THE ROLE OF CASH TRANSFERS IN TACKLING CHILDHOOD POVERTY

Key Points

Cash transfer programmes can be a very effective way to reduce childhood poverty - in Hungary in the mid-1990s without family allowances poverty among children would have been 85 per cent higher and in Poland one third higher. In Nicaragua and Mexico child benefit programmes have increased school attendance substantially and reduced illness and malnutrition. In Bangladesh, targeted transfers have increased school attendance and retention by up to 25 per cent. A pilot programme in Zambia has increased both food security and school attendance.

They can play a particular role in tackling poverty among orphans and other vulnerable children, particularly where community-based sources of support are strained to breaking point. Whether cash transfers should specifically target specific groups of vulnerable children or a wider group of poor people can only be decided in context. Where recipients are likely to be stigmatised by being singled out, a wider programme aimed at all vulnerable families may be preferable if it is affordable.

Cash transfers can be affordable. For example Nicaragua's child cash transfer programme cost 0.021 per cent of GDP. A generous, wide-reaching programme in middle-income Mexico costs 0.32 per cent of GDP. Eligibility can also be increased over time, as with South Africa's Child Support Grant. In very poor countries, donor support may be essential in the medium term. Such support needs to be predictable, suggesting that sectoral or general budget support may be more appropriate than project financing.

There is much to learn from existing programmes, which could be replicated elsewhere. At least fifteen poor and middle-income countries have introduced child-oriented benefit programmes that are helping reduce childhood poverty, and thus investing in long-term poverty reduction. Most are financed with a combination of national and international resources. Much can be learnt from these experiences, which if replicated elsewhere could - in combination with wider social investment - make a significant contribution to tackling childhood poverty.

1. SOCIAL PROTECTION STRATEGIES AND CHILDHOOD POVERTY

Increasingly, social protection is recognised as an essential part of effective poverty reduction strategies. Social protection consists of a range of measures that aim to:

- **Protect people against shocks that could push them (deeper) into poverty**
- **Make poor people less vulnerable to these shocks**
- **Protect people against extreme poverty and its effects on wellbeing**
- **Protect wellbeing at vulnerable periods of the life cycle, including early childhood**

Social protection measures can be very broad, such as investment in accessible, good quality health and education services, or preventing macro-economic shocks, or very specific, such as nutritional supplements for particularly vulnerable groups or legislation to prevent dispossession of widows and orphans; all are an important part of overall poverty reduction strategies. This briefing focuses on the contribution one main social protection instrument - child-oriented cash transfers - can make to reducing childhood poverty and vulnerability. Other social protection measures which could make a particular impact on childhood poverty are summarised in Table 1 below. Some of the broader measures that could impact on childhood poverty are not included, as they are discussed in other CHIP briefings.

Why Social Protection is Important for Tackling Childhood Poverty

a) Core poverty reduction strategies do not always reduce vulnerability or extreme poverty

Core poverty reduction strategies based on economic reforms, investment in basic services and improving governance do not necessarily reduce poor people's poverty and vulnerability – some kinds of economic reforms, in particular, may increase them, at least in the short and medium term. By enhancing incomes and assets and protecting and promoting access to services, and nutritional wellbeing, social protection measures can help protect immediate survival. Where income or assets can be invested in productive activities or human development (eg education), social protection measures can contribute to getting out of poverty.

b) Children and young people are particularly vulnerable to the effects of poverty

As a group, children and youth are physically more vulnerable to the effects of poverty than adults – children's development in the early years and adolescence can be compromised by poor nutrition for example, and this can have lifelong effects. There are therefore strong intergenerational reasons for reducing that vulnerability through social protection measures. To be most effective these need to start during pregnancy, and continue at least until adolescence. Measures aiming specifically to protect children and young people from the effects of poverty may be in cash (eg child allowances) or kind (eg school meals).

c) Effective income protection programmes, North and South, have a good record in tackling childhood poverty.

For example:

- **In Hungary,** in the mid-1990s, without family allowances, child poverty would have been 85 per cent higher, while **in Poland** it would have been a third higher.

- **In Mexico,** Progresa, a social welfare programme, where cash benefits are conditional on children of the relevant age group attending school, and on families' use of health facilities, has reduced teenagers' involvement in work by 12-20 per cent, reduced the incidence of illness among 0-5 yr olds by 12 per cent and reduced rates of stunting.

- Without **Kyrgyzstan's social protection system**, 24 per cent more people would be living in extreme poverty. As poverty is concentrated among families with children, many of these would have been children.

