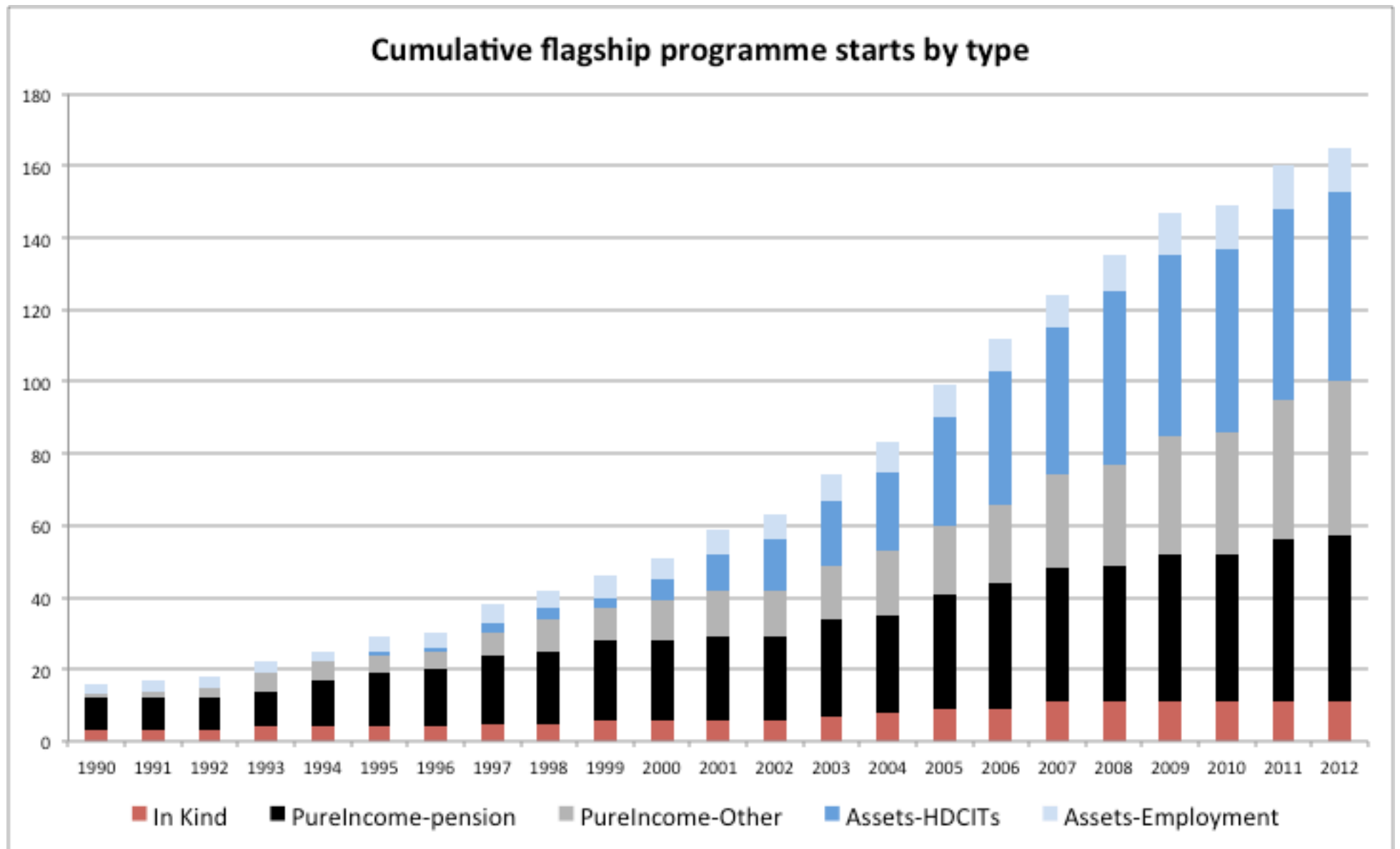
Human development [[Mexico's Oportunidades](#), [Brazil's Bolsa Família](#)]

Infrastructure, community, physical assets [[India's National Rural Employment Guarantee](#), [Ethiopia's Productive Safety Net Programme](#)]

