Introducing basic social protection in low-income countries: Lessons from existing programmes

Armando Barrientos
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Abstract
This paper reviews the main lessons from existing social protection programmes in low-income countries for the development of social protection in these countries. It is taken for granted that introducing social protection in low income countries is that much harder due to constraints arising from underdevelopment, fragmented political and policy processes, reduced tax base, and weak administrative capacity. The paper examines existing social protection programmes in order to illuminate on the strength of these constraints, and the nature of potential remedies. The paper concludes that the experience of low-income countries shows there are many policy options available to them. It also concludes that while deficits in finance and operational capacity are much less tractable, global partnerships can work effectively to lift these constraints.

Keywords: social protection, social exclusion, political constraints, low-income countries

Dr Armando Barrientos joined BWPI as Senior Research Fellow in August 2007. He was formerly a Research Fellow at Institute of Development Studies, University of Sussex, and Senior Lecturer at Institute for Development Policy and Management at the University of Manchester. Armando is also a Senior Researcher with the Chronic Poverty Research Centre, leading research on the Insecurity, Risk and Vulnerability research theme. His research interests focus on the linkages existing between social protection and labour markets in developing countries, and policies addressing poverty, vulnerability, and population ageing.
Introduction

Social protection is scarce in low-income countries, but there are encouraging signs that this situation is rapidly changing. There is growing recognition that social protection is an essential component of an effective development strategy, especially in the context of supporting and facilitating rapid social and economic transformation (Fouarge, 2003; ILO, 2005). A wide range of evidence emerging from the evaluation of large scale social protection programmes in middle income developing countries underscore the large potential gains from these programmes in terms of poverty and vulnerability reduction and human capital accumulation (Barrientos and Lloyd-Sherlock, 2003; Morley and Coady, 2003). This raises the important issue of whether introducing or extending social protection programmes in low-income countries could secure similar gains. This paper addresses this issue by drawing out the main lessons emerging from existing social protection programmes in low-income countries.

There is a diversity of views on the scope of social protection, but for our purposes in this paper it will be helpful to define some key parameters. Social protection is commonly taken to include social insurance, social assistance, and labour market regulation. Social insurance normally covers schemes financed by contributions from employees, employers, and the state; and protecting contributors and their dependants from contingencies associated with the life course, employment, and health. Social assistance is predominantly tax-financed and aims to support those in poverty. Labour market regulation enhances security and protection of workers and ensures rights to participation and voice. I believe that a focus on low-income countries inevitably invites us to concentrate mainly on the second of these three, and therefore in this paper I will be concerned to elaborate on social assistance. Our concern is not with safety nets, involving short-term support in emergencies, but with stable and reliable forms of support for poor and vulnerable households and communities. The paper examines social protection programmes and policies which focus on poor households and help reduce deficient consumption, facilitate investment in human and physical assets, and strengthen the agency of the poor, for example by empowering them to overcome social exclusion. This applies to a range of social protection instruments, but especially to transfers in kind or cash – i.e. social assistance. A key implication of defining social protection in this way is that it necessarily involves, at the same time, redistribution, insurance, and learning.

It is taken for granted that the challenges of establishing and developing social protection are that much harder in low-income countries. There are several dimensions to this issue. The demand for formal social protection instruments is weaker in economies that are predominantly rural. Informal support systems and social norms are commonly in place to ensure a measure of protection. Economic development and urbanisation strengthen the demand for more extensive social protection institutions. Present day low-income countries generally have weaker, and perhaps fragmented, political systems and labour organisations, with the implication that wider social contracts and solidarity are very limited in scope. In most cases, low-income countries have large deficiencies in state capacity to collect taxes and to design, as well as support and

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1 In European countries, social assistance is residual, given the strength of social insurance, labour market regulation, and basic services. In many developing countries, and especially low income countries, social insurance is limited in its coverage to workers in formal employment, labour market regulation is poorly enforced, and basic services are insufficient and highly unequally distributed. There, social assistance can be the most significant component of social protection, and far from residual (Barrientos, forthcoming).

2 Programmes supporting vulnerable groups, such as old age or disability pension, will be included. In low-income countries, these programmes have a strong poverty reduction orientation.
deliver, social protection. The list of dimensions could be usefully extended, but these factors – underdevelopment, politics, finance and administration – are key constraints in establishing effective social protection instruments in low-income countries.

It would be wrong to take the factors above as preconditions for a successful introduction of social protection. There is an argument, less prominent now, that low-income countries should concentrate on growth fundamentals before more directly tackling issues of poverty and inequality. It is pleasing to note that this approach has been replaced by a broader perspective on growth and development, backed by a considerable weight of evidence, taking social protection as an integral component of a successful growth and development strategy. This perspective reflects more accurately the experience of developed economies, in which the establishment and extension of social protection was an important factor in facilitating development, nurturing strong solidarity values, and strengthening state financial and administrative capacity. The issue then is how to generate these synergies in low-income countries. In consequence, the factors listed above should more appropriately be seen as constraints rather than preconditions.

Even if we accept the view that growth and social protection policies are mutually reinforcing, it would still be possible that the nature of their dynamics could retard the establishment of social protection. It could be argued that ‘low income – low social protection’ traps apply to low-income countries. The term ‘trap’ indicates that low-income countries with marginal levels of social protection will remain in that situation, in the absence of externally-induced change. Another possibility is that social protection is retarded by policy path dependence, in which existing, informal or formal, social protection arrangements weigh down the chances of reform and expansion. It is important therefore to consider the qualitative nature of the constraints, as it signals qualitative differences in the nature of the policy responses likely to be successful.

