



Social protection: top priority to end chronic poverty



80 year old Lozaj Nabitulett looks after her six orphaned grandchildren. Her five daughters all died because of AIDS (Rakai, Uganda). Photo: Rob Cousins / Panos

What is Chronic Poverty?

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

Key points

- Social protection plays a central role in overcoming the poverty traps that contribute to chronic poverty, especially through addressing the insecurity and vulnerability faced by the poor, and in improving human capital.
- It can also help to develop a social compact in poor countries. A just social compact is the most effective way of eradicating chronic poverty.
- Social protection can contribute to pro-poor growth in a variety of ways, including facilitating the accumulation and protection of assets by those in poverty; facilitating household resource allocation; and facilitating access to economic opportunities.
- Donors can help lower the financial costs of setting up social protection in chronically deprived countries, and more generally facilitate its financing, through improving the predictability and stability of aid flows.

Introduction

Chronic poverty is a key policy challenge for the 21st century. **Even if the Millennium Development Goals are achieved, an estimated 800 million people will still be living in absolute poverty and deprivation**, many of whom are chronically poor. Despite national and international efforts to tackle poverty, it is clear that many people are not being reached by current policies. Nonetheless, **chronic poverty can be eradicated**. Many people now enjoy a standard of living that their parents would have found unimaginable. Technology, finance and trade have created unprecedented opportunities to eradicate poverty.

The Chronic Poverty Report 2008-09 argues that social protection, and particularly **social assistance, is a crucial policy instrument** available to address poverty and vulnerability. Existing schemes cover many tens of millions of households and hundreds of millions of people around the world, and more programmes are currently being introduced. As such, social protection has the capacity to make a significant contribution to the lives of many chronically poor people. **Social protection prevents people entering into poverty and reduces**



Box 1: Social protection and social assistance

Social protection – a broad concept describing all interventions from public, private and voluntary organisations and social networks, to support communities, households and individuals in their efforts to prevent, manage and overcome vulnerability.

Social assistance (also known as **social transfers**) – a component of social protection that addresses poverty and vulnerability directly, through transfers, in cash or kind, to poor households. Transfers can be unconditional, as with most pensions and disability or child grants, or conditional on certain behaviour, such as regular attendance of school or local health centres, or participation in public works.

the duration of poverty, through protecting basic consumption levels. It protects poor people from shocks, helping to prevent the forced sale of productive assets, or the withdrawal of children from school, at times of stress. Furthermore, social protection can provide the basis for escaping poverty, both for present and future generations. It helps poor people to build physical and human capital assets, and contributes to the transformation of social relationships that maintain people in poverty. As icing on the cake, social assistance schemes are also increasingly recognised as contributing to pro-poor growth. As will be shown below, social protection has the potential to tackle the various traps that bring people into and maintain them in poverty. It can also help to facilitate the development of a social compact between citizens and the state.

Social protection, and particularly social assistance, therefore has a key role to play in reducing chronic poverty in low-income countries. Although it should not be seen as a panacea for all problems related to poverty, we know that modest, targeted social assistance programmes are not only desirable, but also feasible and affordable in most country contexts.