Integrated poverty reduction programmes

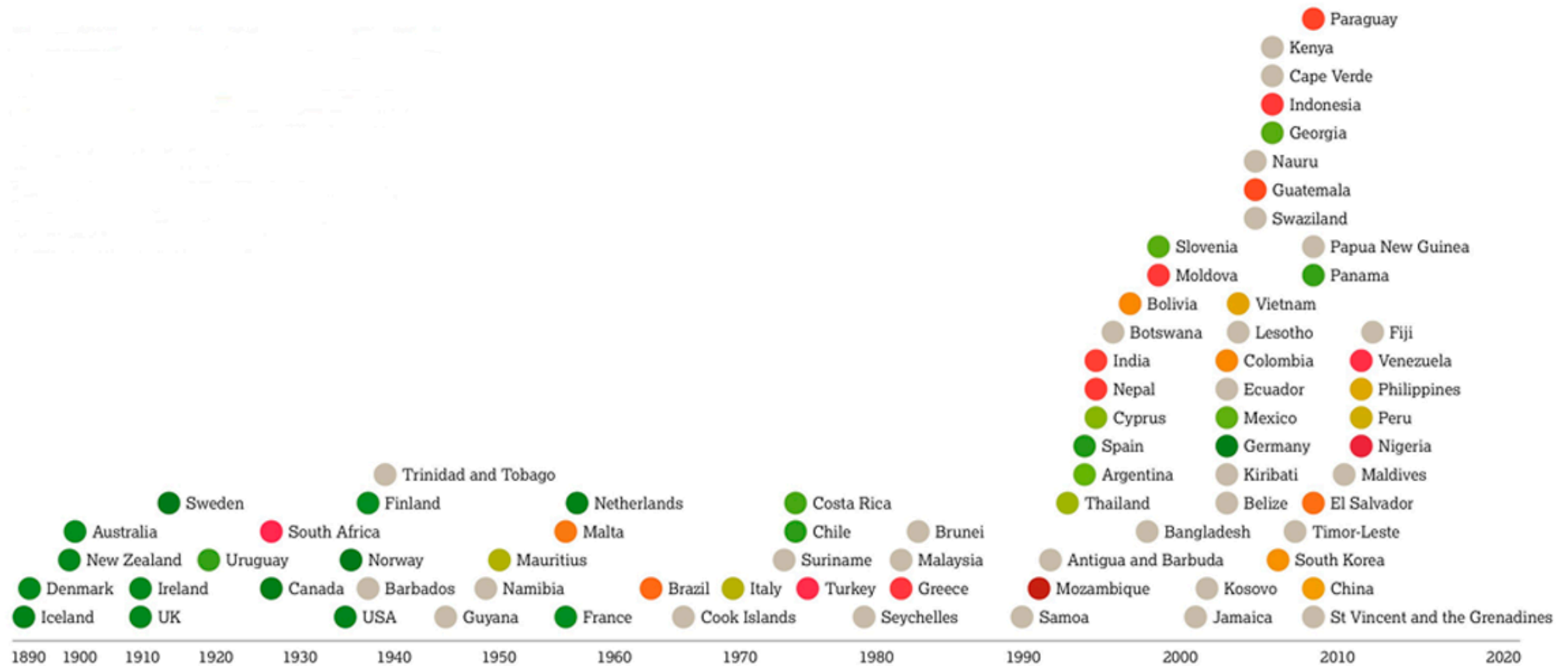
[[Chile's Chile Solidario](#), [BRAC's CFPR-Targeting the Ultra Poor](#), [China's DiBao](#)]

Programme types reflect poverty diagnosis: income or consumption deficits; productive capacity; exclusion respectively



Social Assistance in Developing Countries Database version 5 – available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1672090

Adoption of social pensions accelerates in the 2000s



HelpAge Pension Watch

Reach of Human Development Income Transfer Programmes in Latin America (millions)

Data Source: Stampini and
Tornarolli [2012]