- **In Nicaragua,** the **Red de Proteccion Social** managed to stop food consumption declining in poor families during a coffee price shock that seriously undermined poor people's livelihoods. It has also increased school enrolment by 22 per cent and attendance by 30 per cent

- **In Bangladesh,** children participating in the Food for Education programme (now reoriented to provide Cash for Education) have 20-30 per cent higher enrolment rates and stay in school between six months and two years longer than non-participant children. This may increase lifetime earnings by 7-25 per cent.

As these examples show, child-oriented cash transfers and wider social protection strategies can play an important role in reaching various Millennium Development Goals, including those on health, education, nutrition and income poverty. They should thus be seen a key component of poverty reduction, rather than an 'unproductive' welfare transfer, as they are frequently viewed.

d) Adequate social protection is a right. Children (like adults) have a right to an adequate standard of living (article 27 of the Convention on the Rights of the Child, article 25 Universal Declaration of Human Rights); The Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights also recognise the right to social security. Thus social protection is a recognised right – it should not be considered a luxury only for rich countries. Furthermore, by enhancing security, it can enable people to claim other rights. That these rights are accepted in widely-ratified international human rights conventions raises questions of the responsibility of the international community in their implementation, as well as to global commitments such as the Millennium Development Goals.

Table 1: Promising Social Protection Mechanisms for Tackling Childhood Poverty in Poor and Middle-Income Countries

Mechanism	Advantages	Disadvantages/ issues
Child oriented allowances/ benefits **	Cash into poor people's hands; they have choice of how to spend; less complex administratively & expensive than in-kind support. Wide social acceptance of need to support poor children.	Cannot guarantee that money will be spent on children. Some allege more prone to corruption because money involved.
Old age pensions	Much evidence that old age pensions improve child wellbeing in multi-generational households (S Africa, Brazil); often widespread social acceptance of support for older people.	Benefits to children are indirect. Also vulnerable to sudden termination if recipient dies, regardless of level of poverty in household.
User fee exemptions (free services) and waivers (remission from fees for predefined groups) in health, education, water, electricity, heating (transition countries)	Make services more accessible; if implemented effectively can ensure poor people's access (eg primary school and primary health care user fee exemptions in several E African countries). Most effective when combined with quality improvements.	Targeted waivers often exceed administrative capacity and can be prone to corruption - exempting a service from charges often more cost-effective; for certain services eg tertiary education or health care they may be more feasible.
Micro-nutrient supplement programmes*	Positive impact on maternal and child survival & contributions to reducing intergenerational poverty. One of cheapest nutrition interventions.	Addresses symptoms rather than causes but arguably misplaced criticism – should not be seen as alternative to improved food security. Should be delivered through health services rather than parallel programmes.
School feeding programmes*	Can enhance children's concentration and school performance (especially if timed before classes start); can also increase attendance.	Costly; quality of food and impact on nutrition sometimes limited; usually only available to school children. Participating children may receive less food at home. Where effective, potential impact on intergenerational poverty cycles.
National or community health insurance*	Well-designed programmes can increase accessibility of health services to poor people (evidence from Africa); some systems cover children & older people from general taxation (C Asia)	Contributions may exclude poorer people. National systems need to make specific efforts to include people outside formal labour force.
Food for work/ cash for work*	Can provide effective safety net which allows people to build up assets; infrastructure created can have wider spin-offs	Can lead to increased child labour in heavy work; prone to corruption; wages/ food may be too low to provide genuine protection
Maternity protection (cash support and employment guarantees)	Important for protecting early development of children, and in women's livelihood security.	Challenges in extending this beyond the formal sector; social insurance may play a role.
Social funds* (usually externally funded national programmes financing community development activities)	Can be effective in providing community-based infrastructure & community development more generally. Children benefit through access to services (water & sanitation, health and education) & improved family livelihoods (eg through irrigation) & other developmental spin-offs.	Really broader anti-poverty programmes, not social protection. Some problems of parallel systems and excessive infrastructure bias.
Legislation to remove specific vulnerability eg anti-discrimination legislation, protection of widows' and orphans' inheritance rights, control of child labour	Has potential to address some structural causes of vulnerability; can be a cheap strategy (though usually requires complementary action); gives strong signal about social priorities.	Often remains 'on paper' only; must involve complementary strategies to realise potential eg raising awareness of law and changing attitudes, legal aid.

* - interventions which may be run or partially implemented by CBOs or NGOs
** interventions where there is some CBO or NGO involvement, often in targeting
Other measures are usually led by the state, or occasionally the private sector

2. CHILD-ORIENTED CASH TRANSFERS - KEY CONSIDERATIONS

Many of the key issues related to child-oriented cash transfers are common to wider social protection debates. Both these wider debates and more child-specific issues are discussed here.

