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.

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.

Summary

Negative perceptions of social protection transfers continue to influence national and international anti-poverty agendas. Most of the concerns raised are based on misconceptions. This briefing outlines evidence that demolishes some of the myths concerning social protection:

- Social protection can be affordable, even in poor countries, and can be financed sustainably in the medium-term. In the short-term predictable donor resources are needed in many countries.

- Social protection can both alleviate and enable people to escape poverty as transfers are invested in productive activities, human development and improving nutrition – the extent to which they can achieve this depends on the size of the transfer and on programme design. There is very little evidence that they promote ‘dependency’ in poor countries.

- Whether and how social protection should be targeted depends on the nature of poverty and specific social and political circumstances; targeting can increase the proportion of resources reaching the chronically poor, but it can also exclude them; in some contexts, targeted programmes may have most political support; elsewhere universal programmes create important social solidarity and support for social protection.

- Potential misuse of social protection transfers can be avoided by delivering benefits through trusted institutions, ensuring recipients are informed of their entitlements, creating strong oversight mechanisms and minimising opportunities for corruption.
Social protection policies and programmes can make a major contribution to reducing poverty among chronically and severely poor people and securing their rights. At best, they can:

- stop shocks and stresses pushing people (further) into poverty
- help build assets, in particular, the physical and human capital needed to move out of poverty, cope better with shocks and stresses, or benefit from policies aimed at people living close to the poverty line
- protect and promote the well-being and capacities of people who are currently poor
- support poor and vulnerable people’s access to essential services
- help challenge inequitable social relationships and contribute to individual and group empowerment;
- contribute to increasing growth by enabling poor people to be more productive
- contribute to reducing inequality

There is growing evidence of the benefits of social protection from a wide range of countries, poor and middle income, and many innovative approaches to providing social protection are being developed. Some are discussed in this briefing; see also CPRC Policy Brief No. 2. However, there are a number of negative myths about social protection. This briefing discusses some of these concerns and ways that they may be addressed. Though ‘social protection’ policies may involve a wide range of approaches (see Box 1), common concerns implicitly relate to cash transfers rather than to other policy instruments and so these are the focus of this briefing.

### Issue 1: Social protection transfers can be affordable, even in poor countries, and can be financed sustainably.

The costs of a social protection package depend on its coverage and its generosity. Concerns about costs are often based on the model of extensive OECD social security systems. However, effective social protection programmes need not be so ambitious or costly. For example, Mexico’s Oportunidades programme, which provides cash transfers equivalent to one third of the average income of poor households, and covers 40 per cent of rural households, cost 0.32 per cent of GDP in 2000, while Nicaragua’s Red de Proteccion Social, which gives around 12 per cent of poor households’ average income, and covers households with children aged 7-14 in the fourth grade or below and with children 0-4, cost 0.021 per cent of GDP in 2002. While transfers need to be above a threshold level to make an impact on poverty, even low transfers (e.g. US$6-8 per month in Zambia) can make notable impacts on food security (e.g. enabling people to eat twice a day instead of once), and access to health care and education.

ILO research in seven African countries suggests that a universal old age pension (of US$ 0.5 per day) would cost between 0.3 and 0.6 per cent of GDP, while a benefit for all children under 14 (of US$0.25 per day), would cost between 1.5 and 4.5 per cent of GDP. A targeted cash transfer to the poorest, rather than old age pensions or child benefit, would cost between 0.15 and 0.7 per cent of GDP. These levels of transfers should be affordable, particularly with short- to medium-term donor support; the ILO estimates that by the mid 2020s, the need for external financing will have decreased substantially. As DFID (2005) concludes: ‘modest transfers are affordable even in poor countries, particularly when donor resources are taken into account’, while a meeting of 13 African heads of government and the African Union concluded that ‘national social transfer programmes are affordable if political will exists’.