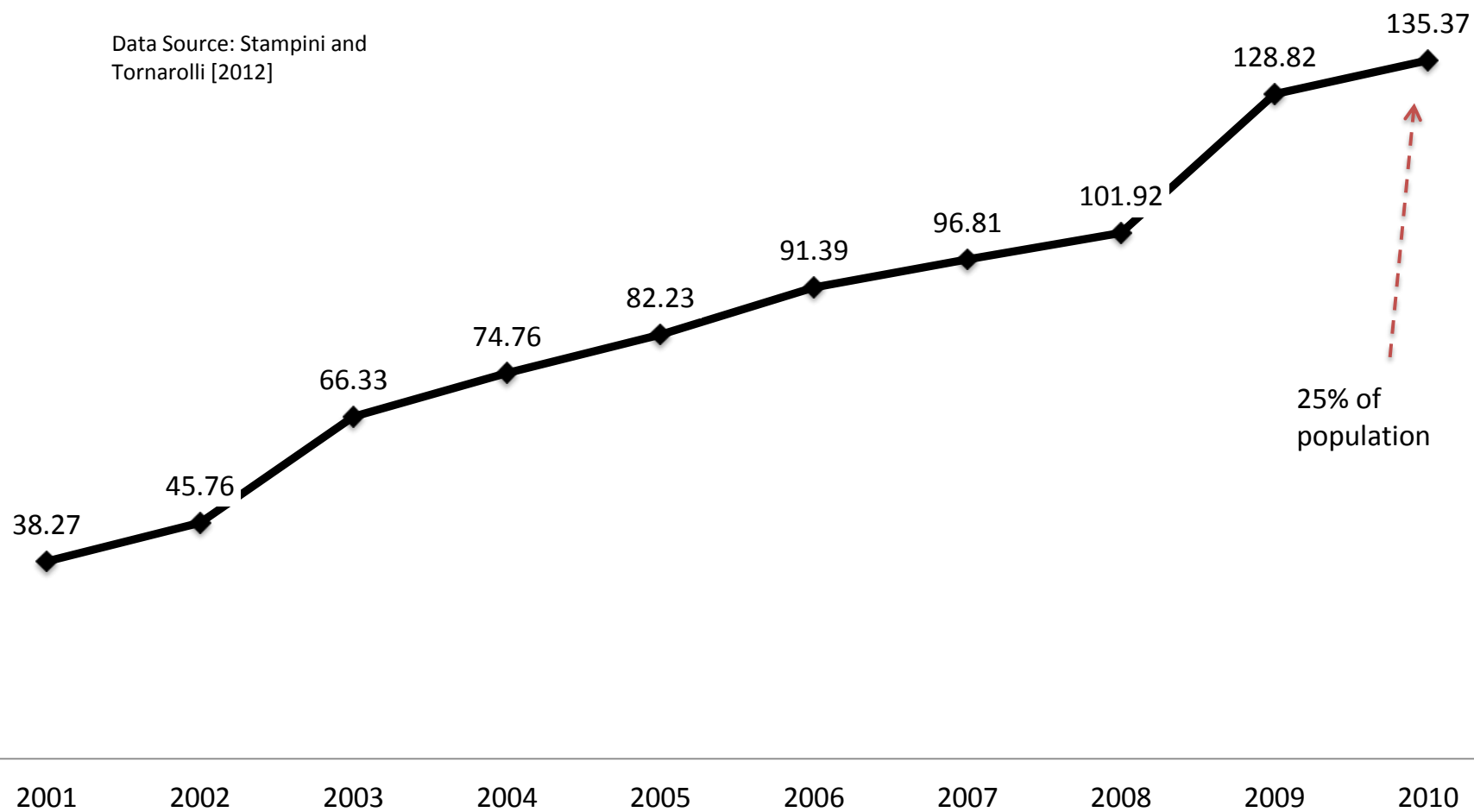
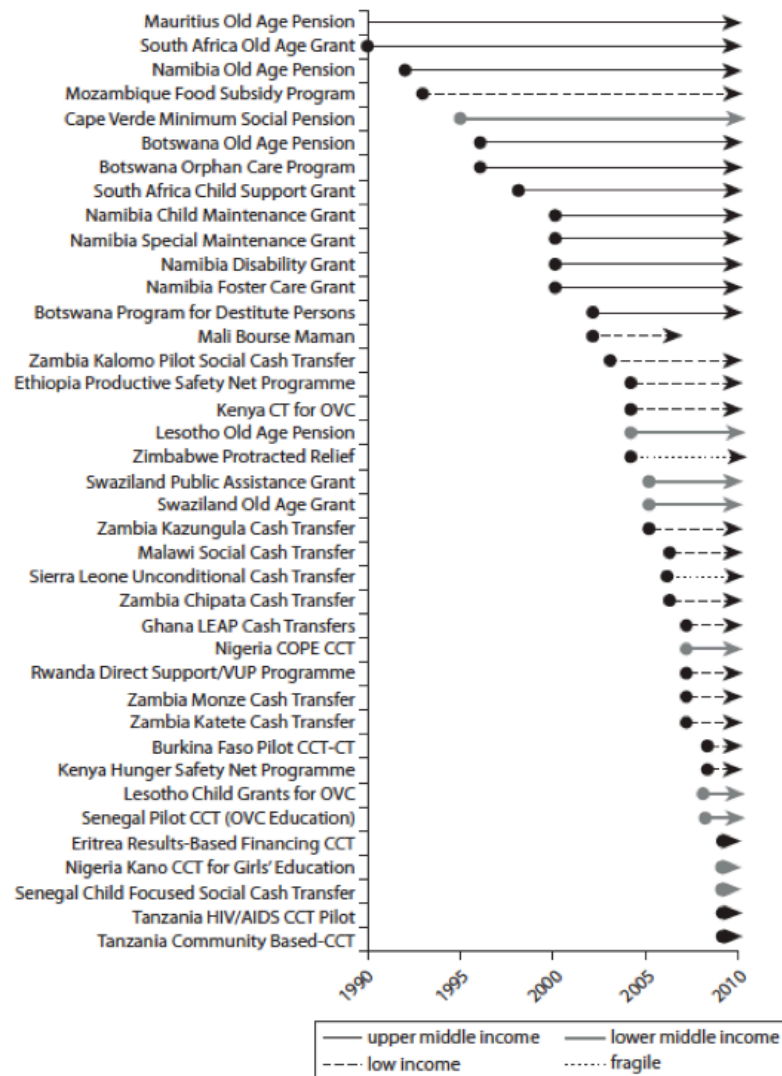


Figure 2.8 Start Dates and Durations of Sub-Saharan African Cash Transfer Programs, 1990–2010



Source: Authors' representation.

Antipoverty Transfers in sub-Saharan Africa:

Programmes are mainly unconditional

Several social pension programmes, but population ageing is not an urgent issue, nor a major cause of poverty. Only a fraction of households in poverty have an older person

In East Africa, programmes targeting households in poverty select households with no work capacity

Paradoxically, programmes target households/individuals unable to work as in early European social assistance

Donor involvement in designing, funding, and implementing cash transfer programmes

Programme coverage is very limited, a fraction of the population in poverty

Source: Garcia, M., & Moore, C. M. T. (2012). The Cash Dividend. The Rise of Cash Transfer Programs in Sub-Saharan Africa. Washington DC: The World Bank

What explains the growth in social assistance?