- **Affordability.** Costs are often a key concern but will depend on the coverage and size of a transfer, and its administrative costs. They also need to be assessed against the likely impact of a cash transfer, as compared with another kind of programme - nationwide cash transfers may cost more than, for example, a public works programme in a drought affected area, but may also have a stronger effect on recipients. Effective conditional cash transfer programmes can cost as little as 0.021 per cent of GDP (Nicaragua), rising to 0.32 per cent for a generous, wide-reaching programme in middle-income Mexico. In low-income Central Asia, Kyrgyzstan's entire social protection system (including cash benefits to poor families with children, old age and disability pensions) costs 3 per cent of GDP, scheduled to rise to 3.7 per cent by 2006 as benefit levels are increased to enhance impact. Costs can be contained by initially restricting coverage to certain groups and expanding coverage when additional finance becomes available. For example, initially only children under 8 were eligible for South Africa's Child Support Grant; the age limit is now being raised to include children under 13.

- **Financing.** Options for financing child cash transfers (as other areas of public expenditure) include: shifting expenditure within or between sectors, enhancing tax revenues and increasing aid. The poorest countries are likely to need medium-term donor support for genuinely effective systems, though even in poor countries many schemes are nationally financed. Sector or general budget support is likely to be important in strengthening delivery capacity as well as ensuring adequate finance. Donors providing such support should make predictable long-term commitments to national social protection systems.

- **Targeted versus universal approaches.** Strong arguments can be made both for and against targeting cash transfers. Where poverty is high and social protection mainly insurance-based, universal measures may be more widely appealing to elites and middle classes, who would also make use of them in tough times, than where poverty levels are lower and universal cash assistance would mean that substantial benefits 'leak' to non-poor people. Most observers suggest that targeted cash transfers reduce overall programme costs, though means-testing can also be expensive, stigmatising and prone to corruption. Where some regions, areas or municipalities have high concentrations of poor people, geographical targeting is possible, but this will leave out poor people in some areas and include better-off people in others. Where much of the wealthy population is in the formal sector, one alternative is to make universal transfers but to reclaim their value from well-off people via the tax system. This is proposed by the Basic Income Grant Coalition in South Africa, for example, but would be much harder to implement in contexts where few wealthy people pay tax. Paying child-oriented transfers to women may increase their impact on children, though it is important to avoid discriminating against households where children live with their father or other male relative.

- **Conditional versus unconditional transfers.** Cash transfers conditional on children's school attendance or on taking young children for regular health checks can both enhance children's human development and help reduce income poverty. Many of the programmes mentioned above place such requirements on recipients. It is not clear whether their effectiveness would be much reduced without these conditions as evaluations have examined the range of effects of conditional transfers but only the effects on income of unconditional transfers. Nor are recipients' views of conditional transfers well documented. Conditional transfers are most likely to be effective where they tackle non-financial barriers to children's school attendance (eg a strong demand for child labour) or discrimination against girls or disabled children. Where barriers to service use are principally financial, a transfer (plus service improvements) may be most effective

- **Concerns about dependency.** Cash transfers are often alleged to create dependency among poor families (discourage paid or income-generating work). However, in most poor countries, it is unlikely that benefits can be set at levels that do so – at most they will supplement incomes and prevent the most damaging effects of poverty. Transfers that manage to reduce working hours, particularly among parents of young children, could have a substantial impact on child wellbeing. Conditional transfers are often seen as a way to avoid long-term dependency since they help build up poor families' human capital.

- **Taking the political context into account.** Many social protection programmes are designed with affordability or technical concerns taking highest priority. Addressing context-specific political considerations such as ensuring that programmes can benefit better-off people who need them, or which take into account local views on dependency are critical for ensuring the political sustainability of social protection programmes.

- **Aligning mechanisms with objectives.** Effective social protection is usually closely tailored to the specific vulnerability poor people face. For example, for tackling nutritional vulnerability supplements in-kind may be necessary; for more general poverty reduction, cash may be more effective. Evidence from Honduras suggests that a cash transfer was three times more effective than a school feeding programme in boosting children's school attendance, but that the feeding scheme had a greater impact on nutrition. Apart from specific instances such as these, cash support is often preferable in that it enables poor people to respond more flexibly to the problems they face.

- **Being informed of entitlements.** Poor people's lack of knowledge of entitlements (including fears of stigma) is a major barrier to uptake in many contexts. Ways of addressing this include public information campaigns, and partnerships between government, NGOs and community-based structures (which may include religious organisations in some contexts) including referral to the government system, and mobile information centres.

- **Delivery mechanisms in practice.** The best structures for delivering cash and other transfers are likely to depend on context and to involve a combination of line departments (eg Ministries of Health, Education or Social Welfare), local government and community-based structures. Some may require additional support or finance to expand capacity, though this should not be assumed even in poor countries. In some contexts, delivering transfers may also involve NGOs or the private sector. Where poor households and children lack documentation of identity or status, alternative approaches such as community-based verification of identity are needed. The concern that cash transfers are administratively too complex to deliver does not stand up to the evidence from experience.