---

**Box 1: Defining social protection**

There are many different definitions of social protection, ranging enormously in scope. Social protection is often dismissed as a policy option because it is seen as an overly complex and demanding set of initiatives that are thus unaffordable. The CPRC suggests that social protection policies and programmes are best understood as those which aim to help poor and vulnerable people manage risk and overcome deprivation, through direct cash or in-kind transfers. These include: cash transfers (e.g. pensions, child benefits, disability grants, social assistance), employment guarantee programmes, input distribution programmes (e.g. agricultural ‘starter packs’) and subsidised access to services (e.g. health insurance subsidies, user fee exemptions, lifeline water and energy tariffs). To be most effective these need to be complemented by wider legislation, policy reforms and actions that help reduce risks and promote social equity and inclusion. Social protection policies and programmes can thus be quite specific in objectives and scope; they are not a synonym for broader social or anti-poverty policy, although they are a vital element of effective social investment.
noting that among the poorest countries, Mozambique and Lesotho already have domestically financed cash transfer programmes.\textsuperscript{5} Costs can be kept manageable by starting with a limited programme and scaling up. Mexico’s Oportunidades started in rural areas and only expanded to urban areas after five years; South Africa’s Child Support Grant was initially given only to households with children under 8; it has now been extended to reach children under 13.\textsuperscript{6}

**Issue 2: Social protection can both alleviate and enable people to escape poverty**

From a poor person’s perspective, the distinction between consumption and investment is not clear-cut. Consuming adequate food is an investment in current and future health, children’s capacity to learn, and adults’ capacity to work. Transfers that enhance incomes can enable people to maintain social relationships, thus reducing social exclusion, which for many poor people, is one of the worst aspects of poverty, and expanding the sources of informal social support available.

Furthermore, even where transfers are small, recipients often invest them in productive activities, such as farming or micro-enterprises, sometimes pooling them with other recipients to increase the value of the transfer and buy inputs cooperatively, or to hire labour. Research from southern Africa has shown that the longer a transfer programme continues, and the greater the size of the transfer, the greater the likelihood that participants will be able to use it to invest in productive activities that help them move out of poverty.\textsuperscript{7} Experience in Mexico suggests that cash transfers can generate income multipliers of 1.5-2.6 times the cash transfer, thus stimulating local economies.\textsuperscript{8} At the macro-level, research in Brazil suggests that child-oriented cash transfers and the social pension are responsible for almost 30 per cent of the fall in inequality in Brazil during 1995-2004. Where transfers succeed in reducing inequality, they are also likely to underpin economic growth, which is widely recognised to be more effective in reducing poverty when inequality is lower.\textsuperscript{9}

There is also much evidence of unconditional transfers, such as pensions or social assistance, as well as conditional health- and education-oriented transfers being used to support children’s school attendance and improve nutrition. For example Brazil’s old age pension has been shown to have a positive impact on children’s educational enrolment and child labour; South Africa’s old age pension has had particularly positive effects on girls’ nutritional status, with girls in recipient households an average of 3-4 centimetres taller than their same-age counterparts in non-recipient households.\textsuperscript{10}

These examples suggest that social protection transfers can act as a form of redistribution, enhancing the assets of the poorest people. They are far more likely to help people move out of poverty when complemented with wider policies that reduce risks, promote social inclusion, provide access to services and strengthen livelihoods. As with any other policy measure on its own, expecting social protection to be a magic bullet is unrealistic.

**Issue 3: Social protection need not promote dependency – it can be designed to be developmental**

Fears that transfers are ‘welfarist’ and will generate dependency cause hesitancy about social protection in contexts as diverse as Zambia, Sri Lanka and Kyrgyzstan, and many OECD countries, particularly the English-speaking ones. The previous section presented evidence showing that cash transfers are often used in ways that contribute to an escape from poverty. Experience in Mexico and South Africa suggests that transfers actually enable work, as recipients can afford bus fares, presentable clothes for work etc.\textsuperscript{11} Thus, they can strengthen poor people’s agency, and sense of being able to improve their situation; this can have important spin-offs in other areas e.g. civic engagement. Furthermore, transfers on a scale that is affordable at present, or in the medium-term, are simply too small to deter people from working.