Crises and adjustment in the 1980s and 1990s led to structural deficits in social policy in developing countries

Globalisation has created opportunities but also intensified economic vulnerabilities, especially as regards trade and employment

Democratisation and an expanding fiscal space have created favourable conditions in which governments can address these structural deficits

Poverty research has developed knowledge and tools supporting innovative and effective antipoverty transfer programmes

The expansion of social assistance as institution building

Social Policy			
<i>Basic service provision</i>	<i>Social protection</i>		
Education, health, housing, etc.	<i>Social insurance:</i> Contributory programmes addressing life cycle and employment contingencies	<i>Social assistance:</i> Tax financed programmes addressing poverty and vulnerability	<i>Labour market policy:</i> 'Active' and 'passive'

In international development policy discussions, social protection is often used to describe social assistance programmes

Humanitarian and emergency assistance: aid financed, no selection, short term

Antipoverty transfers and inclusive growth: the role of growth-mediating processes

Regular and reliable transfers alleviate credit constraints

Through enabling saving and through enabling access to credit

Effects observed in both LICs and MICs, stronger among rural households with deficits in complementary productive assets

Transfers reduce uncertainty

Uncertainty limits investment by households facing poverty and vulnerability

...few social transfer programmes have explicit insurance components, effect comes mainly from higher, and more reliable income and from conditions

Transfers improve household resource allocation

Lack of systematic evidence, but data and evidence base are improving

From Protection to Production <http://www.fao.org/economic/ptop/home/en/>

Barrientos, A. (2012). Social transfers and growth. What do we know? What do we need to find out? *World Development*, 40(1), 11–20.

Antipoverty transfers and growth outcomes

Transfers facilitate asset accumulation

On human development outcomes, strong evidence from conditional transfer programmes

On other assets, stronger effect where it is the explicit objective of the programme
...but effects are difficult to quantify, especially in the longer run

Transfers have no significant adverse effects on labour supply

Reduction in labour supply among children and elderly, often compensated by increases in adult labour supply

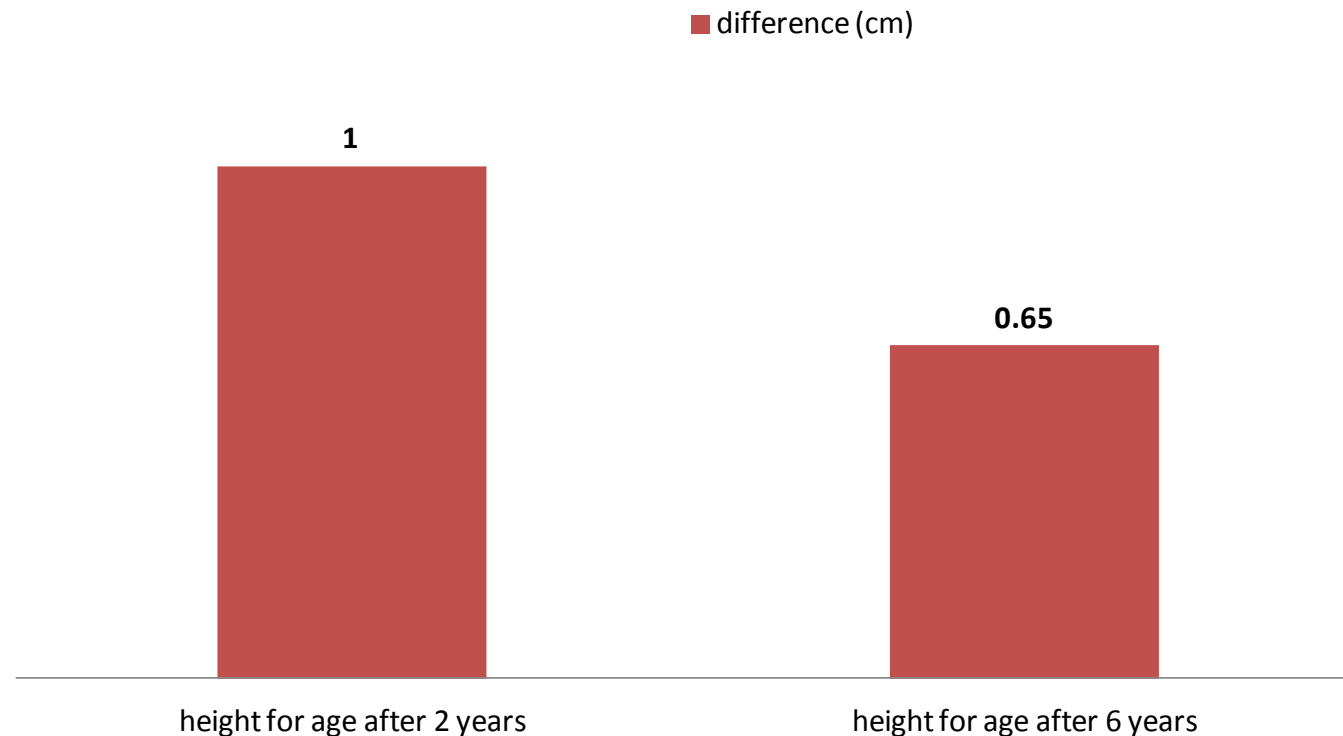
Evidence is available from a range of programmes and countries

Transfers have positive local economy effects

...especially in the context of local constraints (infrastructure, liquidity, trade), but very few studies, and mainly for Mexico's PROGRESA

Impact – medium run effect on human development (nutrition)