The paper is organised as follows. The first part provides summary information on selected social protection programmes in low-income countries. The second discusses whether ‘low income – low social protection’ traps, or alternatively, path dependence, are helpful in explaining the strength of constraints in the introduction of basic social protection in developing countries. The following parts tackle separately the main constraints. One focuses on the politics of developing social protection. Another deals with issues of design and delivery. The next covers financing issues, followed by one dealing with the issue of the ‘productivist’ qualities of social protection in low-income countries. A final part of the paper summarises the main conclusions.

1. Social protection programmes in low income countries

It will be useful to begin by considering summary information on selected social protection programmes in low-income countries. This will provide the necessary empirical background. The programmes in the list were selected to show the scope of social protection initiatives in low-income countries. Each of the programmes contributes some information of interest to the discussion below. The table includes conditional and unconditional transfer programmes, and a single example of an integrated anti-poverty programme.

1 A regularly updated database of social assistance in developing countries can be accessed at www.chronicpoverty.org (Barrientos and Holmes, 2007).

2 Conditional transfer programmes require some activity on the part of beneficiaries as condition for continued receipt, for example that children in beneficiary households attend school regularly or that adult members of the households provide a specified amount of labour. Unconditional transfer programmes do not require any counterpart activity, for example disability pensions. All transfer programmes have some
Table 1. Summary of selected social protection programmes in low(er) income countries

<table>
<thead>
<tr>
<th>Programme title</th>
<th>Description</th>
<th>Politics</th>
<th>Financing</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh’s Targeting the Ultra Poor</td>
<td>Integrated asset and cash transfers/ learning/ health and micro-credit</td>
<td>Introduced and managed by BRAC (Poverty reduction NGO) in response to operational lessons</td>
<td>Donor Consortium</td>
<td>Targets poorest, through geographic and wealth ranking/ delivery through local committees; 110,000 beneficiary households in 2006</td>
</tr>
<tr>
<td>Bangladesh’s Old Age Allowance Scheme and Assistance Programme for Widowed and Destitute Women</td>
<td>Unconditional cash transfer; US$2 per month</td>
<td>Introduced in National Plan; managed by Ministry of Social Welfare and local committees</td>
<td>Tax-financed; cost around 0.03% GDP</td>
<td>Targets fixed number of poorest and oldest beneficiaries in each ward, then selection by local committees; 1.4 million beneficiaries</td>
</tr>
<tr>
<td>Bolivia’s Bono Solidario</td>
<td>Unconditional cash transfer of US$248 annually</td>
<td>Introduced to ease privatisation of utilities; entitlement for cohort aged 21 and over in 1995</td>
<td>Privatisation proceeds fund; cost is 0.25% of GDP</td>
<td>Paid to those aged 65 and over; public agency manages bond paid through banking system; approx. 250,000 beneficiaries</td>
</tr>
<tr>
<td>Ethiopia’s Productive Safety Net programme</td>
<td>Conditional transfers in cash or food to chronically food insecure households with available labour (US$3-5.5 per month), and unconditional transfers to households ineligible for work (US$1-5 per month)</td>
<td>Adopted by government after protracted discussions with donors over shift from emergency food aid to social protection</td>
<td>Mix of tax financed and joint donor group support; five year window</td>
<td>Geographic selection of food insecure districts, then community identification of vulnerable households; 1.6 million beneficiary households</td>
</tr>
<tr>
<td>India’s Employment Guarantee Scheme – Maharashtra State</td>
<td>Conditional cash transfer; Public works employment</td>
<td>Statutory programme developed in 1970s; about to scale up nationally</td>
<td>Tax financed</td>
<td>Geographic targeting then self-selection; in 1990s supported 100m person days; reaching 20 million beneficiaries</td>
</tr>
<tr>
<td>Nicaragua’s Red de Protección Social</td>
<td>Conditional cash transfer programme; transfer is US$18 per household plus US$5 per child of school age</td>
<td>Converted from a social fund set up to address conflict emergency</td>
<td>Inter-American Developmen t Bank and social fund</td>
<td>Geographic targeting selects poorest municipalities with available</td>
</tr>
</tbody>
</table>

requirement for entitlement, for example a level of disability as a requirement for entitlement to a disability pension, or low household income as a requirement for a child schooling subsidy. These are requisites or conditions for entitlement.
per month | FISE; cost is around 0.02% of GDP; 5 year window | infrastructure, then proxy means test; managed by social fund; 10,000 beneficiary households
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Zambia’s Kalomo District Social Transfer pilot scheme | Unconditional cash transfer programme, transfer is US$8 -10 per month | Piloted by GTZ as an alternative to recurrent emergency food aid; managed by Public Welfare Assistance Scheme | Financed by GTZ; 4 year window; cost of scaling up nationally is 0.4% of GDP | Community targeting of 10% poorest and economically inactive households; 1,200 beneficiary households

Source: Barrientos and Holmes (2007).

The fact that Table 1 provides a selection of programmes should not be taken to imply that social assistance programmes abound in low-income countries, although it is likely that many small-scale, localised, projects, pilots, or programmes exist. The list includes two programmes from lower middle-income countries, Bolivia and Nicaragua. They illustrate universal non-contributory pension and conditional human development programmes respectively. Bolivia’s programme is interesting from a political economy perspective, as will be explained below. All other examples are taken from low-income countries.