It should be recognised that some people will need long-term public support because they cannot, or should not, work (e.g. children, older and severely disabled people). Rather than creating dependency, cash transfers should more accurately be seen as a response to rising dependency. This is particularly obvious in contexts heavily affected by HIV/AIDS, which often simultaneously experience: loss of adults of prime working age, large numbers of labour-constrained households, a substantial rise in the number of orphans, and older people taking on substantial caring responsibilities in the absence of resources to do so. In such contexts, ‘traditional’ or ‘informal’ social safety nets are often strained beyond their limited capacity. Here social protection transfers relieve some of the burdens on very poor people to help others and can reduce the need to beg.

By contrast, there is evidence from South Africa that public works programmes, which are often seen as more developmental than transfers, might actually contribute to poverty traps among labour-constrained households. Research has found that households prioritise one of the few sources of cash available to them, even where
Issue 4: Social protection can be a highly effective form of anti-poverty action

Detailed studies are not available comparing the impact of a dollar spent on a particular form of social protection with a dollar spent on infrastructure, public health services or agricultural extension, for example, in a particular context. Concerns about relative effectiveness are thus based on anecdote or received wisdom. They may also reflect the institutional interests of different agencies or ministries, whose remits are based on delivering particular goods or services, and not giving money away. This said, there is some evidence to suggest that well-designed cash transfers are more cost-effective than food distribution programmes.\textsuperscript{13}

Impact depends on how a social protection programme is delivered and resourced: a reasonably-resourced programme that is available to all who need it will impact on poverty; an under-resourced programme that reaches only a small proportion of those who need it with minimal transfers will not. Positive examples include Hungary’s child benefit system in the early 1990s, which, it is estimated kept out of poverty 85 per cent of children at risk of poverty.\textsuperscript{14} Similarly the effectiveness of India’s Maharashtra Employment Guarantee Scheme is related to its availability as a constitutional right.

Beyond positive examples of impact, an alternative perspective takes stock of what current models of anti-poverty action are achieving, and recommends some hard thinking. Most analyses suggest that the MDGs will only be met through progress in populous, relatively less poor countries, with limited poverty reduction gains in smaller, poorer countries. In this context, DFID (2005) suggests that social transfers may be a way of bypassing or even kick-starting the economic growth that is simply not materialising in many poor countries.

Issue 5: Should cash transfers be targeted?

A case can be made for both universal and targeted transfers. The most compelling argument for universal transfers is perhaps that universal systems establish social citizenship rights, which promote social solidarity and cohesion, and can lead to lower levels of inequality, reduced crime, etc. On a practical level, universal social assistance is normally less administratively demanding than a means-tested system, and ensures that very poor people or those unreached by most mainstream policies are able to access benefits.

It is also often asserted that only universal systems achieve elite and middle class support for programmes, without which allocations may be hard to maintain during economic decline. The empirical evidence for this is inconclusive, with some supporting

---

\textbf{Box 2: Haantantala: From begging to farming thanks to cash transfer}

72-year-old widower Haantantala (not his real name) from Kalomo District, Zambia, lives alone in a small mud hut surrounded by large open fields of tall grass. For the first time in a few years there is also a small field of maize next to his house. In May of 2004 Haantantala qualified for a pilot scheme from the Ministry of Community Development and Social Services (MCDSS) that now provides him a regular income of K30,000 (US$6) per month. It is from this money that he has bought seed and paid some local boys to plough and cultivate his maize field. Asked why he has chosen to invest his money in farming rather than use it immediately to buy food, Haantantala looks proudly at his field and says that it is only by growing his own food that he can be sure he will never again have to beg from his neighbours to survive.

Source: see footnote 5
and other contradictory examples. CPRC research suggests that the most sustainable programmes seem to include vulnerable middle-poor as well as destitute people (though not necessarily the elite or middle class); in countries with such programmes, funding has been maintained, even during periods of economic decline. It appears that a sense of social obligation and ownership of these programmes have been critical in ensuring continued funding.15

The case for targeted programmes is mainly concerned with the efficient use of limited resources. One view of a rights-based approach suggests that transfers should be targeted to the most vulnerable as a means of equalising their situation and securing their rights. In this context, targeted transfers can increase the resources available to the poorest and thus larger transfers can be made; in principle then they can make a greater contribution to reducing the depth of poverty, and thus inequality. In some contexts, targeted transfers can be the most politically appealing option as they appear to make the best use of resources. However, this implies adequate capacity to screen out non-eligible applicants. Though community-based targeting is sometimes viewed as a way to bypass systemic capacity constraints, it creates extra, often unpaid, work for hard-pressed people. Communities may also ‘subvert’ policies with their own distribution criteria which may or may not be fully inclusive and pro-poor. Where poverty is widespread, arguably an affluence test screening out the rich would be more appropriate than means-tests for the poor.