Difference in height for age between OPORTUNIDADES treatment (joined 1998) and control (joined 2000) groups in 2000 and 2003 for 2-6 year olds

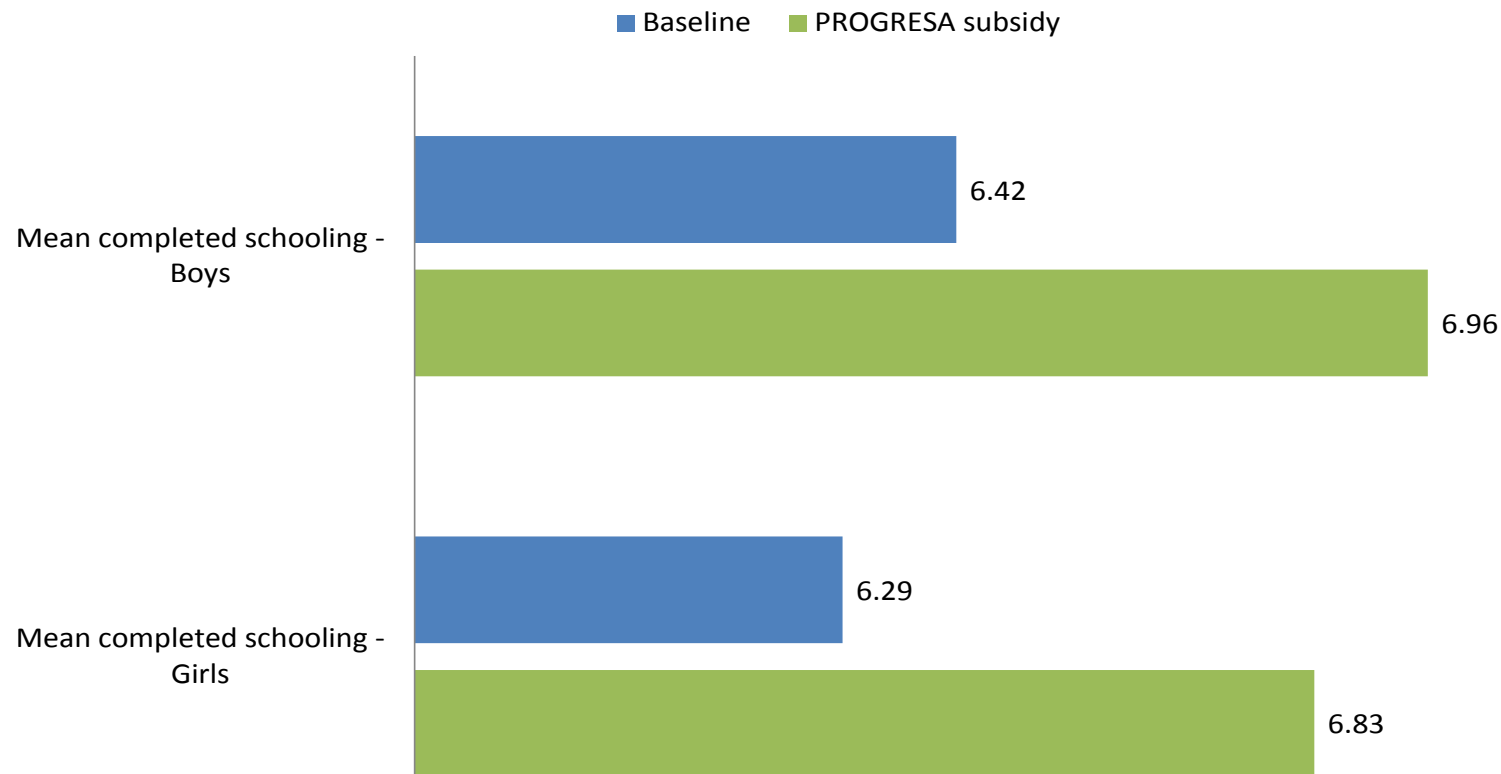


Gertler and Fernald [2006] Vol III ch. 2 Impacto de mediano plazo del programa Oportunidades sobre el desarrollo infantil en áreas rurales

Taller individuals earn more in the labour market

Medium run effect on human capital

Simulated schooling outcomes from alternative interventions in rural Mexico - Mean completed years of schooling



Source: Todd and Wolpin (2006)
Assessing the impact of a school
subsidy program in Mexico AER