There are many social protection initiatives underway in low-income countries. As noted above, there is growing interest in social protection among African countries (Beales and German, 2006). Countries in East Africa are currently developing social protection strategies which could lead to the establishment of relevant programmes in Uganda, Kenya, Rwanda, Tanzania and Malawi. The development of social protection is slower in West Africa, but Nigeria is planning the introduction of an education-based conditional cash transfer programme, and Ghana is at the earliest stages of planning a similar initiative. New and large-scale social protection initiatives in South Asia are planned for India, with the National Rural Employment Bill, and for Pakistan.

2. Is there a low income-low social protection trap?

Some have suggested low income countries face a ‘low income-low social protection’ trap (Fritzen, 2003). This argument borrows from the poverty trap literature, in which countries are said to be unable to break out from the hard constraints of their underdevelopment (Bowles et

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5 India’s National Social Assistance Programme which includes an old age pension, a family benefit scheme, and maternity benefit scheme was one of the larger programmes left out (Dev, 2004). A recent study trawled the presence of cash transfer schemes in Eastern and Southern Africa, including small scale and localised programmes. It found 43 such programmes in 15 countries. These include, for example, the Meket Livelihoods Development Project in Ethiopia which provides transfers in cash of around US$17 per household per months conditional on work to 46,000 beneficiary households; and the Food Subsidy Programme in Mozambique which provides US$2.8-5.6 per month to destitute households (Save the Children Fund et al., 2005).

6 The UN classification of countries according to per capita Gross National Income for 2006, identifies 54 low-income countries at or below US$875. Lower middle-income countries, including 58 entries, have per capita incomes between US$876 and US$3465. Bolivia and Nicaragua are at the lower margins of this group. The paper leaves out of the discussion transition countries from the former Soviet Union.
al., 2006). The key point about this being a ‘trap’ is that fact these conditions are more or less permanent, the product of self-reinforcing mechanisms. There are many different poverty trap models, but it will be useful to focus on a simplified two-sector model to fix the essentials of the discussion (Azariades and Stachurski, forthcoming). Assume an economy with an informal sector, in which agents receive a constant return for their labour $W_{inf}$ normalised to zero. Agents in the formal sector receive a return for their labour $W_f$ which is dependent on the share of the labour force employed in the formal sector, that is $W_f = f(h)$ where $h$ is the fraction of the labour force employed in the formal sector. The intuition behind this simplified model is that the informal sector is essentially a subsistence economy sector, while the formal sector is a knowledge-intensive sector in which aggregate output enjoys increasing returns to scale dependent on the size of the sector.

Figure 1 below shows the rates of return to the two sectors according to the share of the labour force in the formal sector. Note that there is a threshold $h'$ at which the returns to the formal sector and the informal sector are the same. To the left of $h'$, the returns to the informal sector dominate and agents will transfer from the formal to the informal sector until there is only an informal sector ($h=0$). To the right of $h'$, the rates of return to the formal sector dominate, and informal workers will shift to the formal sector until everyone is in the formal sector ($h=1$). There are three points at which the dynamic adjustment will come to rest, $h=0$, $h'$, and $h=1$, and the first one represents a poverty trap. Admittedly, this is a highly simplified and unrealistic model, but it helps us to fix on the potential meaning of a ‘low income-low social protection’ trap.

**Figure 1. Rates of return to different sectors according to formal labour force**

In fact, it is possible to read a low social protection trap directly from the Figure. Informality is synonymous with lack of social protection; informal workers are those without access to it. Their productivity would rise significantly if they were to work in knowledge-intensity employment, with large gains for the economy and their welfare. There are also wider gains from social protection in terms of a strengthening of solidarity, state capacity and political stability. However, unless and until, employment in the formal sector achieves critical mass, informality will continue to
dominate. Put differently, social protection will only take off when a critical mass of formal employment is reached, but there are no forces pushing an economy dominated by informality towards this point.

This kind of argumentation could provide an explanation why employment-based social protection remains extremely limited in Sub-Saharan Africa. The coverage of social insurance pension plans or health insurance is, in those countries where it exists, limited to civil servants and the military, and a scattering of highly paid private sector workers. Not only has it proved extremely difficult to expand the coverage of these schemes, but recent public sector retrenchment and fiscal restrictions have actually led to stagnant or declining coverage. This is related to evidence in the recent years of growing inequality of household income in developing countries (for example, Cornia, 1999). The size of informal employment places strong constraints on the development of employment-based social protection in low income countries, especially as it reduces the tax base, and therefore the capacity for governments to finance social protection interventions (Tanzi, 2000; Auriol and Wartfers, 2002). The substantial role of development aid in low income countries, and the focus on poverty and vulnerability reduction associated with the Millennium Development Goals, might be crucial in helping low income countries break out of 'low income-low social protection' traps.

In the context of tax-financed social protection focused on the poor, a political economy approach would be needed to flesh out the substance of the processes of decision making at work. A political economy approach would seek to model the conditions under which taxpayers, including workers making payroll contributions, would be willing to support anti-poverty programmes, for example through transfers of some kind (Besley, 1997). Taxpayers have preferences over their own consumption, but also over the consumption of the poor. There are different ways in which the consumption of the poor affects taxpayers. Altruistic taxpayers will see direct benefit in reducing poverty, while self-interested taxpayers might be concerned with the extent to which poverty feeds social unrest and criminality. Taxpayers would also need to take into account the potential costs of anti-poverty programmes, and, of course, their effectiveness. Modelling the different elements in the taxpayer's decision is beyond the scope of this paper, and there are no straightforward leads from the literature (Snyder and Yackovlev, 2000; Pritchett, 2005). For example, we could interpret \( f(h) \) as the returns to taxpayers' support for social protection focused on those in poverty as a function of the fraction of the population covered by social protection. However, for most plausible conditions it would be hard to envisage low social protection traps in the sense described in Figure 1. It is likely that the schedule of costs and benefits for taxpayers associated with anti-poverty programmes could exhibit some discontinuities over some ranges of coverage, and it is even possible to generate thresholds beyond which the coverage of anti-poverty programmes rises rapidly, but it is hard to conceive of plausible conditions under which minimal or zero coverage constitutes a stable point.

