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Poverty in Focus

Recent Developments in the Role and Design of Social Protection Programmes

A Policy Dialogue, Expert Workshop and South-South Learning Event

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GUEST **EDITORS**

Poverty in Focus is a regular publication of the International Policy Centre for Inclusive Growth (IPC-IG). The purpose of this edition is to document recent innovations in the area of social protection to foster the policy dialogue between policymakers, practitioners and specialists in the context of South-South learning on Social Protection interventions. The articles presented here summarise the discussions held during the Policy Dialogue, Expert Workshop and South-South Learning Event promoted by IPC-IG.

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Front page: Comprehensive Social Protection for all is the spirit behind this edition of *Poverty in Focus*. The images represent the range of interventions, the people and the dimensions that are linked to Social Protection over the lifecycle of people all over the world. They cover issues from childhood to old age; they link Social Protection to education services, basic health care and employment; protecting families and individuals and promoting their social and economic inclusion. Images are from the IPC-IG 'Humanising Development' Global Photography Campaign, Ministry of Social Development and Fight against Hunger, Government of Brazil and the generous contributions of Fábio Veras Soares.

Editors' notes: The IPC-IG is grateful to AusAID for the financial contribution received to support the development of knowledge products that could contribute to the implementation of the G20's Social Protection commitment. Emphasis is given to the experiences of low- and middle-income countries and the innovations that have taken place in the Global South. We would like to express our sincere appreciation also to all of the authors for their generous contributions of intellectual inputs and time without monetary remuneration.

IPC-IG is a joint project between the United Nations Development Programme and Brazil to promote South–South cooperation on applied poverty research. It specialises in research-based policy recommendations on how to reduce poverty and inequality. IPC-IG is directly linked to the Poverty Group of the Bureau for Development Policy, UNDP and the Secretariat of Strategic Affairs (SAE) of Government of Brazil.

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This issue of *Poverty in Focus* brings a set of articles that discuss some of the recent developments and innovations in the social protection area in developing countries. Most invited authors were presenters at the Policy Dialogue, Expert Workshop and South-South Learning Event organised by IPC-IG with the support of AusAID, the Secretariat of Strategic Affairs and the Institute for Applied Economic Research of the Brazilian Government in December 2012.

The workshop was an opportunity to bring together policymakers, researchers and practitioners from developing countries as well as representatives from different multilateral organisations to discuss social protection innovations from three perspectives: a) an informative perspective to foster and support the dialogue and cooperation between policymakers from different countries; b) an analytical perspective focusing on the evidence of the impact of social protection programmes; and c) a learning perspective in which researchers and policymakers could strengthen the learning process and share their thoughts on the knowledge gaps in this area.

Social protection mechanisms in many developing countries have been tested by the food and fuel price crises and the global financial crisis. Countries that have developed comprehensive social protection interventions before the crises seem to have been able to avoid the worst effects.

Social protection programmes were quickly adapted through a variety of mechanisms. In Latin America, Conditional Cash Transfer (CCT) programmes, which were considered by some experts as an inappropriate tool to handle a crisis situation, proved to be a flexible way to expand and smooth the consumption of both traditional and new beneficiaries. Countries such as Mexico, Brazil and Chile were able to respond quickly to this challenge with new components to their flagship programmes. In Indonesia, a completely different setting from Latin America, the response was through a temporary unconditional cash transfer (BLT) previously used in the 2005–06 fuel subsidy reform and that was quickly put in place to counteract the effect of the 2008–09 crisis.

Many countries have consolidated several instruments or strategies that allow for broader interventions that go beyond the 'flagship' programmes. These instruments—specially interlinked beneficiary databases and/or single registries for targeted social policies—are powerful tools to improve intersectoral coordination and national and local-level policy coordination, as shown in some experiences reported in this publication.

Traditional social protection mechanisms such as social pensions and child/family allowances are gaining ground in many developing countries as part of their national social protection floors. This issue of *Poverty in Focus* provides an overview of the recent expansion of old-age pensions in Asia and looks more closely at the reforms that are taking place in Thailand and at the poverty and inequality impacts of the Old-age Pension in South Africa.

In Latin America, countries with consolidated social pensions such as Uruguay, Argentina, Chile and Brazil have implemented important reforms in their child/family allowance benefits to fight child poverty. In Peru financial inclusion of CCT beneficiaries, particularly women, has become a central objective of the programmes.

Using a flagship programme and its mechanisms as a way to improve the access of the most excluded has become a key concern of many interventions in the regions such as the 'Brasil without extreme poverty' plan and the Chilean Ethical Family Income—also presented in this issue. However, the challenge to match an increased demand for social services with their supply is also highlighted. In India, the JSY programme, which has been successful in stimulating institutional delivery, faces major problems on the supply side.

In Africa, national governments have implemented both social pensions and child grants. A heated debate on the dependency issue has made evidence on the productive impact of social transfers a much-needed input to this discussion. Some evidence of positive impacts of social transfers at the level of the household and the local economy is also presented in this issue.

The productive dimension of social protection intervention and its growth-friendly features are also discussed when focusing on its interlinkages with employment. The NREGA in India and EPWP in South Africa are key examples of how recent innovations in public works and employment guarantee schemes can improve the impact of this much criticised type of intervention. Similarly, a reform of PDS in one India state has helped not only to improve beneficiary coverage, but also to foster the productive inclusion of smallholder farmers.

We hope you find the reading useful…

by Fábio Veras Soares and Radhika Lal

The long Road to Comprehensive Social Protection for Children in Latin America

by Roxana Maurizio,
Universidad Nacional de General Sarmiento and CONICET, Argentina

Recognition in the mid-1990s of a greater incidence of poverty among children (under 18 years) compared to other age groups saw several Latin American countries expand non-contributory cash transfer programmes (conditional cash transfer programmes—CCTs) to households with children. CCTs have gradually become important mechanisms within social policies and poverty reduction strategies in almost all countries in Latin America.

The immediate objective of these programmes is to reduce incidences of poverty and extreme poverty, while, in the long run, breaking the inter-generational transmission of poverty. To this end, prevailing CCT schemes include conditionalities (or co-responsibilities) related to certain nutrition, education and health objectives targeted at both young and school-age children.

This article seeks to draw lessons, identify good practices and discuss advances and future challenges in CCT programmes targeting poor children, by analysing experiences in Argentina, Brazil, Chile and Uruguay regarding social protection for families with children. Three questions are given particular emphasis here:

- What exactly has been done in the area of social protection for children in these four Latin American countries?
- What are the main identifiable impacts of these policies to date?
- What are the future challenges, and thus in what direction should these countries move forward?

Recent trends in social protection for children in four Latin American countries

The implementation or expansion of financial support for families with children in Argentina, Brazil, Chile and Uruguay represented an important step forward in the field of social protection for impoverished children.

Chile Solidario was launched in 2002 with the objective of removing impediments to social inclusion in Chile. Ten years later, in 2012, the Chilean government launched the Ethical Family Income (Ingreso Ético Familiar) programme, the specific aim of which, in addition to increasing the coverage and amount of benefits, was a more comprehensive conceptualisation of child social protection.

Organised under three 'pillars' (dignity, duties and achievements), this new programme utilises unconditional and conditional cash transfers and awards; yet at the same time it places particular emphasis on autonomous family income generation through female employment subsidies and training programmes (Cechini et al., 2012).

The National Assistance Plan of Social Emergency (Plan de Atención Nacional a la Emergencia Social—PANES) in Uruguay was replaced in 2007 by the Equity Plan (Plan de Equidad), which entailed a number of reforms geared toward providing a network of assistance for social integration.

This change entailed a significant improvement from the introduction of a temporary programme to a more integrated and comprehensive strategy to support poverty-stricken families with children. This pathway to social inclusion included the creation of new pillars, the scaling-up of existing social programmes and the merger of both non-contributory and contributory family allowances (Amarante and Vigorito, 2012).

Argentina implemented in 2009 a large cash transfer programme for children

The implementation or expansion of financial support for families with children in Argentina, Brazil, Chile and Uruguay represented an important step forward in the field of social protection for impoverished children.

Based on these experiences there is consensus that these programmes are well targeted (despite some exclusion and inclusion errors) and that they have evidenced positive impacts with respect to combating extreme poverty.

The amount and duration of the financial support should be consistent with the long-term objective of achieving and maintaining social inclusion and cohesion.

called Universal Child Allowance (Asignación Universal por Hijo), thus extending the coverage of the existing contributory family allowance programme to segments of the population that otherwise had no coverage until then.

This non-contributory programme is an addition to those already in existence in Argentina —namely, a contributory family allowance and a tax deduction from income tax for each child (Bertranou and Maurizio, 2012a; 2012b).

Brazil also has this type of three-tier system of cash transfer to households with children: the well-known Bolsa Família, a child allowance pillar for formal-sector workers (Salário Familia) and a deduction from Personal Income Tax for parents with children.

The scope and impact of Bolsa Família (created in 2003) has made it one of the most emblematic projects in the world in terms of cash transfer programmes for families with children and adolescents. It reaches out to more than 13 million poor families throughout the country. Most recently, in 2012 a new financial support programme (Brasil Carinhoso) was announced. Its main aim is to cover the poverty gap for those families included in Bolsa Família with children under the age of 15 and living in extreme poverty (Soares and de Souza, 2012). In February 2013 this benefit was extended to all families in extreme poverty, regardless of their demographic composition.

Close study of these national experiences reveals new positive trends from which it is possible to draw important lessons. First of all, each of these countries has expanded the coverage of family support over the last few years, by introducing new non-contributory pillars and increasing the real monetary value of these transfers.

The cases of Chile and Uruguay illustrate the critical importance of integrating different social programmes (education, health, nutrition, employment and housing) under an umbrella programme as a means of improving coordination, efficiency, transparency and impacts. In this regard, it is important to mention that the implementation of the Equity Plan in Uruguay was accompanied by reforms in the tax system as well as in health care, which suggests a more comprehensive strategy for reducing structural poverty and inequality that goes beyond the cash transfer programme.

The existence of an unconditional cash transfer component is particularly important, since it ensures at least a minimum level of income for the most vulnerable families. This is the case, for instance, of the 'dignity' component of the Ethical Family Income programme in Chile.

Finally, coordination between institutions and agencies is another important dimension of successful social policies. Some national experiences can serve as useful examples of inter-agency coordination and the ways such coordination can strengthen institutional capabilities. In Uruguay, for instance, there is increasing coordination among different public agencies regarding the implementation, evaluation and monitoring of social programmes. Chile exhibits similar dynamics.

Evaluating the impacts of cash transfers on social and labour indicators

Based on these experiences there is consensus that these programmes are well targeted (despite some exclusion and inclusion errors) and that they have evidenced positive impacts with respect to combating extreme poverty.

As regards longer-term outcomes, increases in primary school enrolment rates and a reduction in malnutrition among beneficiary children have been observed; though, it should be said, the effects on secondary school attendance seem to be less significant.

The types of transfers outlined here seem to not only lead to an increase in family income in poor households but also ensure some amount of money to smooth consumption over macroeconomic or labour fluctuations.

This is of utmost importance, since the poorest households are the ones that generally have less stable incomes.

In some cases, these transfers also appear to have contributed to eliminating barriers that once prevented poor people from undertaking certain productive activities, thus they allow beneficiaries to also increase their autonomous income. They have also permitted an increase in liquidity in the poorest communities, thus favouring trade and development in those areas (ECLAC, 2010).

Nevertheless, there is a debate with respect to the impacts that cash transfers to households with children may have on the labour behaviour of their adult members. Such impacts are related to the receipt of non-labour incomes, on the one hand, and to the fulfilment of the programme's conditionality, which largely fall under the responsibility of the mothers, on the other.

The empirical evidence for these countries shows, in general, that the 'negative' impacts on activity in the labour market, as measured by a lower participation rate or fewer hours of work by the adult population from beneficiary households, are, in general, null or very low. However, a lack of participation in the labour market should not always be considered negative. Other factors should be taken into account, including which member of the household has reduced their participation in the labour market and the quality of the job they are giving up.

Towards a comprehensive social protection system for children in Latin America

Despite all the progress achieved regarding social protection for children, the current situation in Argentina, Brazil, Chile and Uruguay requires continued efforts to consolidate a comprehensive social protection system grounded in universal rights.

In particular, the challenge is to design an integrated and multidimensional system made up of different pillars. Such a system should be closely related with productive, distributive and labour policies in a macroeconomic framework that promotes growth by, among other things, creating decent work.

In this regard, one of the foremost lessons arising from these experiences is that an inclusive public policy for children

cannot pivot on cash transfers exclusively, and thus countries must move forward towards greater integration with other programmes aimed at tackling both the social risks and the needs of human capital faced by poverty-bound households with children.
There are different dimensions where advancement is imperative.

The first is the necessity of going beyond extreme poverty. Despite the growing coverage of the existing programmes, they remain targeted at extremely poor families. Therefore, it is fundamental to reach children who are not yet covered, to move forward from 'anti-poverty programmes' to the universalisation of social protection rights for all children.

The second dimension has to do with integrating the different pillars of social protection. Greater integration among sub-systems of cash transfers for children (contributory, non- contributory and child tax credit) is crucial, but so is greater integration within and between the other existing programmes aimed at tackling social risks. This would include education, nutrition and health policies targeting children, and also productive and employment programmes for adults in households with children. All of these are essential to support their human and economic capabilities.

Thirdly, greater importance must be placed on removing structural barriers that create social exclusion. The realisation of full social inclusion of vulnerable groups requires reducing segmentation and dualism in the quality of the supply of basic services for targeted and non-targeted populations. Dimensions such as child care, gender inequality and child labour should also be considered a priority.

The amount and duration of the financial support should be consistent with the long-term objective of achieving and maintaining social inclusion and cohesion. Concomitant to this, policies to boost formal employment and the consolidation of a framework of protective labour regulations should be put in place as a means of reaching appropriate working conditions and to facilitate social integration. In this context, universal policies should provide guarantees to access essential services while ensuring appropriate income levels.

The fourth aspect concerns conditionalities. It is important to fully understand their rationale and their role. What are the aims of conditionalities? Are conditionalities imposed to foster demand for social services or to gain broader social support among taxpayers and median voters? Do they have unintended impacts—positive or negative—beyond the cash transfer? Are governments really able to monitor fulfilment of conditional contracts? In this regard, it seems more appropriate to alter the existing perspective of 'conditionality' to that of a universal right for children to access basic services. Understood as such, this requires ensuring access to good-quality social services.

The institutional design of cash transfer programmes is another essential component to ensure their longevity, especially turning such programmes into permanent State policies to fulfil not only short- but also long-term objectives. Essential to achieve this is, in turn, a modern, efficient and timely monitoring and evaluation system operating on a permanent basis to make all necessary adjustments and maximise positive impacts on well-being and equality.

Finally, these four Latin American countries —Argentina, Brazil, Chile and Uruguay— need to continue strengthening their respective government's redistribution capacity through a more progressive taxation structure and greater fiscal pressure, as well as through more and effective social spending. ■

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Achievements and Limitations of an Incentive Based Cash Transfer in India: the Case of JSY

by Dipa Sinha,
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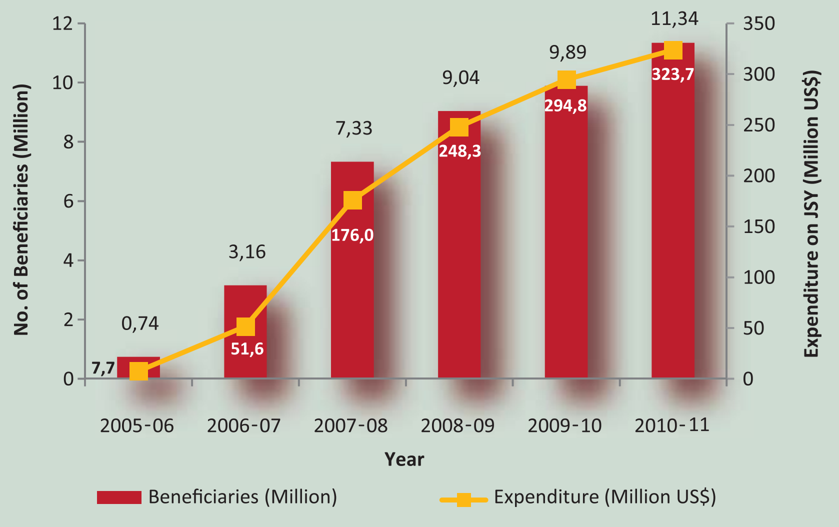
Over 50 per cent of women who had a previous home delivery opted for an institutional delivery after the introduction of JSY (NHSRC, 2011).

Whether conditional cash transfers can work in improving health outcomes when there are enormous supply-side gaps is something that needs to be considered more seriously.