Social protection is important in overcoming poverty traps

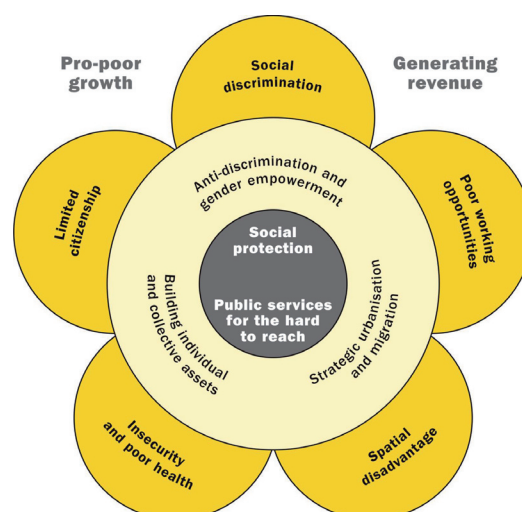
There are five principal chronic poverty traps that must be considered by policy makers when tackling chronic poverty (see Figure 1). Social protection is a key policy for alleviating these traps, though it must be complemented by other strategies, such as ensuring that public services are available to all. Social protection plays a role in addressing all five, though its primary contribution lies in addressing the insecurity trap – that is, the vulnerability faced by chronically poor people living in insecure environments and with few assets or entitlements to help cope with shocks and stresses. Insecurity exposes people to widespread and repeated shocks, driving them towards chronic poverty. Furthermore, the coping strategies used to alleviate the effects of shocks often involve trading off long-term goals for a better life for short-term survival – for example through reducing the number and quality of meals, withdrawing children from

school, or adopting low-risk, low-yield crops. Shocks and crises increase entries into poverty and increase the persistence of poverty among some of those already poor. Women often bear the brunt of economic shocks, since they are usually responsible for the wellbeing of the household.

Given the importance of insecurity and vulnerability in producing chronic poverty, social protection emerges as a necessary, though not sufficient, element of poverty eradication strategies. Of the many components of social protection in low-income countries, the public provision of social assistance is most important. There are several reasons for this: traditional forms of social protection are under strain; neither new, informal sources (e.g. international remittances) nor formal mechanisms (e.g. private insurance markets) tend to reach chronically poor people; and new hazards (e.g. climate change or food price instability) are adding an extra layer of risk on top of existing threats.

Social assistance programmes address poverty and vulnerability directly. They ameliorate the impact of shocks, helping poor people to maintain consumption and productive assets, thereby protecting their future earnings. Many social transfer schemes are made conditional on recipients sending their children to school. This encourages households to keep children in

Figure 1: Poverty traps and policy responses



education, and therefore lessens the impact of shocks on the accumulation of human capital. However, in order to maximise the effectiveness of social assistance in tackling persistent and extreme poverty, such programmes need to combine income transfers with wider forms of support, aimed at tackling the multidimensional and intergenerational nature of poverty.

Social protection will have the most direct effect in combating the insecurity trap, but it also impacts on other chronic poverty traps, including that of limited citizenship. Chronically poor people tend not to have a meaningful political voice, and lack effective and legitimate political representation and power. As noted below, social protection can foster the creation of a social compact, changing the way in which poor people are viewed by society, and improving the degree to which the political process encompasses the needs of those in poverty. Social assistance can also build and protect the assets held by poor people. Asset holdings increase the personal and collective agency of chronically poor people. The more assets a household holds, the more leverage it has in social networks and transactions, as well as in formal financial markets.

A further trap is social discrimination, through which poor people are caught in exploitative relationships, which may deny them choice and voice, and limit the possibility of exit from both the constraining relationship and poverty itself. Social protection can help to change these exploitative relationships, by altering the bargaining power of recipients. For example, cash transfers to landless labourers in India have been found to transform the conditions of otherwise exploitative clientelistic relationships, by decreasing the beneficiaries' need for such arrangements and thereby improving their bargaining power. Similarly, cash transfers in Ethiopia have enabled poor households to renegotiate contractual sharecropping and livestock arrangements with richer households.

Social protection can foster a social compact between state and citizens

While social protection alleviates poverty directly, it also plays a role in changing the wider structure of society in ways that can alter the discourse on poverty and significantly improve the long-term prospects for tackling chronic poverty. The strongest underpinning for pro-poorest policies involves the formation of a social compact (see Box 2). This reflects a core set of agreed values that become embedded in public institutions and thus set parameters for the relationship between citizens and the state.