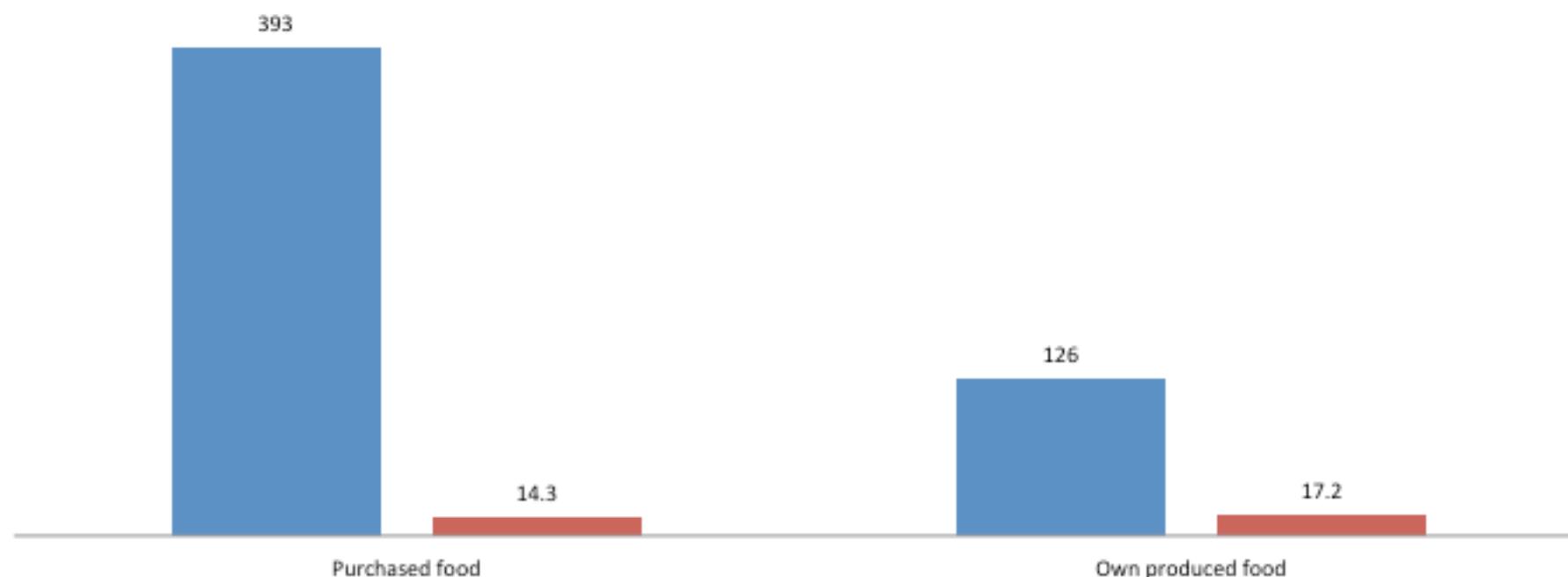
Programme pays for itself? Glewwe, Paul, and Ana Lucia Kassouf. 2012. "The Impact of Bolsa Escola/Bolsa Familia Conditional Cash Transfer Program on Enrollment, Dropout Rates and Grade Promotion in Brazil." *Journal of Development Economics* 97: 505–17.

Medium term impact on food consumption

Mean gain in food consumption for 9 year participants compared to 3 year participants

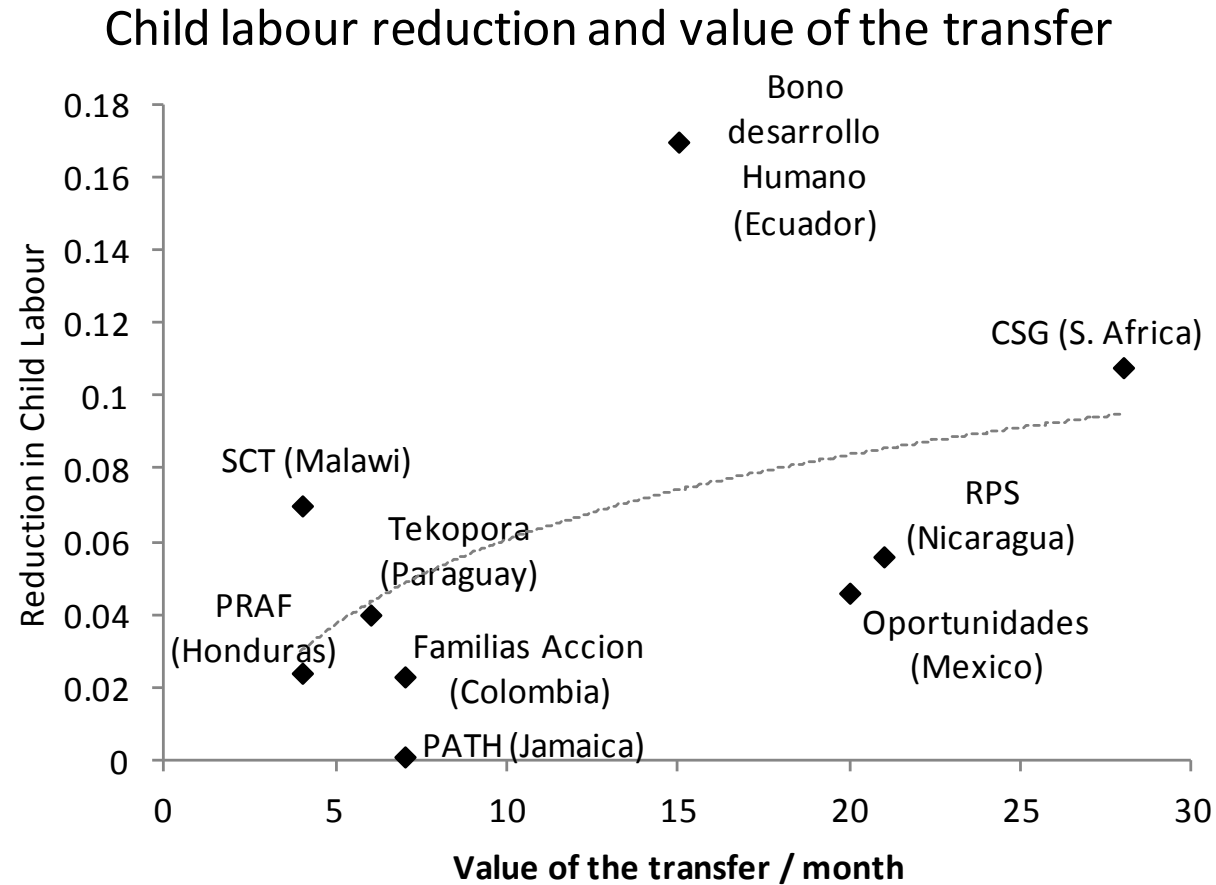
■ Gain in components of food consumption (M\$)