- **Reaching child-headed households or children outside households.** This is a particular challenge since most transfer programmes assume that children are living with adult guardians, who legally receive transfers on children's behalf. Greater involvement of CBOs and NGOs in identifying recipients, and in verifying such children's identities might help prevent such children being excluded from programmes aiming to tackle their poverty.

- **Specific role in protecting orphans and particular groups of vulnerable children.** Many cash transfer programmes specifically support groups of children widely seen as marginalised or vulnerable - including in different contexts, girls, disabled children, and orphans. Whether social protection measures should specifically target specific groups of vulnerable children or a wider group of poor people can only be decided in context. Where orphans or other disadvantaged children are likely to be stigmatised by being singled out, or where targeting a particular group creates incentives to abandon children, a wider programme aimed at all vulnerable families may be preferable if it is affordable. This is particularly relevant in contexts seriously affected by HIV/AIDS, or where gender-based targeting may create a backlash.

3. RECOMMENDATIONS

Social protection in general, and cash transfers, in particular, can make a major contribution to tackling present-day childhood poverty. Through helping secure children's health, nutrition and access to education, social protection is also vital for breaking poverty cycles. To do this, it must be adequately financed and delivered effectively. This will involve the following considerations:

Choosing strategies

- **The most relevant measures for tackling childhood poverty will depend on particular patterns of deprivation.** Eg specific nutritional support may be needed to address stunting or micro-nutrient deficiencies. A school-related cash transfer may be most appropriate where demand for child labour is strong, or where certain groups eg girls have very low attendance rates. Where certain groups of children face specific disadvantages, targeting transfers to address these particular problems is likely to increase their effectiveness. This may require use of community structures to identify children at particular risk, and flexibility where children lack proof of identity.

- In general, **cash transfers** are preferable to other forms of social protection as they give poor families most flexibility. Whether these are conditional on service use or an unconditional entitlement of citizenship will depend on the importance of non-financial barriers to service use and the local political economy of anti-poverty programmes, in particular the acceptability of conditional transfers to both poor people and elites.

- **Cash transfers and other social protection measures and wider anti-poverty strategies complement but do not substitute for one another.** Broader strategies that invest in enhanced accessibility and quality of basic services (including eliminating user fees and improving staff motivation, and availability of essential drugs and teaching supplies) and which promote the assets and livelihoods of poor and marginalised families are critical; however even pro-poor growth and good quality services often exclude the poorest and most vulnerable, for whom specific support is needed.

Financing and delivery

Different financing patterns will be needed in different contexts.

- in the poorest countries, donor finance is likely to be important in the medium term, though many poor countries fully or partially finance social protection programmes;
- in lower middle income countries a mixture of domestic and international sources is more feasible.

In both, ensuring that countries have the policy space to prioritise social expenditure of this nature is vital.

- **Aid for social protection must be long-term and predictable** – fluctuating aid flows will undermine the ability of social protection systems to protect during crises. Sectoral or general budget support may be a more effective means of supporting social protection systems than project-financing. Specific mechanisms such as levies on global currency transactions or air travel, for example, could also be explored.

- **Enhancing the effectiveness of social protection programmes** requires addressing current underfinancing, through both aid and public sector allocations; addressing corruption which can prevent funds reaching participants or can misdirect resources away from poor and vulnerable people; and ensuring that targeting does not inadvertently exclude poor or marginalised people, for example, if they lack the relevant identity papers.

Key Resources

Papers

- Barrientos, A. and de Jong, J., 2004, Child Poverty and Cash Transfers, CHIP Report 3, CHIP, London, http://www.childhoodpoverty.org/index.php?action=publications
- Morley, S. and Coady, D., 2003, From social assistance to social development: targeted education subsidies in developing countries, Center for Global Development, USA, http://www.eldis.org/static/DOC13859.htm

Websites

- ILO social protection website, **http://www.ilo.org/public/english/protection/**
- World Bank social protection website, **http://www1.worldbank.org/sp/**
- Basic Income Grant Coalition, South Africa: **www.big.org.za**

All CHIP briefing papers and reports can be downloaded from www.childhoodpoverty.org

This briefing is based on Barrientos, A. and DeJong, J., 2004, *Child Poverty and Cash Transfers*, CHIP Report 4, London: CHIP.

This policy briefing was written by Rachel Marcus.

Published: 2004

CHIP C/o Save the Children, 1 St. John's Lane, London EC1M 4AR Tel 44(0)20 7012 6796
Email info@childhoodpoverty.org Website www.childhoodpoverty.org