It would make more sense to consider path dependence as a source of constraints on the establishment and development of social protection in low-income countries. There are at least two levels on which path dependence operates. At a macro-level, path dependence reflects the particular configuration of policy responses to social risk in a country, or groups of countries. In

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7 In practice, there are several factors which explain the persistence of informality, for example, low earnings and insecurity in informal employment may push workers into informality, inadequate provision of basic services and security undermines incentives for paying taxes, lack of trust in the governance and financial returns of social insurance institutions, etc.

8 We could envisage that for taxpayers, benefits will rise with coverage, both because of the reduction in the probability of social unrest and the rising likelihood of personally receiving a transfer. Operational costs, on the other hand will probably fall with coverage but rise with the number of beneficiaries.
the welfare regime literature as applied to developed countries, these are grouped according to the specific configuration of welfare producing institutions: state, markets, and households (Esping-Andersen, 1999; Gough and Wood, 2004). This is the welfare mix. Scandinavian countries favour the state as the dominant provider, while Anglo-Saxon countries rely to an important extent on the market, and conservative countries make the family the central welfare providing institution. The welfare mix generates both institutions and expectations among the populations of these countries, reinforcing the welfare mix. These in turn generate strong path dependence in welfare regimes. But it is hard to find such well-formed welfare regimes in low-income countries. In fact many of the welfare institutions observed in developed countries are missing, and family and informal social protection dominate (Gough and Wood, 2004). It could be argued that it is precisely the lack of consolidation of welfare regimes in developing countries that facilitates rapid and far reaching changes in welfare institutions, for example the reforms of pension schemes in Latin American countries (Barrientos, 2004). It is unlikely that macro-level path dependence is the main constraint on the development of social protection in low income developing countries.

There is also path dependence at a micro level, associated with the presence of fragmented programmes with attached constituencies. The constraints on shifting from emergency food relief to regular transfers in cash or kind in low income countries in Africa is well documented (DFID, 2005b). These constituencies include for example local and national politicians and beneficiary groups, national and international NGOs, faith organisations, and donors engaged in specific interventions on target groups, public agencies serving specific groups or communities. They constitute an important source of constraints on the development of larger scale social protection programmes.

In sum, I have attempted to shed some light on the strength of the constraints on introducing and developing social protection in low-income countries. We began by considering the conditions in which ‘low income-low social protection’ traps could arise. The discussion suggested that simplified models of formal-informal poverty traps could throw light on the difficulties involved in expanding employment-based social protection in low-income countries, for example in the context of generating resources for social protection through the tax system. We concluded that it is hard to envisage similar traps in the context of tax-financed social protection focused on the poorest. We then moved on to consider whether the constraints on the establishment and development of social protection could be said to arise from policy path dependence. In discussion we found that micro-, as opposed to macro-level path dependence is likely to be a stronger source of constraints. The strengths of the constraints vary across different types of social protection, employment based and tax-financed based, but these seem to be less pronounced for tax-financed social protection focused on the poor.

3. Getting the Politics right?

The sustainability of social protection programmes requires a measure of political support or at least the absence of significant opposition. Getting the politics right is essential for the establishment of social protection programmes. Public choice models of policy processes are perhaps not very helpful in the context of low-income countries. They rely on assumptions about the presence of a competitive political system in which voters signal preferences over different policy alternatives to which politicians respond. On the assumption that the preferences of voters over a single issue, say social protection for the poor, would show a single peaked distribution, public choice would confidently predict that the preferences of the median voter will prevail. In the context of low-income countries, with high poverty incidence, the median voter is likely to be fairly close to the poverty line and should favour social protection programmes. The reality is very different from the predictions of public choice models.
In developing countries, but especially low income ones, the shortcomings of these models are apparent. Voters are ill informed about the relative advantages of policy options, and regard the promises of politicians as having little credibility (Keefer and Khemani, 2003). Patronage, clientelism, and corruption undermine the basis for competitive politics. The political system is as a result less effective in aggregating voter preferences, than in protecting and nurturing patron-client relationships. This underscores the importance of factors exogenous to the political system, such as major disasters or crises, or the intervention of donors and NGOs, in forcing social protection onto the political agenda. The experience of low-income countries suggests that the following factors are influential in the adoption of social protection programmes:

**Cross-national policy transfers**

Low-income countries are to an important extent aid-dependent and as a consequence are exposed to donor-led policy transfers. Regional bodies are another significant mechanism supporting policy transfers. Rational policy transfers involve the voluntary adoption in one country of social protection policies which have been shown to be effective in other countries (Banks et al., 2005). Rational policy transfers invoke a virtuous process of learning across countries, with clear programme objectives and strong evaluation in the country of origin and careful learning and adaptation in the destination country, typically malaria prevention measures. It is also possible to envisage more coercive cross-national policy transfers, in which a third party enforces the adoption of a social protection programme, typically structural adjustment programmes. In between these two extremes, there is a range of possible permutations, with degrees of rationality and coercion.