India has unacceptably high levels of maternal and infant mortality despite sustained economic growth over the last two decades. At the national level, the Maternal Mortality Rate (MMR) in India for the period 2007–2009 was 212 per 100,000 live births (Office of Registrar General of India, 2011), and the Infant Mortality Rate (IMR) for 2011 was 44 per 1000 live births (ibid., 2012). There are, of course, variations from state to state, and the poorer states have much worse outcomes—for example, in Uttar Pradesh[1] the MMR reached 359 and the IMR 57.

The programme known as Janani Suraksha Yojana (JSY) is a safe motherhood intervention under the National Rural Health Mission (NRHM) of the Government of India. Its objective is to reduce maternal and neonatal mortality by encouraging poor pregnant women to use health centres at the time of delivery. Under the JSY, women receive a cash benefit if they choose to deliver at a health centre. States have been categorised on the basis of their performance in terms of coverage of institutional deliveries, and the benefit amount varies from Rs700 (US$13) in low-performing states (LPSs) to Rs1400 ($26) in high-performing states (HPSs). The JSY is a large programme, and its coverage and expenditure continue to expand (see Figure 1). In 2010–11, JSY covered 11.34 million beneficiaries with an expenditure of $323.7 million.

Figure 1
Coverage and Expenditure of JSY, 2005–2011



Source: Ministry of Health and Family Welfare, Government of India (various years).

However, in some states the programme's coverage is still very low. States such as Uttar Pradesh and Jharkhand managed to assist less than 20 per cent of women who gave birth in rural areas (see Figure 2).

Lim et al. (2010) have found that the scheme has failed to reach out to the most marginalised groups. One of the reasons is eligibility criteria, which disqualify women who are usually more vulnerable to maternal and infant mortality and morbidity, including women below 19 years of age, those without 'below the poverty line' (BPL) identification cards, and those with more than two children.[2]

Delays in payment and the costs associated with institutional delivery also have the effect of keeping the poorest women out. A 2011 evaluation undertaken by the National Health Systems Resource Centre (NHSRC, 2011) found that out-of-pocket payments are high, amounting to Rs1028 ($19), and, when transport is included, they increase to a range from Rs1400 ($26) to Rs1600 ($30). Therefore, the JSY benefit is only covering costs. Moreover, according to the NHSRC, payments are not made immediately, meaning that most women have to return to the health centre, often more than once, to receive the benefit.

Altogether, the poorest women thus face significant barriers to benefiting from institutional deliveries despite the JSY incentives.

JSY's impact

However, JSY has had an impact on the number of women accessing health centres and has increased the number of institutional deliveries in the country. Over 50 per cent of women who had a previous home delivery opted for an institutional delivery after the introduction of JSY (NHSRC, 2011).

Longitudinal data derived from large-scale national surveys (International Institute for Population Sciences and Ministry of Health & Family Welfare, 2006) indicate that, while there was indeed an increase in the percentage of institutional deliveries in the five-year period from 2002–04 to 2007–08 (ibid., 2010) before JSY was introduced (41 per cent to 47 per cent), after its introduction this same percentage increased dramatically to 73 per cent in 2009 (UNICEF, 2009).

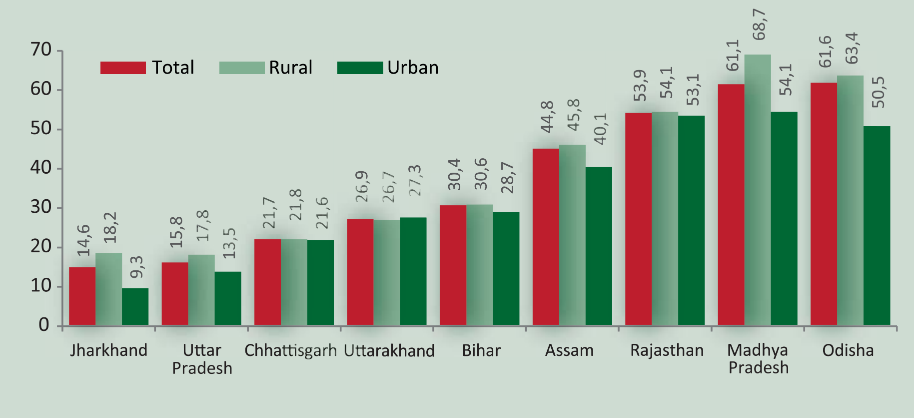
However, it is also true that it has had different impacts in different parts of the country, with the level of institutional delivery and the proportion of people accessing public facilities varying widely, as seen in Figures 3 and 4. Chhattisgarh, Jharkhand and Uttar Pradesh are the states with the lowest proportion of institutional deliveries, and these are the same states that also have the lowest coverage of JSY.

The increase in institutional delivery is skewed because only a few facilities are actually bearing the load of this substantial increase. Most of the deliveries take place in facilities at the block[3] and higher levels, with few accessing sub-centres or Primary Health Centres (PHCs).[4]

While overall there has been an increase in institutional deliveries, it is still not clear whether the JSY has had any impact on maternity and neonatal mortality rates. Lim et al. (2010) analysed two rounds of data from the District Level Household Survey and found some reduction in perinatal mortality (approximately three months before to one month after birth) associated with JSY, but their study was limited due to its small sample size.

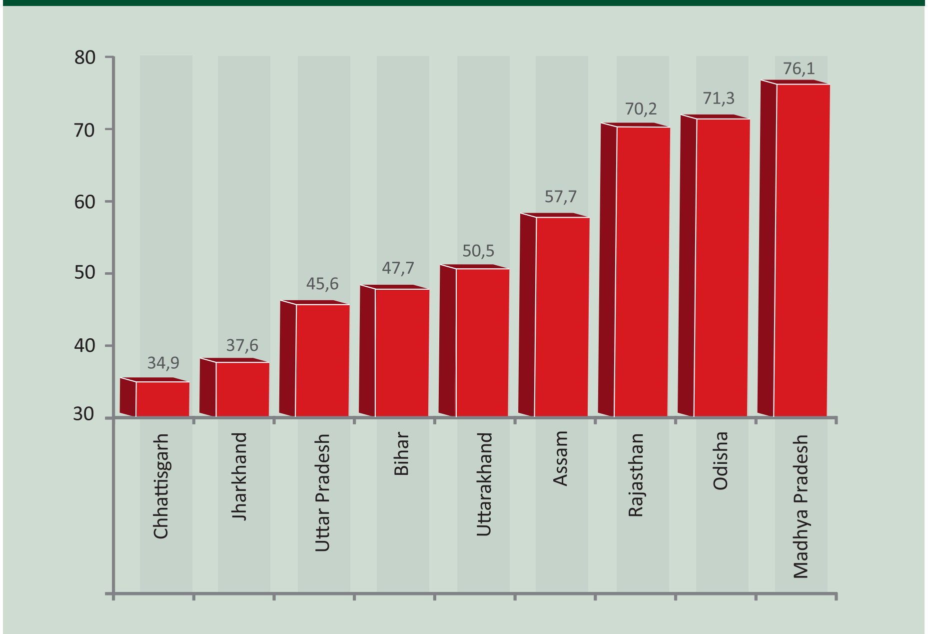
The authors also found that the association is greater in states with a higher proportion of institutional deliveries. On the other hand, issues related to critical gaps in infrastructure and quality of care cast doubt on whether

Figure 2
Mothers who Received Financial Assistance Under JSY (percentage)



Source: Annual Health Survey, 2010.

Figure 3
Institutional Delivery, Selected Indian States (percentage)



Source: Annual Health Survey 2010.

1. The population of Uttar Pradesh state is 199.5 million (Census of India, 2011) which is almost the same as the total population of Brazil.

2. Those less than 19 years are not covered because 18 years is legally the minimum age of marriage for a girl; and benefits are not given to those with more than two children presumably to achieve targets of population stabilisation.

3. A block is an administrative unit which typically consists of about 100–150 villages. Three to five blocks together make one district. There are a number of districts in each state (ranging from two to 70). There are 29 states and six Union Territories in India.

4. A sub-centre caters to an average population of 5000 people; a Primary Health Centre (PHC) caters to an average population of 30,000 people, and a Community Health Centre (CHC) caters to an average population of 100,000 people, which roughly corresponds to the population of one block.

the increase in the proportion of institutional deliveries has had a significant impact on maternal and neonatal mortality rates.

While the JSY mandates that a woman remains in the health centre for two days after the delivery so that any postnatal complications in the mother or child can be dealt with (longer if complications are serious), there are identified cases of women leaving the centre immediately after delivery.

Only about 14 per cent stay more than 48 hours, and only one third of women stay in the facility for at least 24 hours. It is the period immediately after delivery when women and infants are at greatest risk; thus if they do not stay in the centre, much of the advantage of delivering in this setting is lost. One of the major reasons why women do not stay after the delivery is the poor facilities and poor quality of care in the existing centres.

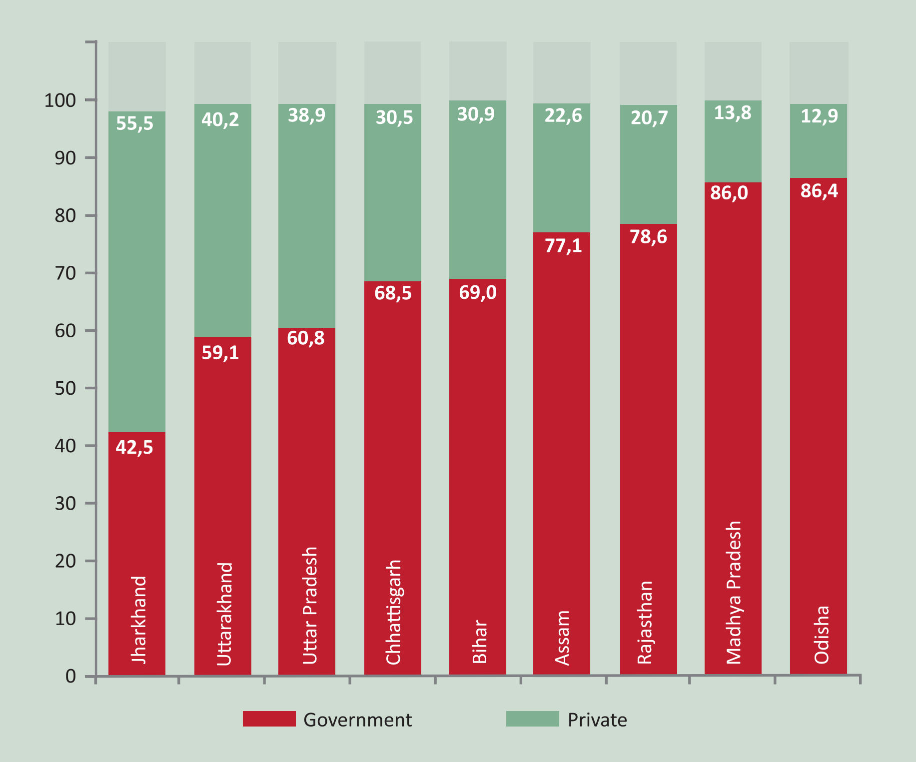
There are also serious shortages in the availability of skilled human resources (midwives, nurses, doctors and specialists) in relation to the norms set by the Indian Public Health Standards of the Government of India. This includes a 23 per cent shortfall in nursing staff in PHCs and Community Health Centres (CHCs) and a 12 per cent shortfall in doctors in PHCs.

Nearly 40 per cent of PHCs have no lab technicians, and nearly 25 per cent have no pharmacists. Further still, 34 per cent of the PHCs do not have a designated labour room. There is a 75 per cent shortfall in surgeons, 66 per cent in obstetricians, 80 per cent in physicians and 74.4 per cent in paediatricians in CHCs. Even where human resources are available, they are not skilled enough (Government of India, 2011).

The NHSRC study reveals that the increased proportion of institutional deliveries has not necessarily meant increased access to skilled birth assistance, because most nurses and auxiliary nurse midwives who are actually providing the services have never received specialised training for this type of work.

The infrastructure also is poor, especially in some states such as Chhattisgarh, Uttar Pradesh and Jharkhand, where more than 25 per cent of the PHCs have no electricity supply, and, more alarming still, over 20 per cent have no regular water supply. In fact, only 15 per cent of all PHCs in the country are functioning according to Indian Public Health Standards norms. With such large gaps in infrastructure, personnel and quality of care, there is doubt about how far JSY can contribute to improvements in health outcomes in India, especially those related to maternal health.

Figure 4
Share of Government and Private Hospitals in Total Institutional Delivery, Selected Indian States (percentage)



Source: Annual Health Survey 2010.

A significant number of deliveries, indeed, continue to take place at home. About one third of women who had home deliveries were not able to access institutions because they could not afford transport costs. Another third of women who had home deliveries also reported poor service quality and high costs in institutions as deterrents of institutional delivery. Messages on the benefits of JSY had not reached about 40 per cent of women who deliver at home (NHSRC, 2011).

The limited role of the cash incentive

The key assumption behind JSY is that there is a problem of demand for institutional delivery which can be dealt with by providing a cash incentive. But clearly this is open to question. What JSY, indeed, seems to be doing, ostensibly, is simply addressing constraints pertaining to costs associated with accessing public health institutions. It could be argued that ensuring free services (with no out-of-pocket expenditures) would have had a similar impact on the increase in the proportion of institutional deliveries.

It is important, thus, that the quality of services are ensured.Whether conditional cash transfers can work in improving health outcomes when there are enormous supply-side gaps is something that needs to be considered more seriously. This is especially important in a country such as India where there is a danger of cash transfers being seen as an alternative to provision of services, rather than a supplement. The Government of India has recently launched a scheme

(Janani Shishu Suraksha Karyakram)[5] to ensure access to free services and improved quality, which will hopefully address some of the concerns raised above.

A deeper issue that such cash transfer programmes raise is with regard to the State's obligations to its citizens. In a 'rights-based' approach, the onus is on India to provide quality basic services (related to education, health and nutrition) to all.

Is the increased importance given to conditional cash transfers to incentivise 'correct' behaviour at the cost of direct provision of services shifting the blame onto people, thereby absolving governments of their responsibilities? Cash transfers cannot become a replacement for State interventions that ensure infrastructure, access, quality and so on. They can be at most an add-on (and many times a useful add-on) to direct provision. ■

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Tackling Old-age Poverty and Vulnerability: Social Pensions in Asia

by Babken Babajanian, Research Fellow, Social Protection Programme, ODI

Social or non-contributory pensions are increasingly being used across the developing world as a policy instrument for providing social protection to older persons. Some of the most innovative social pension schemes are in Asia—in particular, in Bangladesh, Nepal, Thailand and Viet Nam. These schemes are relatively new, and there is a need to strengthen the empirical knowledge base about their effectiveness and relevance.

This article discusses key findings of a recent publication by the Asian Development Bank (ADB) (Handayani and Babajanian, 2012) with a focus on these four countries.

Policy objectives of social pensions

Social pensions seek to provide income support to older persons who are not covered by the existing contributory schemes. Specifically, they aim to address lifecycle-related drivers of old-age poverty and vulnerability. These drivers are primarily linked to old age as a stage in a lifecycle that makes it difficult to earn stable and reliable income.

The majority of older persons in Asia have little personal income and rely on family structures for income security and social support. The existing contributory schemes in Asia cover roughly between 20 per cent and 40 per cent of the working-age population (Hagemejer and Schmitt, 2012), though only 10 per cent of the working-age population in Indonesia and Viet Nam, and 15 per cent in China, the Philippines and Thailand (Park, 2010).

The inadequacy of the existing social protection systems in the region particularly heightens the vulnerability of elderly women. Women generally live

Social or non-contributory pensions in Asia seek to provide income support to older persons who are not covered by the existing contributory schemes.

The existing social pension schemes have a limited poverty reduction effect due to low value of transfers and insufficient coverage of poor households.

longer than men and are more likely to experience widowhood in later life. As the majority of women in Asia tend to work in the informal labour market or perform unpaid domestic and care work, they are less likely to be eligible for formal pensions and have few resources to finance old-age needs (Vlachantoni and Falkingham, 2012).

Effectiveness in poverty reduction

The effectiveness of social pensions in reducing old-age poverty and vulnerability depends on both their coverage and the size of transfers. The economic impacts of social pensions are also influenced by the nature and patterns of intra-household resource allocation.

The social pension schemes implemented in Bangladesh, Nepal, Thailand and Viet Nam have national coverage. Their benefits are available to the eligible population of the entire country rather than to specific geographic areas.

At the same time, the schemes differ in their targeting criteria and retirement age (Figure 1). The Old-age Allowance in Thailand and the Senior Citizens' Allowance in Nepal have universal provision and offer benefits to all older persons who are not entitled to contributory pensions. Because entitlement is universal in these countries, over 80 per cent of older individuals currently receive pensions.

The Social Pensions Programme in Viet Nam and the Old-age Allowance in Bangladesh are targeted at poor older persons. The means-tested benefits in Viet Nam cover less than 10 per cent of persons aged 60 years and above.

In addition, the pension scheme in Viet Nam has a small universal component, covering all individuals aged 80 years and above.