Some countries (e.g. Brazil and Mozambique) have introduced targeted cash transfers with the intention that they should be a pragmatic first step towards universal ‘citizens’ income’ grants.

**Issue 6: Safeguards can prevent the misappropriation of social protection transfers**

There are indeed some examples of cash transfer programmes being misappropriated (such as GAPVU in Mozambique) but equally, it is widely recognised that other forms of development assistance may be liable to diversion; funds for infrastructure development, for example, are famously divertable to create political assets. Solutions to potential corruption include: universalising transfers, or building strong local oversight mechanisms so that means-testing does not create incentives to corruption at community level; ensuring transparency in schemes so that recipients know what they should be getting; mechanisms for accountability at local level; delivering transfers through quasi-independent, nationally accountable institutions, such as the Post Office (e.g. social pensions in India and Lesotho); improving pay levels among staff charged with implementation (generally as part of broader public administration reforms), and high profile action to signal ‘zero tolerance’ of corruption.

It is notable that similar arguments about misappropriation have been deployed against direct budget support. However, as the consensus that this is often the right way to provide development assistance is growing, these seem to be surmountable – systems to ensure accountability are being developed. The same logic applies to cash transfers or other social protection programmes. Indeed, experience from India suggests that popular and community organisations have successfully managed to promote accountability and stamp out corruption in various social protection programmes.16

A related concern is security, and hold-ups of vans carrying cash; in some countries with well-developed banking systems e.g. Brazil, electronic systems of transfer are used; in South Africa and Namibia, private security firms accompany cash distribution; in Lesotho, the army and police provide this function. Technological innovations (such as electronic bank transfers or transfers to mobile phones) can help reduce costs and increase security.

**Addressing other issues and obstacles:**

Ambivalence on the part of the international community is an important obstacle to further development of social protection systems and hence to reducing chronic and severe poverty. Both moral and financial support for institutionalising social protection are needed, in particular:

- **Long-term, predictable financing:** There exists a continued perception among some governments (and donors) that social protection is just another development fad, and a reluctance to institute or support systems that may have to be dismantled if donor funds are withdrawn. Long-term, predictable funding, where external financing is needed, can ensure that this is not the case.

- **Integrating social protection transfers into wider development strategies** (rather than funding piecemeal stand-alone initiatives) can help maximise effectiveness, by ensuring that different pieces of the anti-poverty ‘jigsaw’ complement one another.
This may mean building on food security policies in one context, and, for example, social services policies in another. It can also ensure that social protection policies complement action on the broader causes of poverty and vulnerability.

Increasing implementation capacity – where this is a major barrier to increased social protection, programmes may need to be scaled up gradually, as with the extension of South Africa’s Child Support Grant, for example. Again, building on existing programmes may help. Implementing a high profile, adequately resourced programme helps build capacity. Donors can help overcome specific capacity blockages through resourcing key implementation agencies, such as Ministries of Social Welfare.

This policy brief was written by Rachel Marcus

Endnotes

4 Both calculated in PPP dollars

Resources

General (including evidence on dependency, effective approaches and targeting)
UNDP International Poverty Centre: Poverty InFocus, Social protection: the role of cash transfers,
www.undp-povertycentre.org/newsletters/Poverty_in_Focus_june_06.pdf

www.sed.manchester.ac.uk/idpm/research/events/february2005/protection.htm

Positive examples - specific programmes
Social assistance in low income countries database - this is updated regularly and summarises information on key social protection programmes: www.chronicpoverty.org/pdfs/SocialAssistanceDatabase2006 Version2 310306.pdf
www.childhoodpoverty.org

Financing and affordability