There is no doubt that the more recent adoption of social protection programmes in low-income developing countries reflects strong cross-national policy transfers at work. Most of these are at the rational end of the spectrum. There are extensive cross-country policy networks in operation around social protection, and concerted efforts are made by many international organisations, regional bodies, and national governments to learn from the international experience. Many international organisations also seek to influence the type of social protection considered for adoption in some countries. At the same time, it could be argued that elements or coercion can be detected, although these also reflect the influence of the MDGs in providing targets and benchmarks.

**Domestic policy learning**

Learning about the outcomes of domestic policies has been an important factor in persuading policy makers of the need to adopt social protection. There is, in many cases, a deep understanding among researchers and policy makers within low-income countries of the deficiencies of anti-poverty programmes implemented in the past, and this provides a strong motivation for considering potential alternatives. In many cases, this understanding fails to translate into policy reform, in part because of path dependence but also because of the perceived risks from policy reform. Bangladesh’s Ultra-Poor Programme is a good example of

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9 This applies with some force to social protection programmes because of the complexity of associated terms and technical features (Beales and German, 2006). There are no studies on public attitudes to redistribution and insurance in low income countries that the author is aware of. Graham approaches this issue for Latin America and the USA (Graham, 2002).

10 This is despite concerns about the strong voice of donors in low-income countries in Africa.

11 Coercion is perhaps too strong a term in the context of social protection policy transfers, although perhaps appropriate in the context of structural adjustment or trade policies.
the adoption of social protection targeted on the poorest following from an assessment of the limited success of existing interventions in reaching the very poorest.  

Perceived opposition to government policies or social unrest

It is no surprise that the adoption of social protection programmes often reflects a desire on the part of policy makers to counteract real or perceived opposition to government policy, and the threat of social unrest. A good example is the introduction of Bolivia’s Bono Solidario. The government used the pension programme as a means to ensure political support for the privatisation of utilities, by promising to use the proceeds from privatisation to fund a pension for every citizen aged 21 or over at the time of privatisation (Gray-Molina, 1999). Interestingly, the government suspended the pension entitlement after successfully completing the privatisation process, reinstated it later under public pressure but at a reduced level of benefits, and renewed public pressure led a new government to reinstate the pension in full (Barrientos, 2006).

The political conditions needed to make social protection programmes sustainable are less demanding. This is especially the case where programmes are felt to be effective. Political fragmentation also imposes conflictive restrictions on the size of the programme and the opportunities for scaling up. Small-scale interventions, perhaps localised in certain areas, are easier to get off the ground if they fit in with local or regional political elites and their constituencies. It is much harder to scale these up, even when they are evidently successful. On the other hand, programmes with national coverage can overcome political fragmentation providing they allow for decentralised management and to some extent design. Scaling up local programmes or introducing centralised national coverage programmes is that much more difficult in the context of fragmented, clientelist, political systems.

In this section we have noted the political constraints in establishing social protection programmes in low-income countries, where the absence of competitive political systems work to enhance the role of exogenous events and actors. The main factors explaining political support for the adoption of existing social protection programmes in low income countries are cross-national policy transfers, lessons learned from domestic policy, and the perceived need to counteract opposition to policy or social unrest. The political sustainability of established programmes can be secured where programmes are perceived to be effective, but political fragmentation poses difficulties for scaling up programmes.

4. Design and delivery

The programmes in Table 1 cover a range of different types of interventions, from cash transfer programmes to integrated anti-poverty programmes, although the majority are cash transfer programmes. There are several issues associated with cash transfers which could be reasonably raised in the context of low-income countries. An important concern is whether cash transfers could lead to higher prices in conditions of inelastic supply, thus reducing their

12 At face value, this assessment of the influence of domestic learning from unsuccessful anti-poverty programmes would appear too optimistic. There are, of course, plenty of examples of development policies adopted without the benefit of lessons from domestic experiences, e.g. structural adjustment, or pension reform in the area of social protection (Townsend and Gordon, 2002, for example, Chapters 8 and 10 ). My point is that, in the context of poverty and poverty reduction policies, most low-income countries have a knowledge base, albeit one shared by perhaps too few researchers.

13 This is a slightly separate point, but the fragmentation of social protection into employment-based and tax-financed, implies that it is possible to improve the protection of the minority in the former without addressing the needs of the majority. Note also that in many developing countries employment-based social insurance programmes, for example civil servant pensions, are in reality financed by general taxation.
effectiveness in reducing poverty. There is little or no evidence that cash transfers have produced this effect. This is most probably due to the very low level and population coverage of the transfers. It is more likely that in communities starved of cash and credit, small injections of cash could generate local economy multipliers, but there is only limited evidence for this effect in low-income countries.\(^{14}\) A second concern relates to the opportunities for corruption, and especially skimming of the benefits along the distribution chain. However, this applies to all transfers, and it could be argued that cash is easier to track than food. The experience of low-income countries does not suggest that cash transfers are especially affected by corruption.\(^ {15}\) The potential for generating dependency among beneficiaries also affects all transfers, whether in kind or in cash. Short-term or unpredictable transfers are less likely to generate dependency. At the same time, they are much less likely to lead to sustained investment by poor households in human and physical capital, a necessary condition for long-term poverty reduction. At the very least, the selected programmes demonstrate that transfers, and especially cash transfers, are feasible in low-income countries.