■ Gain as % of 2007 consumption levels of those who joined in 1998



Data Source: Arroyo Ortiz, J. P., Ordaz Díaz, J. L., Li Ng, J. J., & Zaragoza López, M. L. (2008). Estudio sobre los efectos de Oportunidades a diez años de intervención, en el consumo e inversión de las familias beneficiarias en zonas rurales, con base en la encuesta de evaluación de los hogares rurales 2007. In S. de D. Social (Ed.), *Evaluación externa del Programa Oportunidades 2008. A diez años de intervención en zonas rurales (1997-2007)*. Mexico City: Coordinación Nacional del Programa de Desarrollo Humano Oportunidades.

Transfers reduce child labour but effects are not proportional to the value of the transfer



Note: Data from Barrientos et al (2010) and de Hoop and Furio (2012)

Are there local economy effects?

Estimated positive indirect effects of a social cash transfer on non-eligible households in Mexico

PROGRESA and food consumption of non-eligible households				
	<i>October 1998</i>	<i>May 1999</i>	<i>November 1999</i>	<i>November 2000</i>
Treatment (ITE)	0.011	0.123	0.048	0.022
	(0.51)	(4.05)***	(1.75)*	(1.02)
Observations	9107	4367	4459	3715
Notes: Robust t statistics in parentheses. Asterisks *, **, *** indicate statistical significance at 10%; 5%; and 1%, respectively.				

Barrientos, A. and R. Sabatés-Wheeler (2010), Strategic complementarities and social transfers how do PROGRESA payments impact non-beneficiaries? *Applied Economics*, **43**, (23), 3175-3185.

Implications for programme design

Transfers need to be **regular and reliable**

The **duration** and the **level** of the transfers are key parameters

Include **human development** objectives in programme design

Need to avoid incentives for asset depletion, adverse household changes, and/or adverse labour supply responses

Pay attention to **household dynamics** in response to the transfer, including gender factors

Study **impact on non-beneficiaries** and on **growth intermediation processes**

Study **interaction between taxes and transfers**

Commitment to equity programme <http://www.commitmenttoequity.org>

Conclusions

Rapid growth of social assistance in low- and middle-income countries contributes to global poverty reduction and signals the emergence of welfare institutions

Diversity in programme design reflects path dependence and poverty perspectives

Policies to promote growth are more likely to be effective in reducing poverty if they are complemented by policies increasing opportunity among the least advantaged

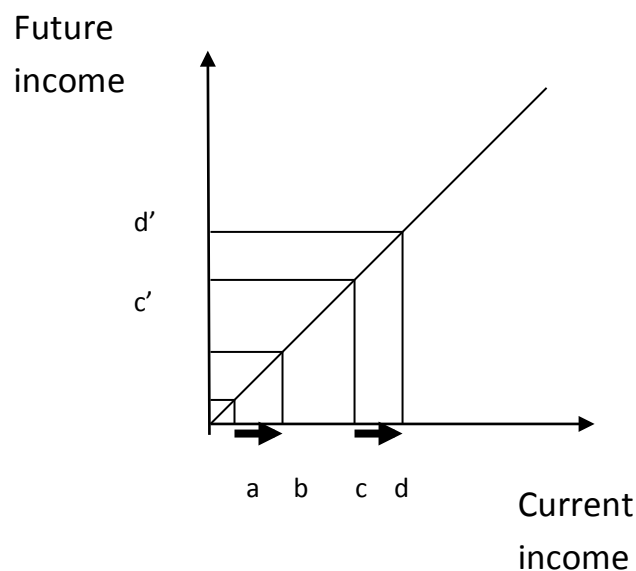
Well-designed and well-implemented social transfer programmes can have positive effects on households' productive capacity and can therefore support growth strategies

The growth effects of transfers among households in poverty are best studied at the micro-level. They are hard to observe at the macro-level because low-income households account for only a small share of GDP