The Old-age Allowance in Bangladesh covers 21 per cent of older persons. There are no available data to determine the targeting effectiveness of either scheme; however, evidence from Bangladesh indicates that a significant percentage of poor elderly people in the country remain without pension coverage (Begum and Wesumperuma, 2012).

This results from capping the number of eligible individuals according to the population size of the country's regions. The scheme also allows substantial leakages because of interference by the local authorities, which often dominate local decision-making and unilaterally identify beneficiaries.

The above-mentioned four social pension schemes allow varying degrees of inclusiveness depending on how the formal retirement age has been set in relation to the life expectancy of the beneficiary population (Figure 1).

For example, the system in Thailand is generally inclusive, as the retirement threshold is more than 10 years below life expectancy, while the pension scheme in Nepal is rather restrictive, as it defines eligibility age at least 10 years above the life expectancy of both upper- and low-caste (Dalit) groups.

The extent to which these schemes provide income support to older persons is a crucial issue. Government expenditures on social pensions in all four countries constitute a small share of total national income (Figure 2).

The size of transfers is generally low, and the average monthly benefit is below half the poverty line. To date, there are no rigorous impact evaluations to establish the well-being effects of social pensions. Handayani, S.W. and B. Babajanian (2012) country case studies show that, despite their small values, social pensions contribute to basic needs expenditures of older persons, including the cost of food, health care, and expenses associated with social and ceremonial activities.

There are indications that social pensions support not only older persons but also other members of their households, particularly children. The ADB case studies suggest that some beneficiaries spent part of their allowance on their grandchildren's educational expenses (Bangladesh and Nepal), buying candies or

Figure 1
Eligibility Criteria and Coverage of Social Pension Schemes in Bangladesh, Nepal, Thailand and Viet Nam

Country	Eligibility	Retirement age	Life expectancy at birth	Percentage of people aged 60+ who receive social pensions
Old-age Allowance in Bangladesh	Means-tested	62+ women since)2010/11; 65+ men	71 women; 67 men	21 in 2008–09
Old-age Allowance in Nepal	Universal	70+ upper caste; 60+ Dalits and Karnali residents	61 upper caste; 51 Dalits	80 in 2009–10
Old-age Allowance in Thailand	Universal	60+	76 women; 71 men	80 in 2012
Social Pension in Viet Nam	Universal Means-tested	80+ universal; 60+ means-tested	74 women; 69 men	10 in 2009

Source: Author's research; Asher (2012); Suwanrada (2012).

Figure 2
Transfer Size and Cost of Social Pension Schemes in Bangladesh, Nepal, Thailand and Viet Nam

Country	Monthly transfer size	Poverty line (person/month)	Cost (% of GDP)
Old-age Allowance in Bangladesh	BDT300 ($3.8)	BDT743–1171 ($9.4–$15) (2005 poverty lines by regions)	0.13 in 2010–11
Old-age Allowance in Nepal	NPR500 ($5.6)	NPR1200 ($14) (2011 national subsistence minimum)	0.35 in 2011
Old-age Allowance in Thailand	Age-based: THB600–1000 ($20–$33)	THB1586 ($53) (2009 national poverty line)	0.37 in 2010
Social Pension in Viet Nam	Universal Means-tested	VND400,000 ($19) for rural; VND500,000 ($24) for urban (2011–2015 poverty lines)	0.05 in 2008; 0.33 in 2011 (total spending on all cash transfers)

Source: Author's research; Begum and Wesumperuma (2012); Giang and Wesumperuma (2012); Samson (2012); Suwanrada (2012).

snacks for their grandchildren (Thailand) and food, medicine or gifts for their children or grandchildren (Viet Nam). Yet, social pension transfers in all of the case studies were too low to offer substantial support to the household members of the pensioners.More research is necessary to identify how social pensions affect intra-household resource allocation.

This can help provide insight into the effectiveness and appropriateness of pension transfers for supporting individual needs of older persons.

In situations where there is a substantial redistribution from older persons to their households, the question is whether social pensions reduce vulnerability among the elderly or whether they mostly support other (non-elderly) members of their households.

The receipt of social pension transfers may also affect family support for older persons. In particular, it is important to establish whether (and in which circumstances) social transfers may result in a reduction and crowding out of family support to older persons.

More evidence is likewise required to establish whether social pensions targeted at older persons are an effective and appropriate policy instrument for reaching out to and supporting older persons' households.

Social pensions represent an important policy instrument for addressing old-age poverty and social exclusion in Asia. Evidence indicates that social pensions offer limited income support due to the low value of benefits and insufficient coverage of poor older persons in means-tested schemes. They nevertheless provide an important institutional foundation for subsequent expansion and strengthening of the existing schemes.

Economic growth can allow greater redistribution in the future and make it possible to extend the coverage, lower the retirement age, and finance more generous benefits.

Development of effective pension schemes requires strengthening the administrative and delivery capacity of national social protection institutions. Eventually, the existing social pension schemes must be integrated with contributory pensions to form consolidated systems for old-age social protection.

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The Impact of **South Africa's State Old-age Pension**

The OAP is a non-contributory means-tested grant paid to men and women from the age of 60 years.

The number of grants paid by the state more than quintupled over 15 years to 15.7 million in April 2012.

Grants, therefore, play a significant role in compensating for a lack of wage income among the poorest households.

Certainly key to the long-term fiscal sustainability of the OAP is improved employment generation.

Since the end of apartheid, the expansion of social assistance programmes has formed an integral part of South Africa's policy response to poverty and inequality, and, indeed, the country now possesses one of the most extensive social security systems among its African and developing-country peers.

The number of grants paid by the state more than quintupled over 15 years to 15.7 million in April 2012. The largest grant in per capita and aggregate monetary terms is the state old-age pension (OAP), although it is a distant second to the child support grant in terms of number of beneficiaries (2.8 million compared to 11.3 million).

The key rationale underlying the OAP is the reduction of old-age poverty, while lowering inequality is an important subsidiary objective. Given the significant cost of the OAP to the state—currently around 1.2 per cent of GDP—a key question is the degree to which the OAP is successful in achieving these two objectives.

The old-age pension

The OAP is a non-contributory means-tested grant paid to men and women from the age of 60 years. The number of recipients has grown gradually—by an average 2.2 per cent per year—from 1.7 million in 1997 to 2.2 million in 2008. The equalisation of the eligibility age for men and women, when men's age of eligibility was lowered from 65 years, saw rapid growth in the number of recipients (6.5 per cent per annum) between 2008 and 2011; though the rate of growth has subsequently normalised. As a proportion of all grants, however, the OAP has fallen from 62 per cent in 1999 to 17.5 per cent in 2012.

The OAP is also relatively large in value. In 2010 prices, the monthly value of the OAP was roughly US$230 purchasing power parity (PPP), or 75 per cent above the median monthly per capita income (Woolard and Leibbrandt, 2010: 12).

The pension was also more than twice the national upper bound poverty line constructed by Statistics South Africa (Statistics South Africa, 2008). This means that the pension has the potential to make a significant impact on poverty in the country.

Incidence of the old-age pension

If the OAP is to have the intended impacts, it is essential that it be appropriately targeted. Currently, to access the grant, age-eligible individuals must satisfy a not very strict means test based on income and assets. A series of formal analyses, including calculations undertaken by the author, indicate that in fact some two thirds of age-eligible individuals in South Africa presently receive the pension (see also Statistics South Africa, 2012a; SASSA, 2012).

The 2011 General Household Survey estimates access to the OAP at 66.6 per cent in mid-2011, and there is relatively little variation in the rate of incidence across five-year age cohorts. Lower incidence among those under 65 years may be related to individuals continuing to work beyond age 60 and the gradual movement of individuals into the programme.

Incidence of the OAP corresponds broadly with the demographic and locational markers of labour market disadvantage and poverty in South Africa. In 2011, just over four fifths of age-eligible Africans received the OAP, compared to three quarters of Coloureds, three fifths of Asians and just one fifth of Whites (own calculations; Statistics South Africa, 2012b). Incidence among age-eligible women, at 71.7 per cent, was 10 percentage points higher than that of men, since the latter typically reside in better-off households. Access rates also differ by location, with 75 per cent of age-eligible individuals in non-metropolitan areas receiving the pension, compared to 50 per cent in metropolitan areas.

Importantly, access rates also correlate with income. Almost nine out of ten age-eligible individuals in the poorest three expenditure quintiles received the OAP in 2011. This proportion falls to less than two thirds for individuals in the fourth quintile and just 15 per cent in the fifth quintile (the 20 per cent of households with the highest per capita expenditure).

With inequality in mind, while there appear to be eligible individuals who still do not access the OAP, the existing data do suggest that the programme has nevertheless been successful in ensuring that the wealthiest members of society do not capture the benefits. Three quarters of OAP recipients reside in households in the poorest three quintiles, while just 4 per cent are located in the top quintile (own calculations; Statistics South Africa, 2012b).

This pattern of incidence indicates that the pension represents a significant component of household income for poorer households. Grants account for 63 per cent of household income in the poorest decile, falling to just over 16 per cent in the sixth decile, while wage income rises from 23 per cent to 76 per cent (own calculations; Statistics South Africa, 2012c). Grants, therefore, play a significant role in compensating for a lack of wage income among the poorest households. The OAP alone constitutes 20 per cent of household income in the second and third deciles, and as much as 8 per cent in the first and sixth deciles.

This low proportion in the first decile points to the relatively large value of the OAP and its ability to lift households out of the poorest decile.

The impact of the old-age pension

The pension's good targeting and its relatively high value strongly suggest that it is able to make a significant impact on poverty. Estimates from the 2008/2009 Living Conditions Survey point to a strong impact of the pension on poverty in South Africa, using pre-grant income as a counterfactual. Given that household formation is endogenous with respect to social grants—many households would not be viable in the absence of grants—this is not a particularly realistic counterfactual, but it does provide insight into the importance of grants in alleviating poverty.

Table 1
The Poverty Impact of the Old-age Pension in South Africa, 2008/2009

Poverty line	Measure	Total income	Total income *less* OAP
Upper bound: ZAR516 per capita per month	P_0	0.41	0.45
	P_1	0.21	0.26
	P_2	0.14	0.19
PPP $1.25: ZAR193 per capita per month	P_0	0.19	0.26
	P_1	0.09	0.14
	P_2	0.06	0.11
PPP $2.50: ZAR386 per capita per month	P_0	0.39	0.43
	P_1	0.19	0.25
	P_2	0.13	0.18

Source: Own calculations; Statistics South Africa (2012c).

Notes: P0, P1 and P2 belong to the Foster-Greer-Thorbecke (FGT) measures of poverty, respectively referred to as the poverty headcount (or poverty rate), the depth of poverty and the severity of poverty. All differences between estimates with and without the old age pension are statistically significant at the 95 per cent level.

Table 1 reveals that the OAP lowered the poverty rate (P0), the depth of poverty (P1) and the severity of poverty (P2) across three different poverty lines. This is largely in line with findings by Woolard et al. (2010: 21), using data from the 2008 wave of the National Income Dynamics Study, although they use somewhat higher poverty lines and consider the combined impact of all state grants.

It is also consistent with findings using 1993 data that the poverty rate among Africans would have been higher by five percentage points in the absence of the OAP (Case and Deaton, 1998: 1342), and that the pension reduced poverty by between 26 and 33 percentage points in the former homeland of Venda, now part of the Limpopo province (Jensen, 2003: 109–110).

A similarly beneficial impact of the OAP is found in terms of income inequality as measured by the Gini coefficient, where a value of 0 indicates perfect equality and a value of 1 indicates perfect inequality.

The Gini coefficient for individuals declines from 0.724 to 0.704 when the pension is included in total income, while that of households falls from 0.710 to 0.692 (own calculations; Statistics South Africa, 2012c). Both changes are statistically significant.

The OAP is an integral part of the South African government's commitment to reducing poverty, transferring about 1.2 per cent of GDP to more than 2.8 million elderly recipients. This grant's value in terms of income support is clearly evident in disaggregations of household income by income source, contributing up to one fifth of household income in certain deciles.

The pension has a significant impact on poverty, beyond the recipients themselves: ignoring household formation effects, it is estimated that the pension lifts up to 1.8 million individuals out of poverty, as measured by South Africa's upper bound poverty line. The grant has further beneficial impacts, including the facilitation of female labour migration among co-resident working-age women where OAP recipients themselves are women (Posel et al., 2006).

While the OAP accounted for 4.2 per cent of total government expenditure in the 2010/11 fiscal year, it is not viewed as particularly unsustainable from a fiscal perspective, although it is not clear to what extent the recently announced decision to abolish the means test will affect this.

More broadly, though, concerns have been voiced regarding the size of the tax base relative to the number of social assistance recipients: for the 2009/2010 fiscal year, grant recipients outnumbered individual taxpayers by a ratio of three to one. Certainly key to the long-term fiscal sustainability of the OAP is improved employment generation. Not only would this grow the tax base and boost tax revenue, but, more importantly, it would also enable a greater proportion of working-age adults to save for their retirement. ■

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by Worawet Suwanrada, Faculty of Economics and Dean of College of Population Studies, Chulalongkorn University[1]

The Old-age Allowance System in Thailand[2]

The Thai old-age allowance system specifically has been both decentralised and transformed from being means-tested to universal.

Thai society is currently facing population ageing and a continuing decline in fertility. Old-age financial security has become an urgent issue under this population dynamic. In terms of policy, the Thai government has responded by strengthening its existing public pension schemes, introducing new pension schemes and providing various incentive schemes for long-term saving.

The Thai old-age allowance system specifically has been both decentralised and transformed from being means-tested to universal. The system now in place is a non-contributory cash benefit scheme to provide income for elderly persons who have otherwise not been guaranteed any other public pension schemes. This new programme, and the way it coexists with other, contributory public pension schemes, is an interesting character of Thailand's old-age allowance system today.

History and development before the introduction of the universal scheme

Thailand's old-age allowance system was launched in 1993 by the Ministry of Interior's Department of Public Assistance (DPA). The scheme's objective is to provide financial assistance to the country's underprivileged elderly persons, defined as those who are at least 60 years of age and either without enough income to meet necessary expenses, unable to work or living without caregivers. Initially a village's public welfare assistance committee, as the formal representative of the DPA, was responsible for identifying eligible elderly persons.

The amount of allowance was THB200 per capita per month, and the committee allocated the allowance to the eligible elderly persons directly. There were only 20,000 recipients when the scheme started (Suwanrada, 2009).

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But efforts were made almost immediately to refine the system. From 1993 to 2004, changes were made in terms of eligibility, the amount of allowance, the authority in charge, the targeting process and administration. In 2000, the amount of pension was raised to THB300 per capita per month, the local administrative organisations started to play an important role in the targeting process, and the channels for pension delivery became more diversified (i.e. through authorised person, postal cheque, bank account transfer).

In 2002, in accordance with the reorganisation of various government ministries, the DPA moved to the new a new home under Thailand's Ministry of Social Development and Human Security.

At this time there were two further significant changes related to eligibility and the targeting process. First, priority came to be given to those elderly persons more overtly underprivileged and who were unable to access existing public services. The second change was to allow members of the community to join the targeting committee. Altogether, one major impact of this long series of refinements was an increase in the number of recipients from 110,850 in 1995 to 318,000 in 2000. From 1999 to 2004, the number stabilised at approximately 400,000 recipients.

In 2005, the allowance underwent a big change due to the movement towards decentralisation experienced in the Thai government. The old-age allowance programme was once again transferred to another authoritative public body, this time the Department of Local Administration Promotion (DOLA) in the Ministry of Interior, the main mandate of which is to manage funds provided to local authorities. The task of targeting the old-age allowance duly became decentralised to the local authorities.

In addition, the participation of community members in targeting processes via community councils or community meetings was made legal, and local authorities, if they demonstrated sound fiscal management, were given free rein to top up some allowances if and when they saw fit.

Unfortunately, in practice, no local authority actually did this. In 2006, the amount of allowance was raised to THB500 per capita per month. After the decentralisation of the targeting process, the number of recipients increased dramatically to 527,083 in 2005 and jumped to nearly double this number—1,073,190—in 2006. The number rose further to 1,755,178 in 2007 and 2008.

Despite the success in providing old-age financial security, in which the local governments and communities played a central role, it seems that significant targeting inefficiency problems remain. Prachuabmoh et al. (2009) found that more than 50 per cent of underprivileged elderly persons with income below the poverty line and living without support from their families did not receive an allowance. Because the national government did not invest in building the institutional capacity of the targeting system and there were no national guidelines in place, the approach of the local authorities with regard to targeting varied greatly. Some utilised strict targeting standards, but others allocated allowance to all elderly persons.

There were also great differences in how different local authorities understood the importance of community meetings. With respect to selecting beneficiaries, local authorities were often unable to clearly account for why any particular older person was selected over and above another. Local officials were frequently accused of favouritism (Suwanrada and Dharmapriya, 2012).