The majority of the programmes select the poorest and most vulnerable households for participation, and for this range of programmes targeting appears to be the norm. The programmes in the Table show the use of a range of selection methods: geographic targeting of marginalised communities; fixed benefit quotas; selection of beneficiary households through local committees, proxy means tests, selection by household characteristics, and self-selection. These suggest that there are many options for selection available to low-income countries, and also some efforts directed at finding the types of selection methods that can deliver programme objectives and overcome operational capacity constraints.\(^ {16}\)

For our purposes, it is important to consider the reasons for the selection of beneficiaries. Firstly, financing constraints in low-income countries with high incidence of poverty makes the selection of a sub-group of beneficiaries a necessity. As discussed later, the potential for rapid escalation of transfers is an understandable concern for national governments. Secondly, and this is perhaps the more interesting reason, selection is needed to identify those to whom the programme is directed. Ethiopia’s PSNP seeks to identify households who are vulnerable to food deficits, and then distinguish those who can provide work from those who are not able to do so. The former could be supported through public works, but not the latter. In this case, selection follows from the need to achieve the objectives of the programme. Bangladesh’s Targeting the Ultra Poor programme seeks to reach households without assets who are otherwise excluded from alternative anti-poverty programmes. Nicaragua’s Red de Protección Social targets poor households in the poorest communities with health and education infrastructure because of the human development objectives built into the programme. Most social protection programmes in low income countries aim to reach the poorest.\(^ {17}\)

A binding constraint for the development of social protection programmes in low-income countries has to do with operational capacity, the capacity to deliver the entitlements promised by the programme. Administrative and delivery capacity is problematic at all levels of government in low-income countries, but even by these standards public agencies responsible for social welfare programmes are relatively weak and under-resourced. In most cases, they lack the capacity for needs assessment, policy formulation and design, and programme

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\(^{14}\) This is discussed in more detail in section 6 below.

\(^{15}\) However, benefit skimming has been regularly observed in programmes in India and Bangladesh.

\(^{16}\) More information on this for a wide range of anti-poverty programmes is available (Coady et al., 2004).

\(^{17}\) Whether this is due to a Rawlsian concern with the least advantaged, a concern to limit future fiscal liabilities, or a growing understanding of the kind of programmes that could lift households from extreme poverty, is a very interesting question but beyond the scope of this paper.
implementation and evaluation. An area of great concern is evaluation, which has been shown to be central in exploiting the public goods characteristics of social protection programmes and mustering political support for similar programmes in Latin America (Coady, 2003). Quasi public agencies, such as Bangladesh’s BRAC or Nicaragua’s FISE can do better, partly because of their relative autonomy which enables them to resource and remunerate their staff appropriately. Information systems are essential to the delivery and monitoring of social protection programmes.

In this section we have considered three main design and delivery issues, directly related to state capacity to introduce social protection programmes in low-income countries. We noted the increasing use of cash transfers. In selecting beneficiaries we picked up on two issues: first, the fact that there is a wide range of selection methods in use, suggesting that there are many options available to low-income countries; and second, the relative importance of delivering programme objectives, rather than financial constraints, as the main rationale for targeting. In delivering programmes we underlined, third, the considerable constraints imposed by public and quasi-public agencies.

5. Financing

Financing is a key constraint on the development of social protection (Barrientos, forthcoming). This is despite the fact that well-targeted social protection programmes, such as conditional cash transfers, have overall budget costs typically well below 1% of GDP. Low-income countries have large numbers in poverty and a very limited capacity for raising domestic revenue. It is not surprising, therefore, that the majority of social protection programmes in low-income countries are financed off budget, mainly through donor support.

We have to consider the “mix” of social protection financing. Social protection in the wider meaning given at the start of this paper (social insurance and employment regulation as well as social assistance) normally draws on several sources of finance: public expenditure by national governments; donors; private, community and NGO financing; and household financing, through out-of-pocket expenditures or saving. Within private as well as public financing of social protection, employer contributions are very important for workers in formal employment. The full mix of financing is sometimes overlooked. For example, social protection programmes with community targeting involve a measure of support from communities, usually by supporting the administration and delivery of the programme with labour time. In the case of conditional transfer programmes, the costs to beneficiaries of complying with conditionalities could be usefully looked upon as co-financing. Household activities to reduce the likelihood of experiencing predictable, as well as unpredictable, income hazards are also an important source of financing social protection programmes. Table 1 illustrates the main sources of explicit funding of selected social protection programmes, but it is important to keep in mind that implicit co-funding is an important component in many social protection programmes.

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18 There is note of caution to be made here. Reflecting on the experience with social funds in Latin America, largely introduced in response to the acute deficiencies in public agencies responsible for dealing with the consequences of the 1980s crises, Graham writes: “programmes that operate outside the mainstream public sector institutions and allocate expenditures according to demand-based criteria, while having a number of advantages, have limited capacity to target, and a great deal of heterogeneity in outcomes. In addition, such programmes are not usually part of a broader social contract, and cannot replace broadly based social assistance and insurance systems in the long term” (Graham, 2002: 22). Of course, the issue before us is how to establish social protection institutions in the absence of social assistance and insurance institutions.
Few of the social protection programmes in the Table are financed from domestic tax revenues, although many are financed by tax-payers in a different jurisdiction, again underscoring the political constraints involved in developing social protection in low income countries. The issue is less to do with affordability, especially as the entries in the Table show the low absolute cost of well-targeted social protection programmes. Concerns around issues of financing social protection among national governments in low income countries usually focus on medium and longer term fiscal liabilities and/or strategic positioning vis-à-vis donors over sectoral or programme support. These concerns are justified. In low-income countries, high poverty incidence implies a potentially large number of beneficiaries, with the implication that even if social protection initiatives are initially well targeted on the poorest and set low-level transfers, political pressures could rapidly escalate the programmes and consequently the programme budget. Take Zambia, for example, where the official poverty headcount in 2000 was 76 percent of the population, with another 10 percent of the population just above the poverty line. A proposal to scale up the Kalomo social transfer pilot scheme, which targets the 10 percent poorest households, estimated the costs of a scaling up to a nationwide programme at 0.4 percent of GDP (Schubert, 2005). Government concerns focused not on the immediate affordability of the proposal (in fact donors offered assistance over the medium term) but instead on the likely escalation of the programme.