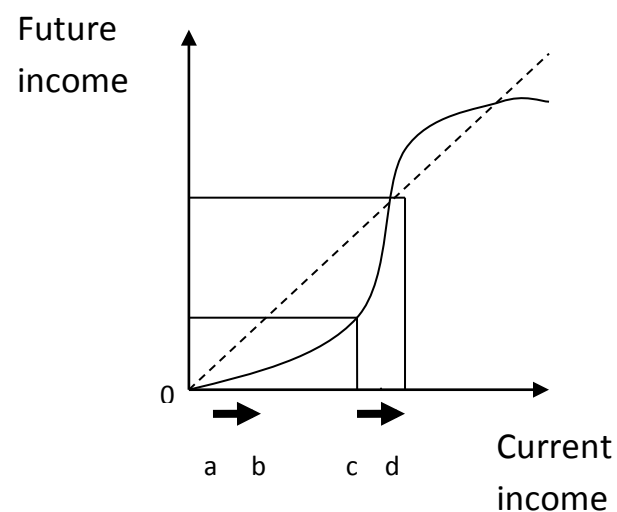
It is feasible, and desirable, to build growth objectives into social transfer programmes, making sure they do not diffuse poverty reduction priorities or lead to a focus on the richest of the poor

Social transfers, poverty traps, and growth trajectories: why relatively small transfers can have large effects?

Linear effects of transfers on growth

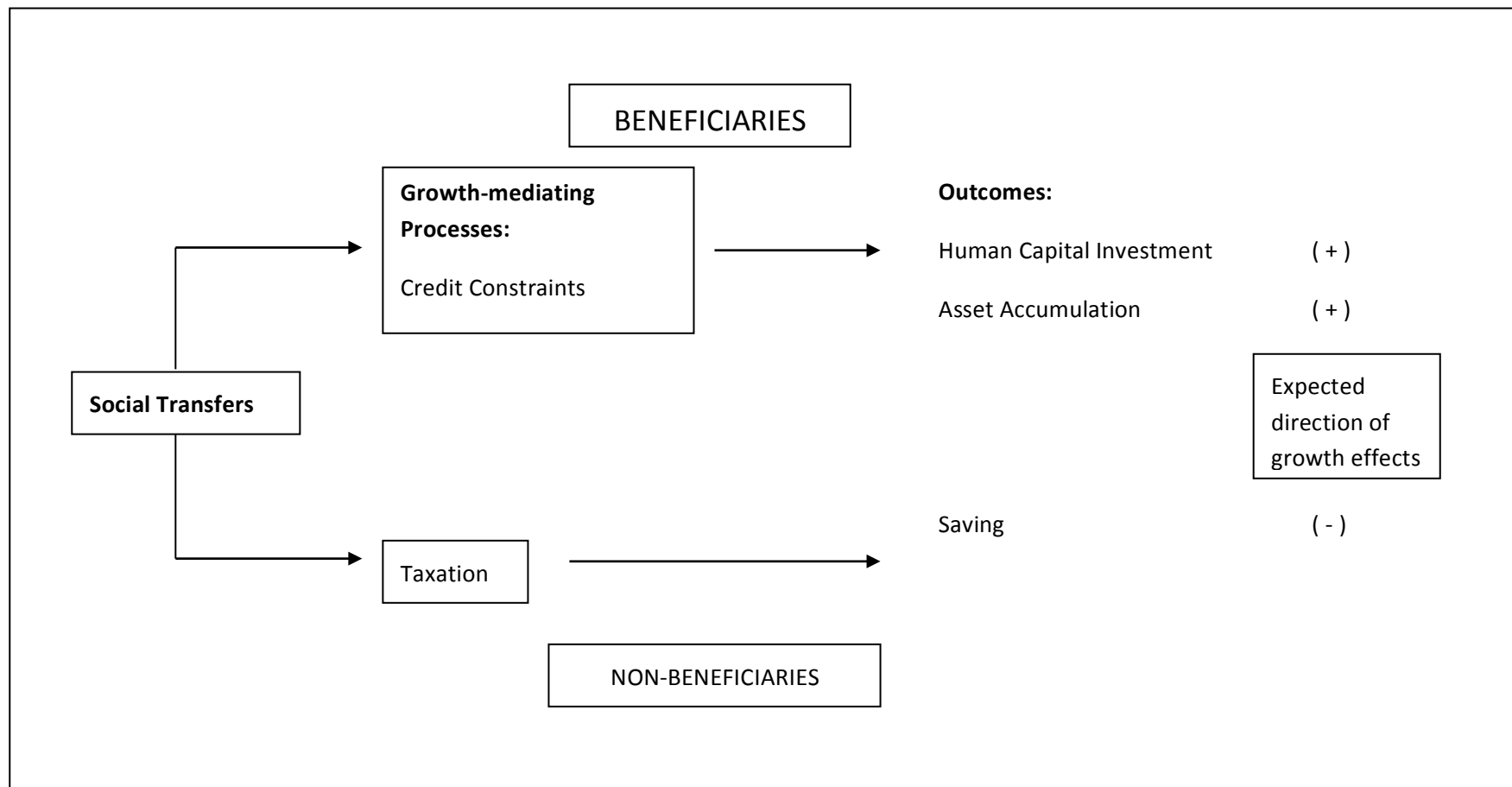


Non-linear effects of transfers on growth



Non-linear trajectories can arise in the presence of credit constraints, 'lumpiness' in asset accumulation or production, or constraints in household resource allocation

Chart 1. Growth effects of transfers: A basic framework



Armando Barrientos [2015] Social Assistance in
Developing Countries,

Cambridge University Press: Cambridge

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<http://www.cambridge.org/gb/academic/subjects/politics-international-relations/political-economy/social-assistance-developing-countries?format=PB>