Universalisation of the Old-age Allowance System

The biggest change was seen in the fiscal year of 2009, when the old-age allowance was expanded to include all elderly people in Thailand aged 60 or older and not living in public old-people's homes or not receiving permanent income as a salary or pension (i.e. excluding recipients of central, local or public enterprise pensions or social security fund's old-age benefits, and government employees). The number of recipients duly climbed to 5,652,863 in 2010 and 5,698,414 in 2011.

Officially, elderly persons (or their authorised representative) must register with the local authorities where they live. The registration procedure is to be conducted once a year, namely in November. In practice, some local authorities provide mobile units to make it easier for elderly persons. The necessary documents for registration are an identification card, residence registration book, bank account (if applicable) and proxy form (if applicable).

As a result of the change from a single rate to multiple rates, the average old-age allowance per pensioner increased from THB500 to THB645 in the fiscal year 2012, and is expected to be THB662 in the fiscal year 2013.

It could be argued that to maintain the old-age allowance system for only informal workers will cause a certain horizontal inequality between the formal and informal sectors.

After finishing the approval process, the qualified elderly persons start receiving the pension in October of the following year. The recipient can choose between four methods of delivery: to receive cash directly from the local authority office; to designate an authorised representative to receive cash directly from the local authority office; to have the pension transferred directly to their bank account; or to have the pension transferred to the bank account of an authorised representative.

In 2012, the Yinluck Shinawatra government changed the scheme to a multiple-rate system. The single rate (THB500 per capita per month) was replaced by an amount that varies by age of recipient: persons 60–69 years of age receive THB600 per month, persons 70–79 receive THB700 per month, persons 80–89 receive THB800 per month, and those 90 years of age or older receive THB1000 per month.

In the fiscal year 2012 (from 1 October 2011 to 30 September 2012) the government allocated THB52.535 billion of its total budget to the old-age allowance for 6,784,734 elderly persons via local authorities. According to the National Survey on the Older Population, conducted in 2011, the number of old-age allowance recipients is expected to increase to 7,342,028 persons in the fiscal year 2013 (from 1 October 2012 to 30 September 2013). The government budget will accordingly rise to THB58.347 billion. As a result of the change from a single rate to multiple rates, the average old-age allowance per pensioner increased from THB500 to THB645 in the fiscal year 2012, and is expected to be THB662 in the fiscal year 2013.

The Old-age Allowance System in the big picture of pension policy

The old-age allowance system coexists with other public pension schemes. In principle, those of the working population who are not national or local government officials, employees of public enterprises or members of social security funds (mostly private employees) are now eligible for an old-age allowance. For this segment of the population, the Thai government put a considerable effort into establishing contributory public pension schemes to increase the replacement rate.

> *The government should envisage a pension policy for the entire country and aim for a harmonised system that can ensure financial security for older people as well as the fiscal sustainability of the government itself, as opposed to making policies based on fragmented or disjointed schemes.*

This included the expansion of the social security fund to the informal sector's working population and the establishment of the National Saving Fund scheme.

In such an environment, it could be argued that to maintain the old-age allowance system for only informal workers will cause a certain horizontal inequality between the formal and informal sectors. The crucial questions thus become: should the government extend the old-age allowance system to all elderly persons as the basic pension scheme or how should the old-age allowance system coexist appropriately with other pension schemes?

Lessons learnt from Thailand's experiences with the Old-age Allowance System

Other less-developed countries can learn much from Thailand's experiences with the means-tested system as it existed between 1993 and 2008. Suwanrada and Dharmapriya (2012) emphasise that for countries that wish to introduce the means-tested social pension, investing in a strong targeting system is critical.

Collecting socioeconomic information on the beneficiaries is a necessary condition for policy design. Although the government has, to some extent, delegated some authority for targeting to the local government and the communities, the national guidelines must nevertheless be well designed.

Clear and well-defined rules for targeting (i.e. on the conditions for beneficiaries, who to target and how to target) must be made so as to minimise targeting inefficiency. In addition, it must be kept in mind that there may be a trade-off between decentralisation and equity.

Insight can also be gained from the 2009 change to a universal scheme. The Thai government launched the old-age allowance system, featuring a small pension amount and small numbers of recipients, nearly 20 years ago, and over time the number of recipients and the amount they receive have gradually increased. Both Sakunphanit and Suwanrada (2011) and Suwanrada and Dharmapriya (2012) underscore the importance of political will for change.

A political ideology with an appropriate emphasis on social justice is a prerequisite for establishing universal coverage. Moreover, knowledge-sharing among researchers and academics, non-governmental and civil society organisations and politicians, domestically and internationally, is important.

The challenges faced by Thailand's current universal old-age allowance system, especially in the context of rapid population ageing, are equally informative. Since the Thai universal old-age allowance system now coexists with public contributory pension schemes, Suwanrada and Dharmapriya (2012) advise that the design for a social pension should be part of a wider public pension system.

The government should envisage a pension policy for the entire country and aim for a harmonised system that can ensure financial security for older people as well as the fiscal sustainability of the government itself, as opposed to making policies based on fragmented or disjointed schemes.

The universal old-age allowance system currently depends on general revenue financing through an annual budgeting process. In the context of Thailand's ageing population, we can expect the public expenditure on old-age allowance to increase. Thus, consideration of its sources of public funding also becomes a prerequisite.

■

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Job Guarantee Investments in the Social Sector: Lessons from South Africa's Expanded Public Works Programme

by Rania Antonopoulos, Levy Economics Institute[1]

The International Labour Organization (2013) estimates that global unemployment hit almost 200 million people in 2012. Moreover, many developing countries around the world are experiencing persistently high levels of unstable employment and underemployment. What might the role of 'productive social protection', defined as employment-based or employment-friendly social protection interventions, be in this context?

Surely, employment-based social protection cannot be hoped to substitute an inclusive and job-rich development path, at least not for any extended period of time. Many countries have long deployed public works and employment programmes focused on creating infrastructure and physical assets as a means of addressing both seasonal and cyclical unemployment.

However, this article seeks to identify what I regard as the most pressing aspects of employment-based social protection relative to current macro policy and the labour market. Specifically, although standard infrastructure and asset creation types of programmes are unquestionably important, attention here is given to employment programmes that address care deficits for young, elderly and seriously ill or disabled people.

In an earlier US simulation study (Antonopoulos, 2011), I found that an investment in services for social care would generate more than twice the number of jobs—1.2 million versus 500,000—than comparable investment in physical infrastructure, largely due to the higher labour intensity of care work. That same research also indicates that, in addition to producing more jobs per dollar spent, in practice these types of social care investment reach the least well-off and at the same time produce relatively more gains from the perspective of gender equity: first, by reducing the burden of care (particularly welcome to women who work a double day) and, second, by substantially expanding income-earning opportunities for women.

What this shows, I argue, is the crucial need for social care investment programmes implemented within a framework of an **employer of last resort** (ELR), providing necessary scale, intuitional resilience and continuity.

The key feature of an ELR pertains to unstable markets unable to generate sufficient numbers of job opportunities, whereby the government, in this case, now steps in through public service job creation and provides employment to anyone willing and able to work at minimum wage.

At its core, therefore, ELR protects against joblessness via an 'employment benefit' —in other words, 'employment insurance'. When set up as a **permanent** institutional feature of the economy, from a macroeconomic point of view, ELR is a unique and valuable form of active labour market policy that functions as an automatic stabiliser.

South Africa is a standout example. Introduced in 2004, this country's Expanded Public Works Programme (EPWP) is a national job creation initiative now in its second phase (2009–2014), with high prospects for a third phase.

In a 2008 study, given particular focus here, Antonopoulos and Kijong found the EPWP to be groundbreaking as a social-sector intervention. The two pillars of the 2008 analysis were a gender-

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South Africa is a standout example. Introduced in 2004, this country's Expanded Public Works Programme (EPWP) is a national job creation initiative now in its second phase (2009–2014), with high prospects for a third phase.

Thus far, little effort has been made with respect to drawing in marginalised segments of the population via the creation of jobs in the social services sector.

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2. Learnership combines work-based experience with structured learning, and results in a qualification, registered within the National Qualifications Framework by the South African Qualification Authority, that signals occupational competence and is recognised throughout the country.

disaggregated social accounting matrix (SAM) and time-use satellite accounts developed for the South African economy. Although it was applied to the context of South Africa, the methodology used is applicable to a variety of other policy experiments that, with appropriate modifications, can be adopted for use in other countries.

The proposals put forth in the present article (and the earlier work it draws on) highlight the role of social-sector interventions in meeting several policy objectives—namely, income and job generation, provisioning of communities' unmet needs, retaining or enhancing skills for a new cadre of workers, and promotion of gender equality by addressing the overtaxed time of women and their lower labour force participation rates.

The *ex ante* evaluation of a policy scenario for South Africa's EPWP demonstrates that the orders of magnitude involved are compelling, and might indeed motivate critical discussion on its potential utility for other countries.

Background on South Africa

While many positive developments have taken place in post-apartheid South Africa, unemployment and poverty remain serious challenges. Over the past decade the country's official unemployment rate has been very high. What makes joblessness even more intractable is the fact that, as compared to countries at a similar socioeconomic level, self-employment and the size of the informal sector in South Africa remain surprisingly small. To redress the serious problem of chronic unemployment, South Africa introduced, among other measures, the EPWP in 2004.

Its main goal is to contribute towards social inclusion and economic empowerment through job creation. To this end it provides a paid work entitlement to unemployed people. In its first phase, the EPWP had a target of creating 1 million work opportunities within five years.

First-phase EPWP projects were focused primarily on labour-intensive infrastructure, with a mandate to substitute, to the largest degree possible, human power for machine power but also include a focus on environmental, cultural, social and economic-sector programmes. In many respects the EPWP had established deeply transformative objectives which were difficult to achieve in the short term, given (what mid-term reviews and independent research has revealed to be) largely insufficient budgetary allocations relative to the programme's scale of ambition. Further, it was found that EPWP job opportunities were too few in number and too short in duration to have a substantial impact.

Our 2008 study joined efforts to broaden the policy dialogue on the revision of the EPWP for its second phase. Specifically, we proposed an expansion of public job creation within the social sector, and explored the economy-wide implications of such an expansion for unemployment, growth of output, tax revenue, and poverty reduction. Two high-impact focus areas were identified: (i) early childhood development (ECD); and (ii) home- and community-based care (HCBC). We consider these areas of social service delivery particularly important from a gender equality perspective.

Across the world, especially among poor households that cannot purchase 'care' services from the market, it is the unpaid work of women that typically fills public-sector care gaps. In South Africa women spend more time than men on unpaid care work, which of course increases in the context of poverty and unemployment.

In contrast to adult men, women perform 75 per cent of all unpaid work, including care for sick and permanently ill people (from malaria and TB, and people living with HIV/AIDS) and for young children—almost always with meagre means and in impoverished conditions. In South Africa the two care areas of ECD and HCBC are critically interconnected.

Due to the high prevalence of HIV/AIDS among those in the middle age ranges, older children and older women become the primary caretakers of orphans and/or children living in households with people living with HIV/AIDS.

Scaling up the social sector in the EPWP: a simulation analysis

The monetary allocations for existing EPWP social-sector job creation, low as they are, have been primarily focused on facilitating skill-upgrading through learnership programmes.[2] In contrast, the revised EPWP jobs analysed in the simulation would provide full-time, year-round employment based on service delivery targets (ECD for 50 per cent of children, and HCBC for 20 per cent of the population), the purpose of which is to create jobs while providing services that reach infants, young children and the sick members of vulnerable households.

As noted, the two pillars of our 2008 simulation analysis are a gender-disaggregated SAM and time-use satellite accounts that we developed for the South African economy. We approached our study from a macroeconomic perspective, placing emphasis on gender, race, income and poverty structures. In addition, the policy experiment is based on a budgetary allocation of approximately ZAR9.2 billion (approximately US$935 million).

The full-time, year-round jobs that we propose primarily reach unskilled workers who are members of poor and ultra-poor households. Wages are stipulated at ZAR500 per month, with some jobs requiring higher skill levels (and thus paying up to ZAR1000).

The labour supply response is presumed to be the same for all households below the poverty line. It must be noted that the ZAR9.2 billion injection is intended not only to provide wages for newly hired beneficiaries but also to cover all other associated costs, ranging from training fees to food and materials used and administrative costs.
The key simulation findings are:

- The injection of ZAR9.2 billion corresponds to the creation of 571,505 new full-time EPWP social-sector jobs. Approximately 540,000 of these are allocated to unskilled members of poor and ultra-poor households, and the remaining to skilled supervisory workers. Should the entire injection be dedicated to paying wages exclusively, our findings indicate that 1.2 million jobs can be created.

- Almost 60 per cent of these jobs are estimated to be filled by women; of which 56 per cent are unskilled positions and 3 per cent skilled. Unlike all other sectors and occupations in the economy, including unskilled ones, monthly wages received by both women and men are identical, at ZAR500 for most workers and up to double that rate for those with some level of skill.
- For every three job opportunities directly created through EPWP, another job is created within the formal market sector, for a total of 772,000 new work opportunities overall.
- The ZAR9.2 billion corresponds to 3.5 per cent of government expenditures, or 1.1 per cent of gross domestic product (GDP).
- The total impact on GDP growth is about 1.8 per cent, or ZAR15 billion. The GDP growth rate increases from 4.2 per cent to 6 per cent, with an implied multiplier of 1.6 (ZAR15 billion ÷ ZAR9.2 billion).
- New direct and indirect taxes equal to about ZAR3 billion are generated, which will reduce the overall cost of the intervention by one third (assuming no unanticipated leakages).
- The resultant growth is pro-poor. The overall **incremental** change in income is 9.2 per cent for ultra-poor households, 5.6 per cent for poor households, and 1.3 per cent for non-poor households.
- All EPWP-participating ultra-poor households cross the ultra-poor poverty line, and the poverty gap is in fact reduced by 60–80 per cent. Poor households, previously located anywhere between the ultra-poverty and poverty lines, are lifted above the poverty line.
- Overall, social-sector job creation is more labour intensive than the infrastructure sectors of EPWP. Therefore, from a policy perspective it is crucial to note that budgetary allocations in the social sector result in higher levels of job creation and greater depth-of-poverty reduction.

Fiscal space

Financing for the proposed EPWP social-sector expansion of ZAR9.2 billion (ZAR13.3 billion at 2007 prices) can take place through one of three means, or a combination thereof: (i) an expansionary fiscal stance; (ii) higher tax rates; and (iii) increased tax revenues due to the resultant economic growth (Pollin et al., 2006).

- **Deficit financing.** The projected government budget surplus of ZAR26.6 billion in fiscal year 2007–08 could fully finance the proposed expansion. Positive multiplier effects of the programme would increase tax revenue and thus contribute to the reduction of the net increase of budget deficit-to-GDP.
- **Tax financing.** Financing solely through tax revenue would be achieved by increasing the tax-revenue -to-GDP ratio from 27.8 per cent to 28.4 per cent. A one percentage point increase in the value-added tax rate and an equivalent one in the corporate income tax rate would also finance expansion of the EPWP social sector.
- **Growth dividend.** The estimated 3.7 per cent growth in real GDP during the 2008–09 fiscal year alone could bring in an additional ZAR20 billion. In addition, as already mentioned, the projected Keynesian multiplier effects of this specific intervention programme could finance up to one third of the new spending.

Finally, it is also worth considering the strong linkages between a job creation initiative such as EPWP and achievement of the Millennium Development Goals (MDGs), including eradication of extreme hunger, poverty reduction, and care for people living with HIV/AIDS; improved child and maternal health; and the promotion of gender equality.

Although by no means a poverty panacea, a well-designed public employment guarantee strategy can pay dividends. A good place to start would be to include a public employment component for all MDG-related projects aimed at physical and social infrastructural asset creation.

The simulation study by Antonopoulos and Kijong (2008) complements the efforts of others who consider public job creation to be a critical part of any policy mix needed to address unemployment and poverty. One of the concerns in implementing such initiatives is that scarce resources may be wasted in meaningless types of projects.

In evaluating the desirability, feasibility and sustainability of pro-poor policy, the multidimensional aspects of poverty must be kept in mind. Thus far, little effort has been made with respect to drawing in marginalised segments of the population via the creation of jobs in the social services sector. Yet doing so has the strong potential to contribute to many policy objectives, including reversing outward migration and crime trends, revitalising marginalised communities, increasing human capital and promoting social inclusion.

By reducing the unpaid care burdens of poor women, the specific jobs we have proposed would contribute particularly toward the goal of achieving gender equality.

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by Eduardo Zepeda, United Nations Department of Economic and Social Affairs (UN DESA)

The Benefits Outweigh the Costs: **an Assessment of India's NREGA**

Implementation of the NREGA is fundamentally a redistributive intervention, and the simulation results underscore this.

The study finds that the welfare of the poorest households increases by up to 9 per cent for certain groups in rural areas and by up to 0.2 per cent in urban areas.

On 25 August 2005, India's Parliament enacted the right of rural households to at least100 days of work annually. Now known as the Mahatma Gandhi National Rural Employment Guarantee Act (NREGA), this law triggered the implementation of an employment generation programme without precedent in India or elsewhere.