The adoption of tax-financed social protection is more likely where selection or other design features in the programme set clear parameters to manage future fiscal liabilities. For example, Bangladesh programmes for poorest widows and older persons provide a fixed level benefit to a fixed number of beneficiaries per ward. Such “categorical” selection is also helpful to a strategy of progressive realisation, because by focusing on the oldest and poorer as the beneficiary group, the design and implementation of a scheme involves natural exit points. This illuminates the important trade-off in public financing of social assistance programmes. It is possible to manage future fiscal liabilities by paying close attention to selection and design parameters, but only at the cost of reducing the insurance capabilities of the programme. In developed countries, the expansion of social insurance schemes in the past provided the financing required for the expansion of social protection, while extending insurance to cover a range of contingencies.

The scope for switching other forms of government expenditure as a means of financing social protection programmes is probably very limited in low-income countries (Smith and Subbarao, 2003). This is particularly the case for social expenditures. Moreover, an explicit feature of conditional cash transfer programmes is to increase demand for health and education by the poorest. Therefore these programmes may well result in complementary increases in public expenditure on health and education to ensure overall effectiveness (Rawlings and Rubio, 2005). Path dependence suggests it will be difficult to switch resources from underperforming anti-poverty programmes, especially where they have developed support constituencies.

In many low-income countries, donors have taken a very supportive approach to social protection. The Table shows that many of the social protection programmes listed are financed

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19 The point here is that public money is highly fungible, with the implication that governments able to attract donors support for social protection may be in a position to allocate resources to other areas of the budget which donors are less likely to support.

20 This is also a concern for middle income countries. Chile’s assistential pension programme PASIS has hard ceilings for annual budget expenditures, so that newly eligible beneficiaries have to queue until new places become available (Barrientos, 2006).

21 Free or subsidised school meals are a case in point. These tend to have many positive effects when introduced but are hard to change once conditions make them less effective, especially as they support supply and distribution networks (Tabor, 2002).
by them. In addition, donors are providing most of the funding for the policy and technical studies leading to the adoption of social protection programmes. Donors have an important role in financing the set up, or reform, costs of social protection. In this context, the ILO’s Social Trust financial support model which covers initial technical and capacity building support and support for the recurrent costs of social protection schemes with a gradual withdrawal after a long lag, has many advantages (ILO, 2002).

One key issue is the short- or long-term structure of aid. Social protection interventions are most effective in the medium and long run. Social protection programmes require longer time windows for piloting and design, and a sustained run to generate the desired effects on poverty and vulnerability. This is in contrast to the shorter time preferences of donors, with the implication that the optimal length of time of social protection programmes may extend beyond the maximum period to which donors may be willing to commit themselves. In the Table, Ethiopia’s PSNP has a five year window, Nicaragua’s RED has a five year window, and Zambia’s Pilot a four year window. The relatively short number of years of aid favoured by donors is a limiting factor in the development of social protection in low-income countries.

The shift to budget support among some donors (for example DFID, could provide the framework within which longer term support for social protection programmes could be secured. The expectation is that budget support will provide a partnership-based, predictable and transparent aid modality. This could have the effect of lifting the short-term constraint and at the same time reduce the incentives for strategic bargaining by national governments over the sectoral focus of aid. Some issues will still need to be resolved (Barrientos, forthcoming). Budget support reflects a move away from aid conditionalities, to be replaced by the identification of shared objectives, strategies, and targets across donors and national governments. But, other things being equal, this could make it more difficult to establish social protection initiatives in countries in which governments remain unpersuaded of the merits of social protection.

To date, few NGOs or private organisations have established large-scale social protection programmes in low-income countries. The few examples available, as listed illustratively in Table 1, suggest that NGOs have comparative advantage and preferences for small, localised, shorter term, and community-based social protection initiatives (Save the Children Fund et al., 2005). They have an important contribution to make in managing and delivering social protection programmes of this type. As the literature has long acknowledged, there are significant constraints in scaling up these programmes – by comparison with resources, and potential resources, available to governments and other public sector institutions.

Household and community co-financing of social protection programmes are commonly overlooked, but can be essential to the effectiveness of a programme. Co-financing is explicit in conditional transfer programmes, whether conditional on labour supply or human development activities. One reason why household and community financing of social protection are commonly overlooked is that these make very little sense when the redistributive functions of social protection dominate. They make a great deal of sense in the context of the insurance function of social protection (in standard insurance models co-financing performs an effective role in reducing the hazards of sudden, or long-expected, loss of income), but could also be important in strengthening the agency of the poor.

In this section we have confirmed that financing is a major constraint in establishing social protection initiatives in low-income countries, where the majority of selected social protection programmes listed in Table 1 are financed off budget, mainly by donors. The core issue relates less to concerns over immediate affordability than with concerns over the medium to longer-term implications for public finances of these programmes which could potentially escalate due to political pressures. Donors have an important role to play in financing pilot, transition and reform costs of social protection programmes, but their preference for short-term aid is a limiting factor.
It is important not to overlook the element of co-financing by households and communities. Their qualitative significance in ensuring the effectiveness of programmes and the example they can set for the government or public sector easily outstrips their quantitative significance. Lifting the financing constraints on the extension of social protection in low-income developing countries means giving close attention to the entire “mix” of funding. Donors have an important role in facilitating the research; pilot and transition costs associated with the introduction of social protection programmes. In the medium and longer run, the sustainability of these programmes will come to rely on strengthening the tax collection capacity of domestic governments.