The most effective way to eradicate chronic poverty is therefore through the creation of a just social compact. While history has shown that there are many paths to building a just social compact, **social protection can play a significant role in this process** and thereby create a commitment to

pro-poor policies. Social protection programmes provide entitlements to citizens, with a guarantee from the state that nobody will fall below a minimum living standard. India's National Old Age Pension Scheme (NOAPS) provides a good example. Introduced in 1995 as one of three elements of the National Social Assistance Programme, NOAPS provides social assistance to elderly people considered to be destitute. Originally it was set at a very low rate of Rs75 (about US\$1.60) per beneficiary per month from the central government, which was often supplemented by state governments, such that the average across states was around Rs150. Despite some early problems, NOAPS has now endured for over a decade and survived two changes in government. Furthermore, central government has recently extended coverage to over eight million people, and more than doubled the value of the transfer. Importantly, a recent study has found that the pension is claimed by even the most marginalised individuals as a *right*, unlike the non-constitutional employment assurance schemes or primary education. NOAPS is therefore helping to make the kind of social compact envisaged in India's constitution a reality. Other similar examples are the social pensions provided in South Africa and Namibia. As these programmes become expected and demanded by older citizens as an entitlement, a failure of the state to implement its duties towards poor people becomes politically risky. Pro-poor policies are thus embedded in government and the country's discourse around poverty altered.

Social protection can support growth strategies

Although the aim of most social assistance programmes is to alleviate poverty, there is increasing evidence that such schemes can facilitate economic growth among the poorest. Although the principal component of transfers is usually spent on food and services, across a range of examples it has been found that some of the transfer is often used to make investments in productive capacity, as outlined in Box 3. As

Box 2: The social compact

A social compact is a set of mutual obligations between the state and its people. These mutual obligations reflect a core set of agreed values, and take the form of duties and rights that are fulfilled and become embedded in political and social institutions. A social compact exists when the majority of citizens agree (or at least acquiesce) to accept restraints on their individual actions, for example through foregoing some of their income through taxation, in exchange for tangible benefits, such as law and order, healthcare and education, or social assistance.



such, transfers do not just fund immediate consumption, but improve the future earnings of recipients, helping both to lift them out of poverty and to stimulate growth.

Social assistance also improves and protects the assets of poor people, either directly or through improving access to credit. Those in poverty are often highly credit-constrained, preventing them from making the investments in productive capacity that could lift them out of poverty. Regular and reliable social transfers have been found to improve poor people's access to credit. In Brazil, for example, beneficiaries of the social pension, 'Prêvidencia Rural', have been able to access bank loans by showing the magnetic card used to collect the pension.¹

As noted above, social assistance has also been found to have a significant effect on improving the micro-level determinants of growth, such as human capital. Although many schemes are made conditional on the use of local health and education services, even when this is not the case the evidence indicates that recipients frequently use the transfers in this way, most frequently to send their children to school. Social transfers therefore help to provide the basis for future generations to avoid poverty.

While some concern is often raised that social assistance will have a negative effect on labour supply, with people relying on the transfer rather than choosing to work, there is little empirical evidence to support this. In fact, social assistance may have the opposite effect, of improving labour supply. Research in Mexico and South Africa suggests that transfers make accessing work more feasible, as recipients are able to afford the bus fares and presentable clothes that enable them to enter the labour market. Furthermore, transfers can also facilitate migration in search of work.

Lastly, there is evidence that inflows of social protection can stimulate local markets and contribute to economic vibrancy. Studies of Mexico's PROGRESA scheme have found that it has led to an increase in consumption and productive assets among non-beneficiary households, indicating stimulation of the local economy.³

Furthermore, the effects were found to be strongest among non-beneficiary households with low asset levels at the start of the programme. Evidence is emerging from Africa of social transfers leading to the emergence of local markets. Mozambique's GAPVU programme led to the growth of street traders around transfer-dispensing offices, while in Namibia many grocery stores arose in even the smallest villages, in response to the increased demand generated by the social pension programme.⁴