The programme evolved rapidly. It increased the number of participating households from 20 million in 2006/07 to a peak of 50 million in 2010/11, while the total number of workdays rose from less than 1 billion to a peak of close to 3 billion over the same period. Since its inception, the average number of workdays per year per household has been between 40 and 50 days, with large fluctuations across regions.

Partial evaluations report that the jobs the programme has created have contributed to improvements in several dimensions. These include poverty reduction, increased food consumption in villages, in some instances increased expenditures on education and health, reduction of debt obligations, and reduced distress migration.

The programme may also have created useful assets, but there are questions as to the durability and quality of some of these. Since projects must be executed using labour-intensive methods that only require basic skills, there are limits to the complexity and perhaps quality of the assets that can be built.

Adding to the now wide body of literature on the programme, a recent study by Zepeda et al. (2013) uses economy-wide modelling to assess the macroeconomic and distributive effects of running a public works programme such as the NREGA.

Here we highlight two of the simulations put forward by Zepeda et al.—one addressing the effects of employment creation, and the other the increase in land/agricultural productivity derived from the implementation of the projects built by the programme.

Employment creation model

Mirroring the actual 2009–2010 programme outlays, the employment generation simulation is based on a public expenditure of 0.65 per cent of GDP, which goes into programme wages, the purchasing of project materials and the employment of administrative staff.

The modelling assumes that programme employees come from poor rural households and generally follow the same sex and caste mix as that observed in the official records. The increase in expenditures is assumed to be fully financed by a rise in income taxes, making explicit from the outset the 'cost' of running such a programme.

Results indicate that implementing the NREGA has a positive macroeconomic impact and positive redistributive effects. India's GDP increases by about 0.4 per cent. The increase in economic activity conforms to the notion of the balanced budget multiplier but also responds to the redistribution of income from high- to low-income households.

Implementation of the NREGA is fundamentally a redistributive intervention, and the simulation results underscore this. But there are important indirect redistribute effects as well. As income shifts from high- to low-income households and the structure of demand changes, activity in agriculture, food processing and light manufacturing increases, while heavy manufacturing and services simultaneously decline.

Hence, the demand for unskilled urban and rural labour increases, while demand for skilled labour decreases: a process distinctly favouring poor households and disfavouring high-income households. These effects augment the programme's direct benefits to poor people in rural areas and extend them to those in urban areas (Figure 1).

Measuring the effect on welfare as the change in consumption after price and income effects are taken into account, the study finds that the welfare of the poorest households increases by up to 9 per cent for certain groups in rural areas and by up to 0.2 per cent in urban areas.

On the other hand, the welfare of rich households decreases by 2.0 per cent in rural areas and by 1.5 per cent in urban areas. Even if wealthy households in urban areas are the only population group that appears to be paying income taxes in the data used by the model, the small reduction in this group's welfare is to be expected, as tax rates only need to increase by 2 per cent to finance the programme.

Land/agricultural productivity

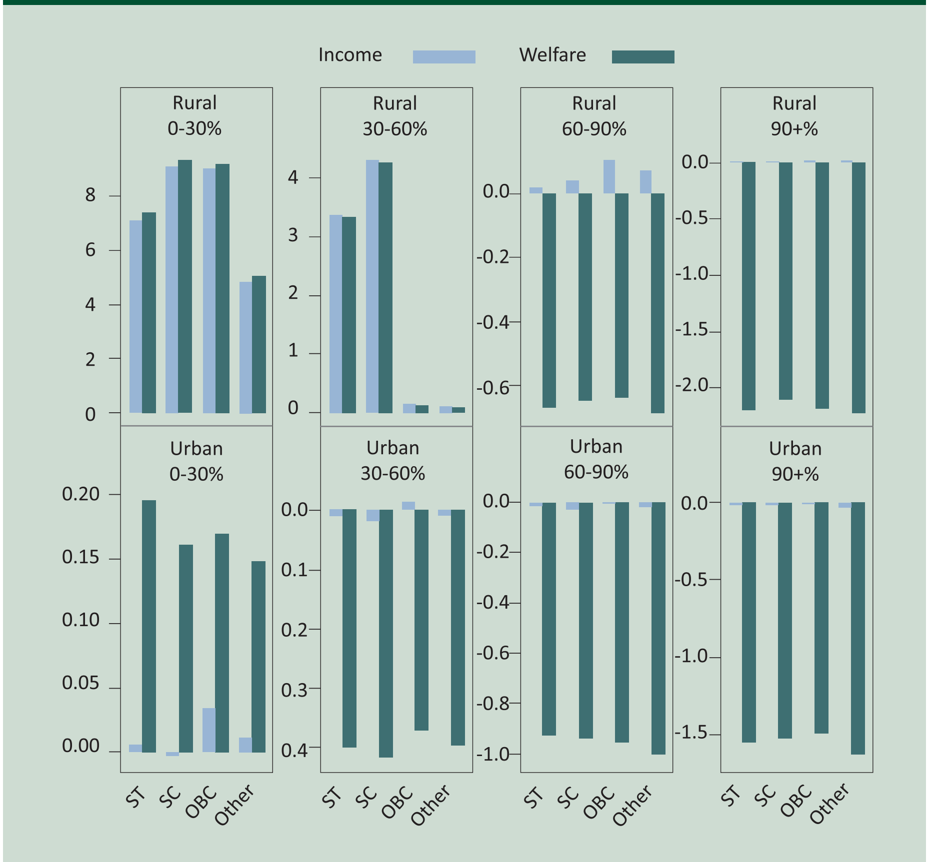
According to the Zepeda et al. simulation, implementation of the programme increases the price of food, which necessarily means an increase in poor people's cost of living. Yet the increase is small. For those enrolled in the programme, the effect might even go undetected. But for poor households not covered and/or only marginally receiving indirect benefits, the increase has the potential to be a source of concern.

Thus it may be appropriate to complement the implementation of the programme with policies that support poor households unable to join the programme or unable to take advantage of the increase in the demand for unskilled labour.

One of the main effects of an increase in land productivity is, of course, a fall in the cost of food, which leads to increases in welfare.

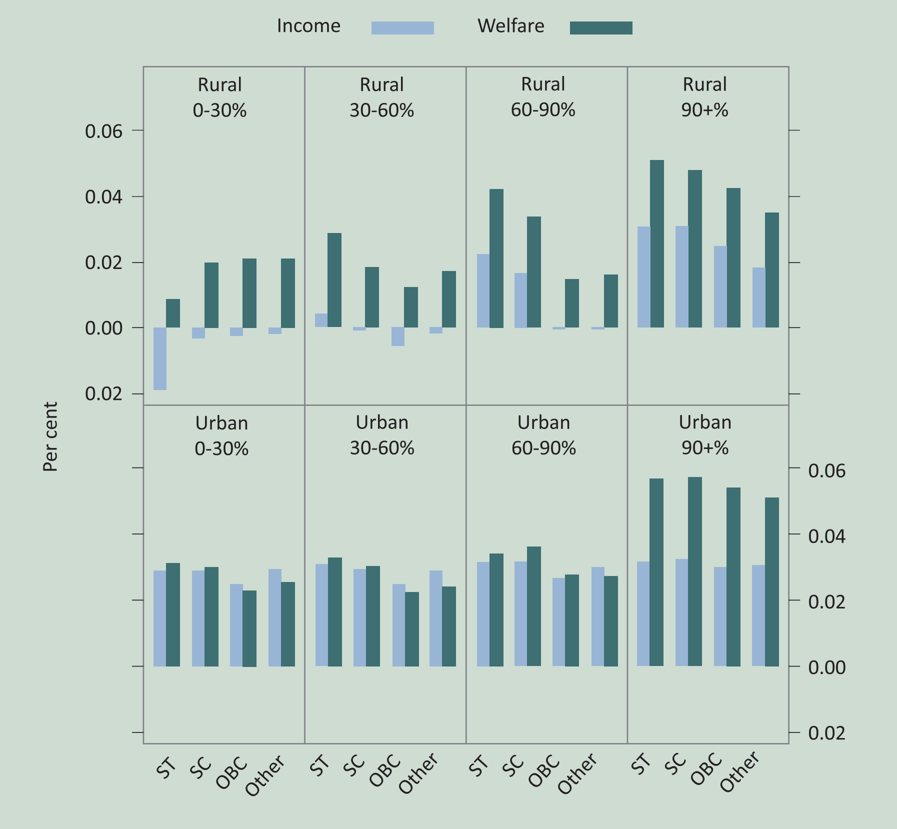
The Act triggers economic reactions that result in further job creation in rural and urban areas and of jobs that are likely to be taken by poor people, hence reinforcing the benefits to poor households in rural areas and extending them to those in urban areas.

Figure 1
Impact of Employment Generation on Household Income and Welfare



Source: Based on Zepeda et al. (2012).

Figure 2
Impact of a Rise in Land Productivity on Household Income and Welfare



Source: Based on Zepeda et al. (2012).

The simulation addressing the effects of the land improvement and water-harvesting projects that the programme undertakes, among others, results in an increase in land productivity of 1.5 per cent across all land holdings.

No other change is made, as the simulation assumes that the increase is a spin-off from the implementation of programme projects. Results show that the increase in productivity leads, as expected, to increases in economic activity—for example, agriculture, food processing, services and welfare.

The effects on welfare and consumption are positive across rural and urban households, driving poverty down (Figure 2). One of the main effects of an increase in land productivity is, of course, a fall in the cost of food, which leads to increases in welfare.

The distributional impact of increasing land productivity is not as positive. The increase in welfare in rich households is larger than in poor households. This is an inevitable result. The increase in productivity also has the immediate effect of reducing the need for low-skilled labour and hence a fall in poor households' income at constant prices (Figure 2). This initial negative distributive effect is accentuated by India's highly concentrated land tenure structure.

To recap, the NREGA's immediate poverty reduction effect takes place at no cost to the economy—i.e. to GDP. It generates a virtuous redistributive effect, since the programme benefits accruing to poor households are not limited to the wages directly paid by the Act's jobs.

The Act triggers economic reactions that result in further job creation in rural and urban areas and of jobs that are likely to be taken by poor people, hence reinforcing the benefits to poor households in rural areas and extending them to those in urban areas.

Furthermore, the cost of the programme is manageable. While government programme expenditures are funded by an increase in income taxes, only paid by rich households in urban areas, its implementation ends up imposing, at most, small reductions in consumption and welfare among rich urban and rural households.

The increase in land productivity assumed to happen after the implementation of the Act reinforces the short-term positive impact on poverty and speaks to the sustainability of positive poverty reduction effects. However, the finding that benefits do not accrue first and mostly to poor households is a drawback. Rather than militating against the Act, the finding suggests the need to reinforce provisions aimed at improving land productivity in the lands of poor families, since the results are to a significant degree driven by the acute concentration of land.

The NREGA's employment creation and land productivity activities complement each other well. For example, while employment creation raises the cost of living for poor households, the increase in land productivity reduces it. While the Act's employment creation directly and indirectly redistributes income, the land productivity concentrates it. If employment creation has a primarily short-term effect on poverty, asset improvements have a potential long-term effect.

The effects of the programme are small in all cases, but the programme is also small. The programme budget is less than 1 per cent of GDP, and total wage payments of the programme only account for about 2 per cent of the annual national payroll. Further expansion and improvements in the programme are appropriate. ■

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From Protection to Production: Agriculture, Cash Transfers and Poverty Reduction in Sub-Saharan Africa

by Benjamin Davis, Food and Agriculture Organization of the United Nations (FAO)

Studies of patterns of growth and transformation have shown that for most countries agriculture has been a key motor of development. Historically, successful poverty reduction depends not only on overall economic growth but, indeed, also on how much a given country has seen rapid progress in terms of agriculture. Despite a declining share of output over time, agriculture can make key contributions to poverty reduction.

These include raising agricultural profits and labour income; raising, via linkages, rural non-farm profits and labour income; lowering prices for food (which increases real wages in both rural and urban areas); and tightening urban and rural labour markets (which raises unskilled wages in the wider economy) (World Bank, 2007).

This classic pattern of structural change has not occurred in sub-Saharan Africa. Agriculture remains fundamental across the continent: not only does it constitute one third of GDP and half of the total value of exports, but over two thirds of the population are dependent on agriculture for their livelihoods, and over 60 per cent of all employed women have jobs related to the agricultural sector.

Moreover, almost three quarters of the economically active rural population are smallholders, most producing a significant share of their own food consumption (World Bank, 2007). Yet, in Africa, neither the shares of valued added or the structure of production have changed much in the past 50 years.

Increases in output have occurred almost exclusively from land extension, due to an extremely slow pace of improvements in land and labour productivity. Production technology seems frozen in time, with the same level of fertiliser use and irrigation as in the 1970s. Agriculture has not been able to provide the basis for a structural transformation in sub-Saharan Africa, nor to reduce poverty and hunger, as it has for most of rest of the world (De Janvry, 2010).

Thus sub-Saharan Africa remains poor largely due to the failure of agriculture. What is behind this failure?

First, an adverse environmental context—Africa has soils with poor fertility and extreme heterogeneity and diversity of agroecological environments and farming systems.

Second, a challenging policy and institutional context— agriculture in sub-Saharan Africa is primarily rain fed, with traditional cultivation practices operating in a context of poorly functioning markets, high transaction costs and low levels of human capital.

Third, antagonistic public policy—this includes low public spending, excessive implicit and explicit taxation, capture of policymaking by urban elites, food aid instead of investment in raising productivity, and the dismantling of agrarian institutions under structural adjustment.

Moreover, Africa now faces a different international context, with the globalisation of food systems, the emergence of integrated food value chains, major institutional and technological changes for agriculture, increasing resource scarcity and climate change (particularly vulnerability to climate shocks and risk management), and the demands on agriculture to serve as a provider of environmental services, which

Almost three quarters of the economically active rural population are smallholders, most producing a significant share of their own food consumption.

Cash transfers can serve not just as social protection but as a means of promoting farm- and household-level production gains.

The key insight is that non-beneficiaries and the local economy also benefit significantly from a cash transfer programme via trade and production linkages, and that maximising the income multiplier may require complementary interventions with both beneficiary and non-beneficiary families.

Most beneficiaries of cash transfer programmes, however, are subsistence farmers.

Missing or poorly functioning markets link production and consumption activities of these households.

Cash transfers can thus potentially serve as an important complement to a broader rural development agenda, including a pro-poor growth strategy focusing on agriculture.

provides both new challenges and new opportunities (World Bank, 2007).

Despite this failure, the future of sub-Saharan Africa continues to be more, not less, reliant on agriculture. Studies have shown that GDP growth originating in agriculture is two to three times as effective in reducing poverty as GDP growth originating outside agriculture (Ligon and Sadoulet, 2007; and discussion in World Bank, 2007).

Most of the recent decline in global rural poverty is attributable to better conditions in rural areas rather than to outmigration by poor people. Moreover, despite globalisation, many countries must largely feed themselves. Food remains imperfectly tradable because of high transaction costs and the prevalence of lightly traded staple foods, such as roots and tubers.

At the household level, subsistence farming serves as a safety mechanism in the face of food insecurity, and supporting subsistence farming may be the best way to deal with high and/or volatile food prices. Increasing and stabilising domestic food production is essential for food security, and this means improving the productivity, profitability and sustainability of smallholder farming. Kick-starting poverty reduction requires accelerated growth in staple output on small family farms, driven by increased productivity on those farms (World Bank, 2007).

Focusing poverty reduction: cash transfers or smallholder productivity?

It is cash transfer programmes, however, that are becoming the principal tool of poverty reduction—and social protection —in the low- and middle-income countries of sub-Saharan Africa.

While some types of cash transfer programmes have explicit linkages to agriculture and rural livelihoods, such as the Productive Safety Net Programme (PSNP) in Ethiopia, many government-led cash transfer programmes in sub-Saharan Africa originate in the social sector, where concern about vulnerable populations, often in the context of HIV/AIDS, has driven the setting of objectives and targeting towards an emphasis on people who are ultra-poor, labour-constrained and/or caring for orphans and vulnerable children. As a result, most of these programmes focus on food security, health, and nutritional and educational status, particularly of children.

Most beneficiaries of cash transfer programmes, however, are subsistence farmers. Missing or poorly functioning markets link production and consumption activities of these households.

These include credit, insurance, labour and input market failures, which constrain economic decisions in investment, production, labour allocation and risk-taking. 'Safety first'—usually food security—is the motto, rather than profit maximisation.

Livelihoods based on self-employment activities have implications for social objectives— conditioning labour allocation for adults and children (including domestic chores and care-giving), intra-household decision-making, investment in schooling and health, and food consumption, dietary diversity and nutrition.

Investments in health and education induced by cash transfer programmes have both short- and long-term economic benefits through improvements in human capital, which lead to an increase in labour productivity and employability. However, there is good reason to believe that cash transfer programmes will also influence the current productive activities of beneficiary households, since the livelihoods of most beneficiaries in sub-Saharan Africa are predominately based on subsistence agriculture and rural labour markets.