6. ‘Productivist’ social protection

It was noted in the introduction that social protection is an important component of a growth and development strategy. This is especially true of social protection in low-income countries, where the need for all public policy to maximise the development potential is paramount. This implies that social protection must be ‘productivist’, in the sense of demonstrating that it can contribute to the development process. Social protection contributes to the development process in several ways: through reducing poverty and associated costs; helping overcome inefficiencies associated with missing or imperfect markets; facilitating investment in human capital, lifting cash and credit constraints; and protecting people and assets against sudden or random hazards.

There is limited evidence from existing social protection programmes in low-income countries regarding the quality and strength of these effects. Many of the selected programmes in the Table have been implemented only recently, yet the evidence of their value is building up. Evaluations of Bangladesh’s Targeting the Ultra Poor programme indicate that the transfer of assets and the protection of asset accumulation among poorest and excluded households has been effective. Bolivia’s *Bono Solidario* appears to have been successful in stimulating agricultural production in rural areas where the poor have access to land but are traditionally cash strapped (Martinez, 2004). Nicaragua’s *Red de Protección Social* proved to be effective in protecting beneficiary households’ asset accumulation against an unexpected drop in coffee prices, demonstrating that transfers can be effective against unexpected and expected hazards that can have idiosyncratic and covariate effects (Maluccio, 2005). Current research efforts, and a longer run of the programmes, will ensure a stronger body of evidence demonstrating the contribution of social protection to the development process.

There are two issues for future research. First, there is a need to clarify the extent to which the impact of social protection programmes combine and compound over time to relieve poverty and promote development. Critics of social protection might argue that alternative interventions could show greater local effectiveness, for example, than cash transfers for the poor and poorest in lifting credit constraints. They might argue that micro-credit programmes would be more effective. However, compared with micro-credit programmes, cash transfers are more likely to reach the poorest, can help to accumulate and protect assets, and are less likely to contribute to the incidence of child labour. The combined effects of social protection programmes help maximise their developmental impact. The point is that the strength of the ‘productivist’ nature of social protection could well be in the combination and compounding of its positive effects.

The second issue is to do with the impact of social protection on incentives. Remarkably, there is little evidence that social protection programmes have observable adverse effects on work incentives. This is probably associated with the fact that social protection programmes in low-income countries are focused on the poorest, as in the unconditional components of the Ethiopia PSNP or the Kalomo pilot. It is also likely to follow from the low level of benefits, especially when

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22 See the papers posted on the BRAC site at [www.bracresearch.org](http://www.bracresearch.org) .
measured as a fraction of household consumption. Transfer programmes conditional on work ordinarily set wages below market rates, and are therefore unlikely to have adverse incentive effects. At the same time, it could be argued that wider social protection programmes have the effect of propelling those in poverty towards more productive employment and lives, especially as these programmes strengthen their productive capacity, and facilitate their social integration. Nevertheless it is important for work incentives in relation to social protection programmes to be investigated as thoroughly as they have been in the industrialised countries.

In this section we have noted that social protection in low-income countries ought to be ‘productivist’ in the sense of contributing to growth and development. There is accumulating evidence to the effect that social protection in low-income countries could make a contribution to economic development without involving significant adverse effects on incentives.

Conclusion

This paper has sought to draw out the main lessons from existing social protection programmes in low-income countries. Many assume that establishing social protection is that much harder in low-income countries because of underdevelopment, fragmented political and policy processes, poor revenue raising capacity, and deficiencies in operational capacity. It is important therefore to learn from the experience of the handful of social protection initiatives in those countries.

We began by examining whether there are structural constraints to the development of social protection in low income countries, associated with the dynamics of the development processes, for example, 'low income – low social protection' traps, or strong policy path dependence, that make the task of establishing social protection in these countries unfeasible. We found, admittedly more on the basis of intuition than systematic analysis, that low levels of social protection may hinder the development of employment-based social insurance, and perhaps also hinder schemes to raise substantial amounts of domestic revenue. However it was difficult to envisage how tax-financed social protection focused on the poor could hinder the latter. Either way, empirical information on this issue is very limited. In the paper we found that micro policy path dependence was a more likely structural brake on the development of social protection in low-income countries.

The paper went on to consider the main perceived constraints: the political and policy processes, financing, and design and delivery, in existing programmes in low-income countries. We can boil the broad conclusions down to two points: first, the experience of low-income countries with social protection demonstrates that there are many options available to them in establishing such programmes, and perhaps more options than pessimists allow; and second, that financing and delivery constraints are much less tractable in scaling up programmes to a sufficient extent.

The rapid expansion of social protection programmes focused on those in poverty in developing countries demonstrates that a commitment to reducing global poverty and strong partnerships between national governments, international donors, NGOs, and researchers can work effectively to lift the financing and capacity constraints. Donors have a role to play in facilitating the expansion of social protection in these countries by reducing the initial costs associated with setting up appropriate programmes and policies, and national governments need to work on guaranteeing their sustainability by strengthening the domestic mobilisation of resources and by strengthening capacity with support from NGOs and researchers. This investment will bring large rewards from the significant contribution social protection can make to social and economic transformation.
References


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