There are, therefore, a variety of channels through which social protection can support growth. These effects can be maximised by appropriate programme design. Examples include ensuring that conditions for receiving benefits do not contain disincentives to work or save;

Box 3: The use of social assistance for investment in productive assets

- Recipients of Mozambique's food subsidy programme use the money as working capital for petty trading, for rearing chickens and selling the eggs, and for making and repairing clothes.
- In Zambia's Kalomo Pilot Scheme, targeted at destitute families, as much as 29% of the money transferred was invested in the purchase of small livestock, other farming inputs, or for informal enterprise.
- Beneficiaries of the Mexican agricultural support programme, Procampo, have been found to have raised their income by 1.5-2.6 times the value of the transfer.²

and combining social protection with other policies, such as ensuring an adequate provision of basic services, particularly in health and education.

Obstacles to the implementation of social protection schemes exist, but are surmountable

If social protection programmes are to be introduced, the evidence from past successful cases suggests that the discourse about poverty in poor countries can matter even more than 'pure' technical analysis. **Elites need to be convinced that poor people face significant constraints that require public action.** In many cases, this has followed from a recognition that poverty is mainly caused by factors beyond the control of the deprived group. It is therefore important that those interested in promoting social protection policies understand the broader battle of ideas – on the causes of poverty, the relative roles of public policy and private charity, and concepts of development and nation-building – in societies in the South. **Research can help to overturn images of poor people as indolent or likely to 'drink away' cash transfers** by demonstrating (as done in Box 3) that transfers are frequently used by poor people for investments in children's food and education, as well as productive assets.

Once programmes have been initiated, constituencies can form in opposition to, as well as in support for, their continuation. A critical issue for the sustainability and growth of social protection schemes is their institutional location within government. Often they are placed in social development ministries or agencies, which offer a sympathetic home, but tend to lack political influence and the support of more powerful ministries. Evidence



suggests that **it is crucial to have the involvement and support of the more influential ministries, particularly finance**. Innovative institutional arrangements for housing pro-poor policies – such as the location of the Department of Pensions within the Ministry of Finance in Lesotho – offer promising ways forward, as does attaching social assistance programmes to strong mainstream ministries, such as those covering health or education.

What are the lessons for donors?

While developing a social compact through social protection is an important policy for fighting chronic poverty, it presents some difficulties for donors. Supporting the development and

deepening of the social compact is not easy for external actors. Donors must take care not to damage the development of social compacts – which is necessarily a country-specific process. At the same time, they should look at promoting social protection, through seeking to integrate social assistance programmes within existing and well-recognised policy channels, offering direct budgetary support for social assistance, and making links between chronic poverty, citizenship and nation-building.

Providing social protection is essential, though not sufficient, for tackling chronic poverty. However, the appropriate way to take this agenda forward is also highly country-specific. Table 1 is an illustration of a simple tool to show how social protection strategies might be tailored to different contexts, although at this stage it is only indicative. Chronically deprived countries, where state capacity is limited,