The exit path from poverty is not necessarily the formal (or informal) labour market, but self-employment generated by beneficiary households themselves, whether in or outside agriculture. When cash transfers are provided regularly and predictably, they may help households to overcome credit and insurance constraints and manage risk. This, in turn, can increase productive investments, improve access to markets and stimulate local economies.

Cash transfers can thus potentially serve as an important complement to a broader rural development agenda, including a pro-poor growth strategy focusing on agriculture. Cash transfers can serve not just as social protection but as a means of promoting farm- and household-level production gains.

What evidence do we have of the linkages between cash transfers and productive activities?[1]

Qualitative field work from cash transfer programmes in Ghana, Kenya and Zimbabwe has found that, while in all cases the cash transfer programmes function primarily as a safety net, each has led to increased investment in household economic activities, in some cases particularly for female-headed households (OPM, 2013a; 2013b; 2013c).

The programmes were found to increase social capital and allow beneficiaries to 're-enter' existing social networks, and/or to strengthen informal safety nets and risk-sharing arrangements. Moreover, in all three countries the cash transfer programmes allowed households to reduce debt levels and increase creditworthiness—though in many cases households remain risk-averse and reluctant to take advantage of increased access to credit.

Based on quantitative analysis of impact evaluation data, cash transfer programmes in both Malawi and Kenya have led to increased investment in agricultural assets, including farm implements and livestock.

Moreover, both programmes foster increased food consumption and improved dietary diversity, with a greater share of household consumption acquired via own farm production.

The programme in Malawi has led to a shift for adults and children from agricultural wage labour to on-farm wage activities, while in Kenya the cash transfer programme is responsible for a reduction in on-farm child labour (Covarrubias et al., 2012; Boone et al., 2013; Asfaw et al., 2013).

In Ethiopia, a cash transfer programme combined with complementary packages of agricultural support led to increased food security, borrowing for productive purposes, use of improved agricultural technologies and operation of own non-farm business activities (Berhane et al., 2011).

When beneficiaries receive the cash transfer, they spend it. This transmits the transfer's impacts from the beneficiary household to others inside and outside the local economy, more often to households not eligible for the cash transfer, who tend to own most of the local businesses.

These income multipliers can be measured via general equilibrium models of the local economy. Models constructed for the Kenya and Lesotho cash transfer programmes find income multipliers that range from 1.08 to 1.36, respectively, for every dollar transferred, but the multipliers are potentially limited by constraints in labour, capital and land markets.

The key insight is that non-beneficiaries and the local economy also benefit significantly from a cash transfer programme via trade and production linkages, and that maximising the income multiplier may require complementary interventions with both beneficiary and non-beneficiary families (Taylor, Thome and Filipski, 2012; Taylor, Kagin and Thome, 2013).

Despite the importance of smallholder agriculture for poverty reduction, the direct provision of cash transfers to poor people is ascendant in terms of policy interventions.

The primary objective of most cash transfer programmes in sub-Saharan Africa is to improve short-term welfare (through improved consumption) and induce greater investment in education and children's health.

However, what is often phrased as 'either/or' in policy discussion and in practice is a missed opportunity of articulation with broader rural and agricultural development strategy designed to alleviate poverty.

The challenge is to find the right balance in the allocation of resources and programme design to optimise complementarity.

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Twin Strategies for Food Security and Productive Inclusion — PDS Reforms in Chhattisgarh, India

by Samir Garg, Advisor to Commissioners of Supreme Court (Right to Food Case)

The PDS was a nationwide programme until 1997, at which point it decreased its coverage by targeting poor families only.

Nearly 70 per cent of Chhattisgarh's population depends on agriculture; the majority of the landholdings being below 2 hectares.

Decentralised Procurement of Rice Paddy began in 2002, and its purchase occurs via state-run farmers' cooperatives, which are more farmer-friendly. No middlemen, traders or commission agents were allowed in the process.

Chhattisgarh is one of the new states in India, carved out of the state of Madhya Pradesh in 2000. It currently has a population of around 26 million people, 32 per cent of whom are from indigenous tribes. About 44 per cent of its land area is covered by forests, and 77 per cent of the population lives in its some 20,000 villages. Despite rapid economic growth and an increase in mining and related industries, Chhattisgarh continues to be one of the poorest states in the country in terms of average per capita consumption expenditure.

More than 90 per cent of Chhattisgarh's workforce is in the informal sector, and the high level of poverty contributes to a critical situation of food insecurity. In 2005, 47 per cent of the children in Chhattisgarh were underweight. Adult malnutrition was also very high, with more than one third undernourished (International Institute of Population Studies, 2006).

The Public Distribution System in Chhattisgarh

As is the case for the other states of India, Chhattisgarh has a number of food security programmes in operation. Most are sponsored by India's central government; the Public Distribution System (PDS) programme being the largest.

The PDS was a nationwide programme until 1997, at which point it decreased its coverage by targeting poor families only. Under this programme subsidised food grain is provided to families identified as living 'below the poverty line' (BPL).

Nevertheless, the PDS has been criticised for leakages and inefficiency as well as errors in identifying poor households (Planning Commission, 2005).

In Chhattisgarh specifically the programme has suffered from severe gaps. Due to its narrow targeting, it used to cover only 42 per cent of the population, meaning it overlooked or left out around half of the actual poor households in the state. Delivery was also deficient. Surveys conducted by the Right to Food Movement in 2003 showed that only 28 per cent of the families enrolled in the PDS were receiving close to their entitled quantity of grain.

In 2001, a Public Interest petition was forwarded to the Supreme Court of India, demanding stronger food security measures in the country. In response, the Supreme Court ordered India's central and state governments to ensure delivery of food entitlements, thus forcing the country's policymakers to consider measures to improve the PDS.

As a whole, these circumstances galvanised within Indian civil society what was by that point an already burgeoning Right to Food Movement. In Chhattisgarh, the movement was influential in mobilising the people. One of the results was that the state government set up a High Powered Committee on Starvation in 2004.

This committee made an assessment of the PDS in tribal areas. After determining that the complete control of private traders over food distribution outlets was a leading cause of the state's poverty, including the poor food security situation, it established reforms that helped Chhattisgarh to overhaul its PDS programme.

Within a year, all the existing food distribution outlets in Chhattisgarh were removed from the private sector and handed over to local rural elected councils (*Panchayats*), women's self-help groups and farmers' cooperatives. This was followed by de-privatisation of the delivery chain. The financial viability of the outlets was improved by providing working capital support and by increasing commissions.

The number of outlets was also increased from 5000 to 10,000 to allow easier access for poor people enrolled in the programme. The State Civil Supplies Corporation was made responsible for timely delivery of food grains to all outlets. By 2006, the Right to Food Movement's surveys conducted under the guidance of this author (Garg) showed that two thirds of the beneficiaries had started to receive their entitled quantity.

Altogether, these inroads were an effect of interaction between civil society and state-level bureaucracy given impetus by a national-level judicial intervention. The tangible improvements in delivery of the PDS in fact acted as a motivator for the incumbent political leadership, and for the first time in many years there was widespread belief in the PDS.

The Chief Minister, who heads the state government, announced an ambitious expansion of PDS coverage beginning in early 2007, and the state of Chhattisgarh decided to increase PDS coverage from 42 per cent to 70 per cent of the population, using the state's resources.

The family entitlement of 35kg of grain per month was communicated effectively to the masses. People at the village level gained a great deal of say as to how the PDS was monitored, given that 70 per cent of families now had a stake in it.

Moreover, a voluntary group comprised of 70,000 community health workers (also known as *Mitanins*, or 'friends') in both rural and urban areas in Chhattisgarh has been playing a critical role in mobilising communities around the PDS, mainly by giving support to an effective system for addressing grievances. Appropriate use of information technology at all levels, especially for the procurement and distribution of food grains, also helped to improve transparency, measure performance and reduce delays. A survey conducted by the Commissioners of the Supreme Court in 2010 showed that 85 per cent of the beneficiary families were receiving their full entitlement (OCSC, 2010).

Public procurement of rice

Reforms in the Decentralised Procurement of Rice Paddy in Chhattisgarh also helped ensure the PDS's success. Nearly 70 per cent of Chhattisgarh's population depends on agriculture; the majority of the landholdings being below 2 hectares.

Rice is the most popular crop and is also seen as the most essential part of the local diet. Thus it made considerable sense for Chhattisgarh to start procuring rice from small farmers and in turn make it available to poor families at a subsidised price via the PDS.

> *Surveys conducted by the Right to Food Movement in 2003 showed that only 28 per cent of the families enrolled in the PDS were receiving close to their entitled quantity of grain.*

Price support for farmers has existed in India for decades, but effective state procurement is a new development for states such as Chhattisgarh. The Decentralised Procurement of Rice Paddy began in 2002, and its purchase occurs via state-run farmers' cooperatives, which are more farmer-friendly. No middlemen, traders or commission agents were allowed in the process.

Chhattisgarh has set up 1888 procurement centres, spread all over the state, which means that farmers by and large do not have to travel more than 10km to sell their produce. While direct transport to rice mills from procurement centres saves time and money, so too does the novel use of on-the-spot computer-generated payment cheques, thus reducing corruption and delays. Quick milling and transportation reduces loss of interest, theft, drying and damage. What's more, all information is made available to the public via the internet, thus helping ensure transparency.

Since this process started, procurement of rice paddy in Chhattisgarh has gone up from 1.5 million metric tons (MT) to 6 million MT in 2012 alone. This has ensured timely and adequate availability of locally grown rice all over the state, and not surprisingly Chhattisgarh has become among the top contributors of rice to the national pool (3.6 million MT).

Yearly, around 6 million MT of rice paddy worth Indian Rs80 billion (US$ 1.4 billion) is procured from around 1 million farmers; translating into employment to more than 1 million farming families and another 150,000 workers (in transportation and rice mills) for almost six months a year.

A marketable surplus of rice has duly increased, and rice is now also seen as a cash crop and not just for subsistence. Productivity has also improved as a result of the increased resources and efficiency.

Yet a move to include other local foods, in addition to rice, in the local procurement process still seems necessary. The production of traditional millets, pulses and oilseeds would also increase if they were part of the public procurement programme. Further, to increase the productive inclusion of the poorest two thirds of Chhattisgarh farmers who currently do not have a marketable surplus, investments are needed to promote agriculture productivity, including improved access to irrigation and to agricultural extension services, and soil and water conservation measures.

Altogether, there is compelling evidence that Chhattisgarh has successfully scaled up and sustained its reforms in food distribution and procurement.

The improvement is a result of efforts spread over the last decade and not dependent on any 'magic bullet'. The child malnutrition rate in Chhattisgarh has fallen by 25 per cent in the last five years, according to the 2011 Nutrition Security Evaluation undertaken by the Public Health

Development Centre. It has given the state a lot of confidence in its food programmes, culminating in the legislation of the Chhattisgarh Food Security Act in December 2012, which itself will further increase coverage of the PDS and reduce the exclusion of poor households.

The state has gained by moving towards near universalisation and de-privatisation of the PDS. Poor families' entitlements now include not only rice but also salt and pulses. Expanding entitlements and budgetary allocations has been crucial.

The state legislative assembly has also adopted a resolution against any replacement of the PDS with cash transfers, as this would harm the productive inclusion of farmers. ■

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***Brasil sem Miséria*: Background and Design Features of a Poverty Eradication Strategy**

by Tiago Falcão and Patricia Vieira da Costa, Ministry of Social Development and Fight against Hunger, Brazil

Successive system upgrades and increasingly intensive use spurred by an augmented BF turned *Cadastro Único* into a vital online tool that involves each of Brazil's 5570 municipalities.

BSM's benefits and services are not immediately suspended once families cross the extreme poverty line but remain close to it.

To lift millions of people out of extreme poverty over the entirety of Brazil in a relatively short time, BSM's actions and programmes have a direct focus on extremely poor households, and a large-scale and national perspective.

Over the last year and a half, 22 million Brazilians have been lifted out of extreme poverty, a significant achievement whatever the country and timeframe of comparison. And also a necessary one, given the challenge the country posed itself two years ago: to overcome extreme poverty by the end of 2014.

It might seem implausible that such a target could be achieved in such a short time, but those who follow Brazil's poverty reduction efforts know that the framework for this eventual success was being built a decade ago.

This article gives a brief overview of how a combination of political commitment, economic development, innovative tools and maturation of social programmes provided the fertile ground in which to cultivate and harvest a comprehensive approach to overcoming extreme poverty, the *Plano Brasil sem Miséria* (BSM–Brazil without Extreme Poverty Plan).

We also explore some of the design and implementation features that have allowed the strategy to start delivering structural results rapidly, making the most of the window of opportunity open until 2014.

Bringing about the conditions for BSM

The process that led to the establishment of BSM began to gain ground in 2003, with the creation of *Bolsa Família* (BF), the national conditional cash transfer (CCT) programme, and the beginning of more widespread use of the *Cadastro Único para Programas Sociais* (Single Registry for Social Programmes)—a unified database with socioeconomic information on potential beneficiaries of targeted social programmes.

Kicking off this set of transformations was not a trivial process. The challenges—operational, institutional and political alike—were huge and required massive coordination of sustained effort. BF represented the first major Brazilian incursion into large-scale social policies targeting systemic poverty, a significant paradigm shift for the country.

The programme celebrates its 10th anniversary this year as one of the world's most successful CCT programmes targeting poor people, despite also being one of the largest such programmes in the world, reaching over 50 million people. With the intergenerational character of poverty in mind, BF perfected its transfer mechanisms over several years and developed strong federative cooperation involving the Federal Government, states and municipalities, as well as intersectoral coordination, especially in the fields of education and health.

The *Cadastro Único* experienced its own series of enhancements. In the early years entries were relatively scarce and otherwise often duplicated or incomplete, which compromised its quality.

Today, however, the database provides a broad range of information on 25 million low-income families (81.5 million people) across the country.

Successive system upgrades and increasingly intensive use spurred by an augmented BF turned *Cadastro Único* into a vital online tool that involves each of Brazil's 5570 municipalities. To maintain a reliable record of the country's poorest families and their socioeconomic conditions, the *Cadastro Único* is constantly updated and periodically subjected to intelligence procedures that crosscheck its data with other administrative records.

Alongside the expansion and improvements in BF and the *Cadastro Único*, the growth of Brazil's gross domestic product (GDP), improvements in formal employment rates and successive increases in the minimum wage that Brazil has experienced over the past decade are among other factors contributing to the impressive poverty reduction the country has achieved in recent years.

Political commitment, measuring progress, changing lives

The developments mentioned above, precipitated to a great extent by strong political commitment, have paved the way for Brazil's central administration to propose the bold goal of overcoming extreme poverty by the end of its term, which represents yet another demonstration of the strength of political leadership and will to set great transformations in motion. President Dilma Rousseff has placed this goal so high on her priority list that her presidency's slogan states 'A rich country is a country without poverty'.

One of the first decisions made regarding BSM Plan was about the extreme poverty line to be adopted. The $1.25 per person per day in purchasing power parity established by the United Nations for its Millennium Development Goals was adopted. When the strategy was launched in June 2011, this amount equalled approximately R$70 per person per month, which, in fact, was already BF's parameter for extreme poverty.

Given that poverty is a multidimensional phenomenon, the use of a multidimensional line was considered. But a monetary line loses very little compared to a multidimensional one in terms of reflecting all types of destitution, and gains a lot in terms of simplicity and transparency. Besides, the plan itself was designed with a multidimensional approach.

In using the monetary line, it must be taken into account that extremely poor people's incomes are very volatile.

Therefore, BSM's benefits and services are not immediately suspended once families cross the extreme poverty line but remain close to it.

The BSM Plan aims to improve the targeted families' lives. To that end, the implementing agencies need to know exactly who they are, where and how they live.

The only tool capable of providing such information regarding families spread all over the country is the *Cadastro Único*. It allows the State to transfer them cash benefits, invite their members to enrol in professional training courses, offer technical assistance and rural extension for those living in rural areas, and ensure that they have access to water, among other BSM objectives.

Municipalities are responsible for the registration of the families, which gives local governments a crucial role in BSM. And all of Brazil's 26 states, plus the Federal District, have joined the central government in the Plan, making the federal cohesion that permeates it one of its main features.

Three pillars of BSM:

- *The first pillar is dedicated to providing a minimum steady income.*
- *The second involves productive inclusion efforts as a means toward opportunities for training, occupation and income generation.*
- *The third pertains to improved access to public services, especially education, health care and social assistance, directing the expansion of networks to areas with the highest incidence of extreme poverty.*

Most states have launched their own strategies for overcoming extreme poverty, leveraging federal actions and adding local ones tailored to the ways in which poverty manifests itself in every part of Brazil.

The 'active search' strategy— designed to identify extremely poor families that are not yet registered in the Cadastro Único— *has enabled the registration of 791,000 extremely poor families in the programme.*

Most states have launched their own strategies for overcoming extreme poverty, leveraging federal actions and adding local ones tailored to the ways in which poverty manifests itself in every part of Brazil.[1]

Transfers of financial resources that the central government already made to help states and municipalities manage programmes and systems locally have been reinforced by BSM.

Design features and results

Despite the utility of a monetary poverty line, extreme poverty, of course, manifests itself in multiple ways beyond insufficient income.

This is a key reason why BSM requires intersectoral action, and hence a key reason why the Brazilian Ministry of Social Development and Fight against Hunger coordinates actions executed by 22 ministries and other agencies that, along with states, municipalities, the private sector and the organised civil society, work in the three pillars of BSM.

- The first pillar is dedicated to providing a minimum steady income.
- The second involves productive inclusion efforts as a means toward opportunities for training, occupation and income generation.
- The third pertains to improved access to public services, especially education, health care and social assistance, directing the expansion of networks to areas with the highest incidence of extreme poverty.

To lift millions of people out of extreme poverty over the entirety of Brazil in a relatively short time, BSM's actions and programmes have a direct focus on extremely poor households, and a large-scale and national perspective. Yet it also requires regional targeting and a structure that allows fast implementation and outcomes.

Initiatives prior to BSM that achieved significant results in poverty reduction have been enlarged and invigorated. But the plan has also brought innovations such as Bolsa Verde (Green Grant).

The intersectorality developed within the BF is vital to the BSM. A standout example is the way the Bolsa Verde—a cash transfer for poor families living in conservation areas—is paid through the same smart card used by BF.

Other notable synergies include the way the network that checks health conditionalities enables the payment of benefits to pregnant women, and likewise how schools with most BF students are given priority in the expansion of full-time education.[2]

But BF still had to reinvent itself to face the challenges of BSM. Transfers have been strengthened through a new benefit whose value varies according to each beneficiary family's poverty gap, to allow 22 million people to cross the extreme poverty line.

The 'active search' strategy—designed to identify extremely poor families that are not yet registered in the *Cadastro Único*—has enabled the registration of 791,000 extremely poor families in the programme.

Regarding some of the results in other BSM pillars, 2744 municipalities have enrolled 381,500 BF children in child care, thus receiving extra transfers of financial resources; 267,000 low-income workers have enrolled in professional training courses; technical assistance, supplies and grant transfers aimed at productive activities have been guaranteed for 253,000 extremely poor family farmers; and 270,000 cisterns have been delivered to the extremely poor population living in semi-arid regions.

The results presented so far are significant, but the country still has a long way to go before it achieves the constitutional goal of eradicating poverty. As has been said, the end of extreme poverty is just a beginning. ■

1. Ten states complement BF's transfers, using the same banking card. Some have established higher extreme poverty lines for themselves and fill in the extreme poverty gap for families living in their territories.

2. Most students in Brazil attend part-time schools.

Ethical Family Income: Continuous Support to the Most Vulnerable Families in Chile[1]

by Ignacio León Cuevas, Regional Director of the Solidarity and Social Investment Fund (FOSIS), Ministry of Social Development

Ethical Family Income (EFI), created in May 2012, is an innovative Chilean policy intended to eradicate extreme poverty via sustained efforts to empower impoverished families across the country.

EFI is aimed at the 170,000 families in Chile identified as living in extreme poverty, which accounts for 2.8 per cent of the population (see Figure 1), which corresponds to 472,732 people, according to the CASEN Survey 2011. Extreme poverty in Chile is defined as living on less than CLP1200 (Chilean pesos) per day (approximately US$2.33).

EFI is characterised by the commitment between beneficiary families and the State to work together in the process of overcoming extreme poverty through the autonomy of the family.

Programmes within the EFI framework operate in a targeted and customised way, encompassing both social and employment interventions and promoting a broad spectrum of strategies to fight social exclusion, including the objective of enhancing the capabilities of adult family members to find formal employment within the labour market.

Each of these programmes entails the provision of cash benefits by the government to a given household under the condition that the family complies with certain targets and duties in terms of health, education and work. This article describes the main characteristics of EFI and how it works.

Programmes integral to Ethical Family Income

The Axis Programme (*Programa Eje*) assesses a given family's socio-occupational and psychosocial situation and provides extended customised support to those participating in the programme. The family works with the social worker to design an 'Intervention Plan'.

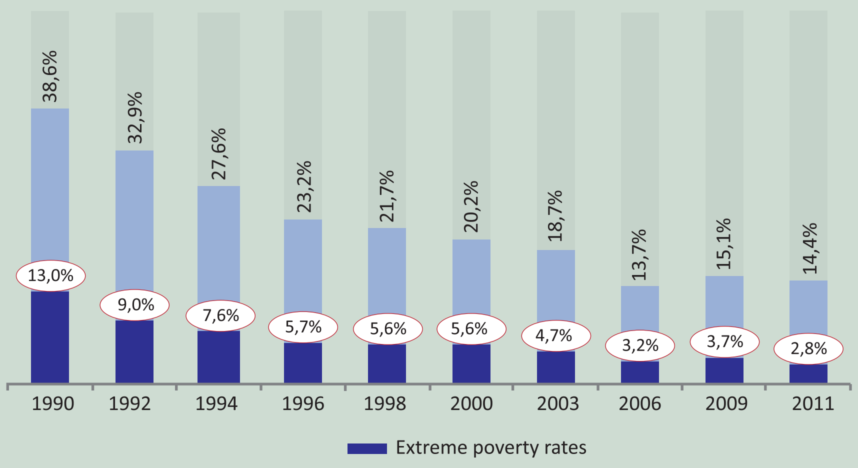
The Family Support Programme is aimed directly at the socio-occupational and psychosocial dimensions of poverty experienced by families identified in the Axis Programme as impoverished, whereby the family and/or individual(s) is integrated into an established 'Support Programme' in accordance with the Intervention Plan prepared in the Axis Programme.

The Family Support Programme is based on this customised work plan and intends to strengthen the resources and skills of individuals and families, promoting the development and deployment of new resources that facilitate the upward mobility of families

EFI is characterised by the commitment between beneficiary families and the State to work together in the process of overcoming extreme poverty through the autonomy of the family.

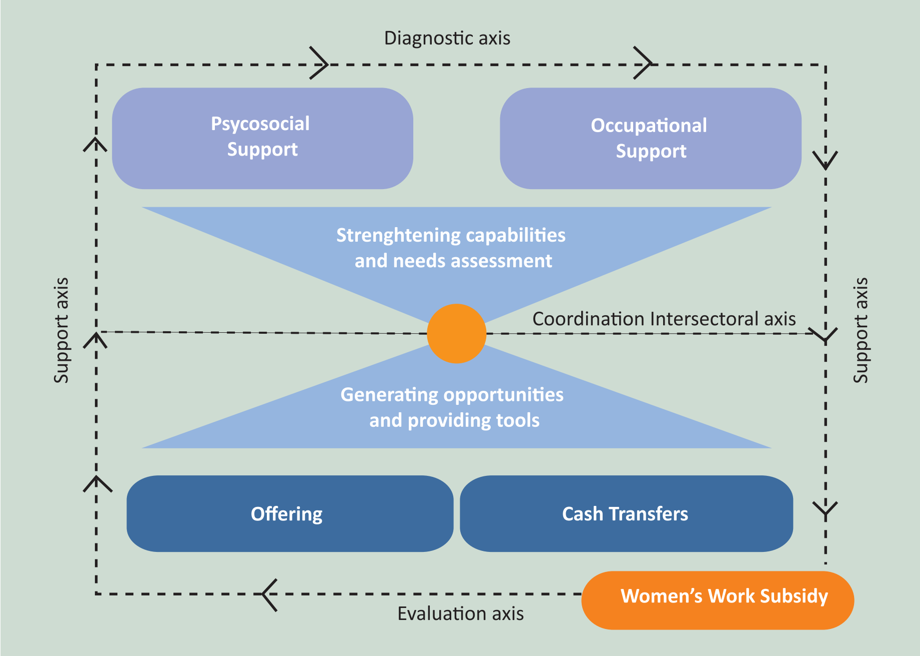
1. This article is based on a report developed by the Ministry of Social Development and FOSIS/Chile.

Figure 1
Rates of Poverty and Extreme Poverty, Chile, 1990-2011



Source: Ministry of Social Development, CASEN.

Figure 2
General Description of the Chilean Etical Family Income Subsystem



Source: Author's elaboration.

and helping them independently improve their quality of life.

a) Psychosocial Support Programme: for at least 12 months and up to a maximum of 24 months, a designated professional works directly with family members to develop skills and capabilities, help facilitate social inclusion and empower independent development. Specifically:

- promoting the strengthening and development of personal and family resources, skills and capabilities needed to improve living conditions;
- strengthening links between families and the structure of social, public and private opportunity;
- promoting and supporting the achievement of family goals through a planning process that includes all family members; and
- facilitating positive connections between resources, skills and capabilities of individuals and families.

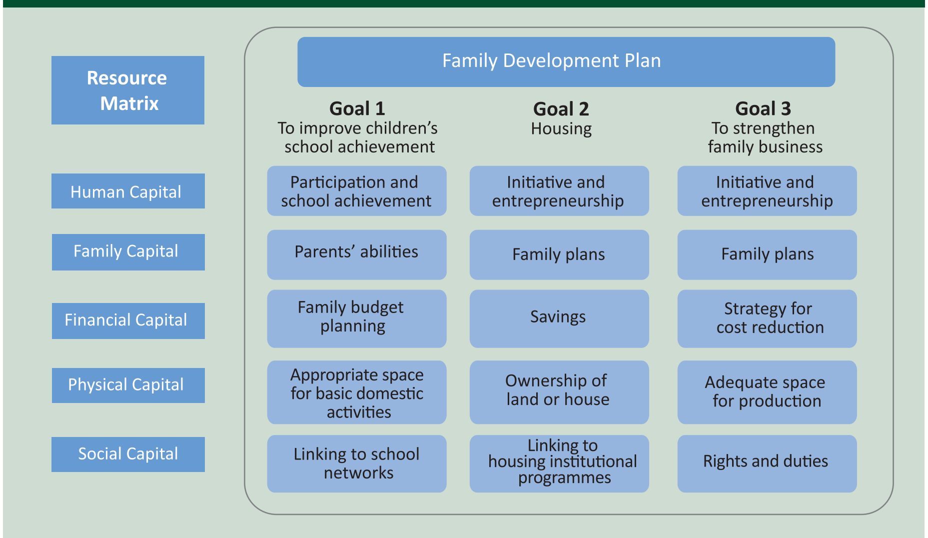
b) Socio-occupational Support Programme: also lasting 12 to 24 months, for adult family members already receiving psychosocial support but not currently enrolled in school, aimed at improving employability and cultivating their capacity to generate income autonomously. For family members that are enrolled in the formal education system, their studies must be compatible with participation in the programme. Specifically:

- reducing barriers that cause unemployment or precarious employment situations for individuals;
- improving skills for employment;
- increasing human capital and technical training; and
- developing opportunities to find a job, either hired or self-employed, which will generate income and contribute to bring family earnings above the extreme poverty line.

A Specialised Offering intervention, aimed at managing and linking programmes, services and benefits offered by the State and private sector, seeks to respond to potential unique needs of individuals and families, providing a range of alternatives to facilitate access to programmes, services and benefits while also strengthening and developing skills and mitigating barriers to employability and better living conditions.

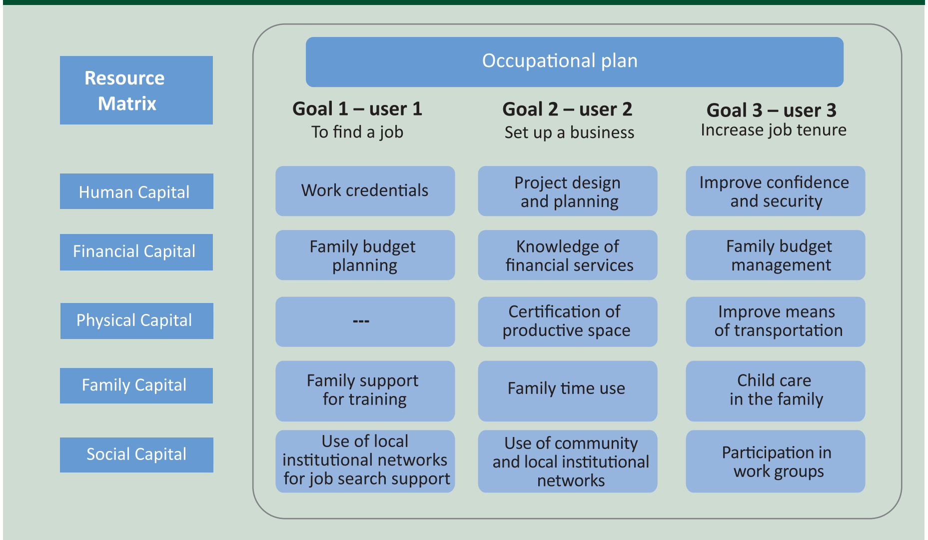
For services to reach users all over the country in a relevant, adequate and timely manner, a Territorial Manager is

Figure 3
Chilean Family Support Programme



Source: Author's elaboration.

Figure 4
Chilean Labour Insertion Plan



Source: Author's elaboration.

designated to establish effective links between the demand of families and individuals and the specialised offerings.

Subsidies: cash transfers provided to families enrolled in the Subsystem of Social Protection and Promotion, along with other (cash) benefits aimed at a larger population—i.e. not exclusively for extremely poor households—are meant to immediately alleviate poverty and its consequences but also tackle systemic issues for the short, medium and long term by associating incentives with the generation of human capital, particularly in the area of health and education.

The main subsidies are:

- Basic Cash Transfer per Household: lasting for a maximum of 24 months, cash is transferred to beneficiaries each month as long as participation requirements are met.

- Duty transfers: targeting families that have children less than 18 years of age, this subsidy is given when a family meets the general requirements of the Basic Cash Transfer while at the same time meeting requirements related to health and education:

  a) health controls for children: the family must have a valid healthy child control ID card; and

  b) school attendance: children must be enrolled for the school year at an educational institution accredited by Chile's Ministry of Education at the primary or secondary level and must meet 85 per cent attendance during the year.

  They also need to have benefited from the 2012 social allowance transfer.

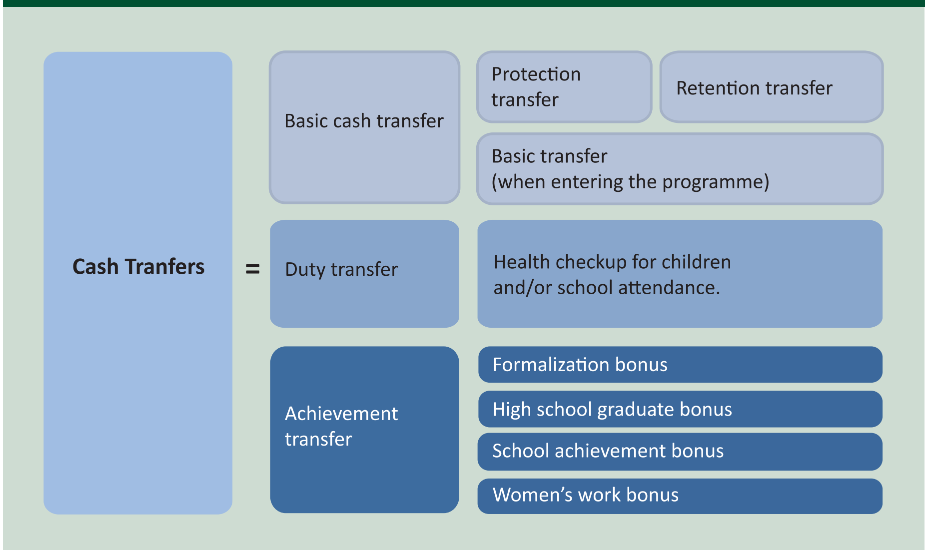
- Protection transfer: a benefit paid on a monthly basis depending on the operating period of the psychosocial support programme.

- Achievement transfers: established for those of the 30 per cent of Chile's population deemed 'most socioeconomically vulnerable' who at the same time, despite hardships, achieve outstanding performance in the areas of education, health, employment, household saving and/or monthly attendance in intensive or residential drug rehabilitation programmes.

  - School achievement: children must be enrolled for the school year in an educational institution accredited by the Ministry of Education at the primary or secondary level and be in the top 30 per cent of their class in terms of academic achievement.

  - Women workers: intended to encourage women and female heads of households in the most vulnerable families in Chile to get a formal job. ■

Figure 5
General Description of the Chilean EFI Transfer System



Source: Author's elaboration.

Single Registry for Better Targeting of Social Protection Programmes in Indonesia

by Suahasil Nazara[1]

Despite these achievements, consumption inequality has become a defining problem for Indonesia.