Table 1: Country trajectories and potential social protection approaches

Country category	Approach to social protection	Comments
<i>Chronically Deprived Countries</i> e.g. Cambodia, Ethiopia, Mozambique, Zambia	<ul style="list-style-type: none"> Insurance covers only the small formal sector. Safety nets dominate. An initial focus on social assistance, using external resources. Resilience to vulnerability is to be built through access to assets. Beneficiary selection is critical. Advocacy needs to focus on building constituencies of support for the extension of social protection. 	<ul style="list-style-type: none"> Dominant debates are on the relative costs and benefits of temporary social assistance (e.g. relief) vs. permanent social protection. In-kind transfers may work better than income/ cash if markets do not function well, but food aid can be problematic. Educational and health transfers (e.g. infrastructure, staff, materials) to communities may play a role.
<i>Partially Chronically Deprived Countries</i> e.g. Bolivia, Bangladesh, India, Namibia, Nepal, Uganda	<ul style="list-style-type: none"> Selection remains critical. Outreach of social assistance gradually increases. External resources remain important. 	<ul style="list-style-type: none"> Difficult, but not impossible, to grow and universalise schemes. 'Local' successes important (e.g. India's Rural Employment Guarantee Scheme: from Maharashtra to national). Urban deprivation can lead to policy development.
<i>Partial 'Consistent Improver' Countries</i> e.g. Brazil, Mexico	<ul style="list-style-type: none"> Access to social assistance and insurance markets is broadened. Labour employment risks are treated as a serious issue. Countries like Brazil and Mexico are shifting government resources from social insurance to social assistance programmes, to reach poorer groups outside formal employment. 	<ul style="list-style-type: none"> Health insurance introduced, but social assistance is key mechanism against poverty and impoverishment. Increasingly full coverage of basic health and education infrastructure makes lack of access mainly a demand issue (direct and transactional costs).
e.g. Malaysia, Singapore, Thailand	<ul style="list-style-type: none"> Countries like Malaysia, Singapore and now Thailand are progressively switching from assistance to social insurance, once certain levels of GDP and wealth per capita have been achieved. 	<ul style="list-style-type: none"> In the meantime, social assistance can be spread dramatically, as the economy grows and access to social services improves.
<i>All-round 'Consistent Improver' Countries</i> e.g. China	<ul style="list-style-type: none"> Astonishing growth of social assistance has arisen, because strong social insurance institutions were undermined by the restructuring of state-owned enterprises. 	<ul style="list-style-type: none"> China has been more successful in (re) building social assistance than other transitional economies.



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

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face particular challenges. Many of these countries have also recently faced conflict. The most urgent need, therefore, is to establish trust in the state and its institutions, and mobilise support for the consolidation of peace and democratisation. The provision of basic health and education services with conditional cash transfers, followed by post-primary education, is likely to be most appropriate in these circumstances. For remote areas, investments in infrastructure can improve livelihoods, although such projects need careful design to ensure that they truly meet the needs of the poorest people.

The role donors should play in supporting the introduction of social protection programmes also varies across recipient countries. We should distinguish between chronically deprived countries that have ample mineral revenues, buoyed by the boom in world prices, and those that do not. For resource-rich countries, there is no reason why they cannot establish social protection now. Donors should focus on providing technical assistance to build the institutions necessary for effective social protection, such as educational and health services. They should also support social movements mobilising around the Extractive Industries Transparency Initiative, that work to promote transparency in government revenue.

In resource-poor countries, aid donors need to increase budget support, reduce the volatility of aid, and be prepared to fund much of the cost of basic service provision and social protection. This will

improve human capital accumulation, contribute to economic growth, and attract foreign investment. As the economy grows, so will the government's revenue base, and with it the prospects for state-building. The recipient country might then stand a chance of becoming less dependent on aid.

However, a key constraint to the introduction of social assistance programmes is a lack of willingness among donors to fund them, and to make commitments of a sufficient duration. In principle, Zambia has recently achieved funding for a five-year period, but it may be necessary for donors to make a much longer-term commitment, covering a generation or more (15-25 years). Donors have shown great reluctance to make such a commitment before recipient governments, which suffer from low revenue generation and collection capacities, make the necessary commitments on their side. Donors can alleviate these problems through improving the predictability and stability of aid flows. Too often, commitments by donors are not matched by disbursements, and pledges are not implemented, either in full or on time.

The importance of social protection, and the number of ongoing policy experiments, means that monitoring and evaluation are critical – we need to know what works best where, and to provide solid evidence for public and political debates. **By 2010 the world should be able to produce a social protection strategy which would contribute strongly to poverty eradication in a large number of low income countries by 2025.**

This policy brief was compiled by James Scott

Endnotes

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This policy brief accompanies the **Chronic Poverty Report 2008-09: Escaping Poverty Traps**. It draws directly from the report, where full references can be found.