For the first time in five decades the Gini Ratio has increased to above 0.4, which means that, in the context of strong economic growth, Indonesia's poor peoples are attaining wealth at a much slower rate than the non-poor.

Poverty alleviation programmes must also provide support to those 'vulnerable to poverty', to keep this group from falling below the poverty line.

Dimensions of Indonesian poverty

In 2012 almost 30 million people lived below the poverty line in Indonesia, accounting for about 11.96 per cent of the total population—a remarkable improvement from 10 years earlier, when the poverty rate was over 18 per cent.

Indonesia's poverty alleviation performance[2] has much to do with the country's strong economic growth over the last decade, even during the 2008–2009 global crisis (Figure 1), which included a declining unemployment rate.

Despite these achievements, consumption inequality has become a defining problem for Indonesia. For the first time in five decades the Gini Ratio[3] has increased to above 0.4,[4] which means that, in the context of strong economic growth, Indonesia's poor peoples are attaining wealth at a much slower rate than the non-poor.

Indonesia also faces a considerable vulnerability problem. The national poverty line is constructed from consumption data on basic food and non-food items collected through household surveys. Figure 2 shows the distribution of household monthly per capita consumption, revealing a high concentration of people living on the cusp of poverty. The vulnerable group consists of those who are slightly above the poverty line yet who, precisely because of their proximity to it, remain at risk of falling below the poverty line due to economic shocks including inflation.

Importantly, this concentration of vulnerable households also means that movement around the poverty line will be sizeable. Analysis of the 2009–2010 panel household data found that there was a 53 per cent chance that the households that were poor in 2009 would have escaped poverty within a year. However, there was a 22 per cent chance that those in the vulnerable group (defined as those with consumption levels above and up to 1.5 times more than the poverty line) would have slid back under the poverty line within the same time-frame.

Moreover, about 5 per cent of those whose consumption was already higher than 1.5 times the poverty line in 2009 stood a significant chance of becoming poor in 2010. This analysis reveals frequent movements in and out of poverty and, therefore, how serious a mistake it would be for poverty alleviation programmes to only focus on those living below the poverty line.

Poverty alleviation programmes must also provide support to those 'vulnerable to poverty', to keep this group from falling below the poverty line. Social protection programmes should also be addressing the set of social rights to which this group is entitled.

Another key dimension of Indonesian poverty is the unequal spatial distribution of the poor population. Indonesia is the largest archipelago in the world, with more than 248 million people living in five major regions and some 6000 islands.

The largest population cluster is on Java, with some 130 million inhabitants (about 60 per cent of the country's population). In 2011, approximately 57 percent of the poor population lived on the island of Java, while about 5 per cent lived on the eastern islands of Maluku and Papua. However, while the poverty rate on the more-developed island of Java is around 12 per cent, on Maluku and Papua it is about three times higher than that. This unequal distribution of the population raises a significant policy dilemma. Government programmes run primarily in Java, where the majority of the poor

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2. The Millennium Development Goal target of halving the 1990 poverty rate had already been achieved.

3. The Gini Ratio, Index or Coefficient is a number between 0 and 1, where 0 corresponds with perfect equality (where everyone has the same income), and 1 corresponds with perfect inequality (where one person has all the income—and everyone else has zero income).

4. Between the mid-1960s and 2010 Indonesia's Gini Ratio ranged between 0.31 and 0.38.

population lives and programmes supporting social infrastructure are readily available. Poverty alleviation programmes consequently spend more in Java than in the more isolated islands of Maluku and Papua.

This is politically hazardous because poverty alleviation programmes are perceived as being unable to reach the poorest households by neglecting those in the impoverished eastern islands, even if the programmes are directed at the majority of the poor population.

Policy coordination challenges

Indonesia's current poverty alleviation efforts are grouped into three clusters.

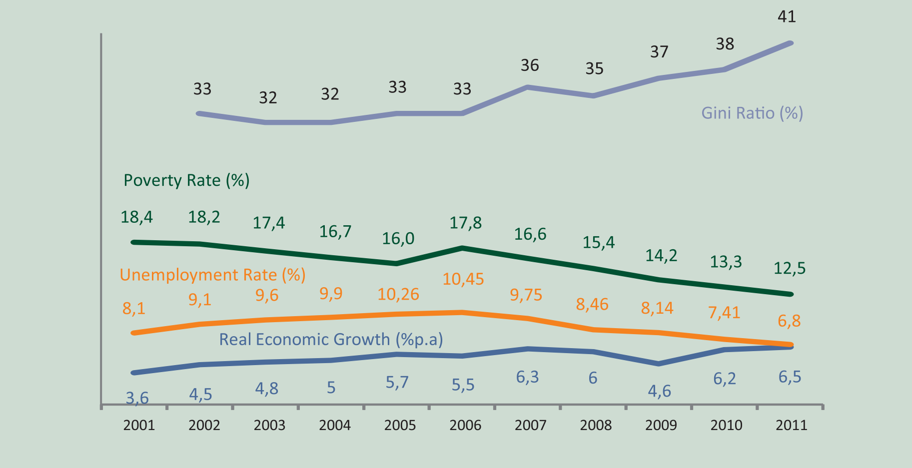
The first comprises family-based social assistance programmes—namely, the subsidised rice (Raskin), education assistance (Bantuan Siswa Miskin—BSM), health coverage (Jaminan Kesehatan Masyarakat or Jamkesmas) and conditional cash transfer (Program Keluarga Harapan—PKH) programmes.

The second is the community-based empowerment programme known as Program Nasional Pemberdayaan Masyarakat (PNPM), through which the government provides direct transfers to communities, and the communities in turn decide on how these finances will be used.

The third cluster is represented by the development of micro and small enterprises under the auspices of the government's credit guarantee scheme, known as the Kredit Usaha Rakyat (KUR) programme.

The National Team for the Acceleration of Poverty Reduction (TNP2K, in Indonesian) currently assumes the high-level coordination of all the programmes within these clusters. The TNP2K National Planning Committee (or Pleno) effectively serves as a cabinet meeting, chaired by the Vice President of the Republic of Indonesia, where strategic directions are determined. TNP2K is supported by a secretariat comprised of the Policy Working Group (PWG), essentially a professional think-tank with members drawn from research institutes and universities.

Figure 1
Economic Growth, Unemployment and Poverty Rates, Gini Ratio, Indonesia, 2001–2011



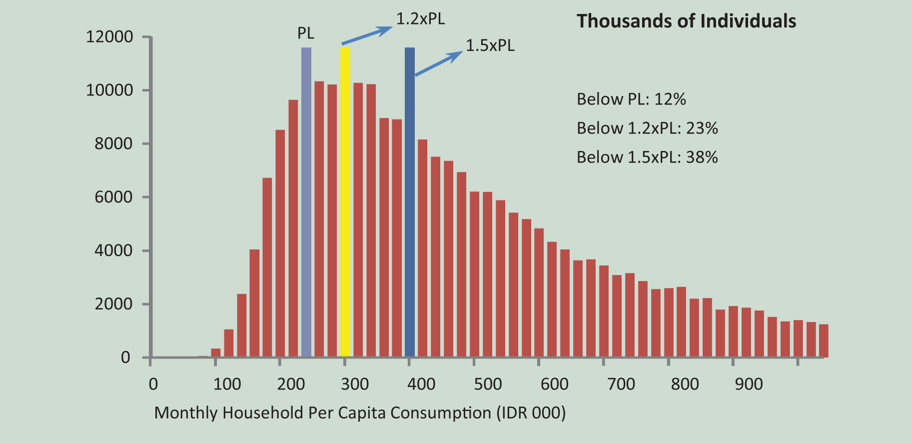
Source: Statistics Indonesia.

The Secretariat is mandated with preparing policy inputs to cabinet meetings and assisting in the coordination of efforts to achieve the current administration target of an 8–10 per cent poverty rate in Indonesia by 2014.

The effectiveness of cabinet-level decisions depends on their coordination within the bureaucracy at the technical level. The TNP2K Secretariat advocates a knowledge-based policy process, introducing alterations in policy and programme design based on international best practices and evidence. The Secretariat also advocates multi-stakeholder deliberations: 'a good policy is a result of good debates'.

The TNP2K Secretariat is tasked with increasing the effectiveness of the poverty alleviation programmes and, therefore, focuses on addressing impediments to programme implementation. The first among several factors preventing the effectiveness of programme coverage was disparate and out-dated targeting of poor and vulnerable households. TNP2K, therefore, mandated the establishment of the 'single registry' in Indonesia: the Unified Database (Basis Data Terpadu—BDT).

Figure 2
Monthly Per Capita Consumption, Indonesia, 2011



Source: 2012 Susenas.

Raskin's targeting, compared to other programmes, is quite progressive: exclusion of poor households is relatively low.

It is also important to note that no data are 100 percent flaw-free. Proper grievance and regular update mechanisms must be in place, and the programme must in turn trust the local communities to improve beneficiary lists.

Indonesian single registry: Basis Data Terpadu

Identifying appropriate beneficiaries is essential to the effectiveness of anti-poverty programmes. Cluster 1 programmes initially used a set of widely differing targeting mechanisms, which undermined broad-scale effectiveness. Raskin (rice for poor households) beneficiaries were everyone in the Pendataan Program Perlindungan Sosial (PPLS) 2008[5] database. Jamkesmas (health insurance) beneficiaries were decreed by Indonesia's Minister of Health based on names and addresses submitted by district heads.[6]

The 2008–2009 Bantuan Langsung Tunai—BLT (a temporary unconditional cash transfer used as a response to the financial and fuel crises combined with a cut in fuel subsidies) made use of the 2005 PSE data (as the 2008 PPLS data collection was incomplete at that time). PKH (conditional cash transfer programme) used the 2008 PPLS for its 2009–2011 expansion, and BSM (education cash assistance) relied on school principals to identify poor students in their respective schools.

Until 2011, when Indonesia's single registry came into operation, only about a third of the poorest households—measured as the first per capita monthly consumption decile based on figures from national household surveys—received all anti-poverty programmes, meaning there was a great deal of exclusion error. Raskin had the lowest exclusion error, but simultaneously the highest inclusion error—meaning that many non-poor households received the programme. BLT's exclusion error was relatively moderate.

Jamkesmas was the highest in terms of exclusion error, although it is important to note that data for this programme were based on health insurance claims being made when beneficiaries became ill.

A move toward the single registry was instructed by the TNP2K Pleno meeting in mid-2010. Together with Statistics Indonesia,[7] the TNP2K Secretariat designed the registration methodology. From September to November 2011, Statistics Indonesia deployed approximately 120,000 enumerators to register more than 25 million households throughout Indonesia in a poverty census commonly known as the 2011 PPLS.

Using the poverty map of the 2010 Population Census, the objective was to identify and register between 45 and 50 per cent of the population who were considered poor or vulnerable to poverty. Using the data collected from these 45–50 per cent of households, proxy means testing (PMT) models were developed to identify the poorest 40 per cent of the population distribution.

Enumerators were instructed to conduct consultation meetings with poor households to make sure their voices were heard. Two or three poor families in each village were assembled, shown prelisted household names for their village and asked if there were any other households in that village which the families thought were of similar socio-economic levels and hence should be included in the registration.

These poor families could add names, whereas the village elites (such as the village heads or other local public figures) could not, so elite bias was significantly suppressed.

After the data were collected and collated by Statistics Indonesia, the data processing stage was put into motion, which included, first and foremost, the formulation of PMT models for each district in Indonesia based on the national household survey that is statistically representative at the district level.

A set of asset and socio-economic indicators are used to generate a consumption estimate for each household using different models for each geographic area.
Using these household per capita monthly consumption estimates, PPLS households can be correspondingly ranked. The BDT is then ready for use by poverty reduction programmes.

The BDT is managed by a unit under the TNP2K Secretariat. The unit has three important tasks. First is the

5. The 2008 PPLS is the registration conducted by Statistics Indonesia as an update of the previous registration (2005 PSE). Registration employed 14 indicators to identify whether a household was eligible to be included in the database.

6. For the 2011 PPLS, the Minister of Health instructed district heads to find potential beneficiaries based on the 2008 PPLS. However, there was no supervision to ensure that such practices were observed by all districts, and, more important, there were no consequences for not doing so.

7. Indonesian Statistics Office (BPS in Indonesian).

8. The BDT website <bdt.tnp2k.go.id> is a good source of information in Indonesian for aggregated poverty data. Users can obtain 16 BDT-based indicators that can be mapped or extracted as Excel files for all provinces, districts and subdistricts in Indonesia. The website provides interactive maps and queries appropriate for use by local and central government for planning purposes.

9. Some local governments do pay for the transportation costs from the local budget, so beneficiaries can buy the rice at the stated price of IDR1600/kg. In other instances, the transportation costs were added to the price.

BDT programme service to provide beneficiary names and addresses from the BDT to all relevant programmes, including the provision of technical support needed by the programme managers of national and various local governments interested in using the BDT.

The second critical task pertains to research to ensure the validity of the poverty measurement methodology and consequent targeting mechanisms aimed at improving programme targeting. The BDT unit, in cooperation with the Cluster 1 team in TNP2K, conducts various studies and micro-simulations to analyse different aspects of the BDT and compare them with other micro- and macroeconomic data.

The third task pertains to information technology. BDT is managed using the latest IT systems, to efficiently support internal and external clients.[8]

By the end of 2012 the BDT was used for targeting beneficiaries for all of the Cluster 1 programmes implemented by the Ministries of Health, Education and Social Welfare. This required the BDT to identify different beneficiary types and provide the data in different formats.

For example, all poor households among the bottom 30 per cent of the BDT are eligible to receive Raskin; poor school-age children among the bottom 10 per cent of the BDT are eligible to receive BSM if they are enrolled in school; and the poorest families among the bottom 5 per cent of the BDT are eligible to receive PKH. The BDT was able to provide a list of potentially eligible beneficiaries based on their estimated poverty levels and demographic characteristics. This list was then used by each programme to estimate programme budgets and implementation plans.

However, as stated earlier, the dynamics of poverty mean that the potential beneficiary list could not be 100 per cent accurate for any point in time, as households move in and out of poverty and change locations, demographic structures and household composition.

Updating mechanisms for the potential beneficiary lists were developed specific to each programme. Research and studies are being conducted for each programme to assess the impact of the BDT on targeting accuracy.

Using the BDT in the Raskin programme
In 2011, Raskin distributed rice at a subsidised price to 17.5 million households (the poorest 28 per cent). Each household is eligible to receive 15kg of Raskin rice per month, at a subsidised price of around one third of the market price.

The state-owned company BULOG transports the rice to a designated distribution point, and the local governments pay for transportation costs[9] from the distribution to selling points (primarily the village office) where the monthly rice transaction occurs. In the past, targeting of Raskin involved district heads providing the names of beneficiaries to village heads at the selling points.

Figure 3 shows that Raskin's targeting, compared to other programmes, is quite progressive: exclusion of poor households is relatively low, while inclusion of non-poor households is relatively high. Both Jamkesmas and BLT have much higher rates of exclusion errors but similar rates of inclusion errors.

Although Raskin sells rice at a subsidised price, there is no guarantee that poor families actually have enough money at hand when the rice arrives. Village heads, or the richer members of the village, sometimes pay in advance to allow timely payment to subdistrict collectors.

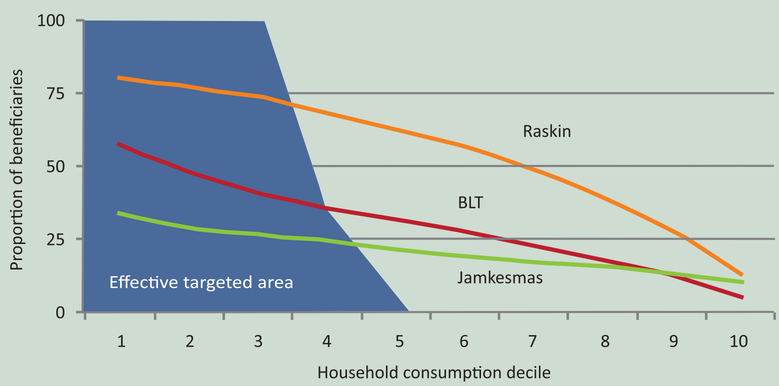
However, that comes at a cost—namely the richer households also get to buy the rice, meaning smaller amounts for the listed beneficiaries. The village community feels that the distribution of rice only to prelisted beneficiaries does not do justice to other fellow villagers. Indeed, this can be explained in part by Figure 2: concentration around the poverty line means that vulnerable groups share relatively similar socio-economic characteristics.

In addition, to minimise potential conflicts, the village authority may decide that other perceived poor households can be allocated some rice as well, again at the expense of the listed beneficiaries.

In its extremity, there are practices of equal sharing among all households in the village. All of these result in inclusion errors indicated in Figure 3.

Indeed, the National Household Survey (Susenas) indicated that the amount of Raskin rice received by beneficiary households ranges between 4kg and 5kg, and this amount was consistent between 2004 and 2010. Several other studies suggested regional variations between 5kg and 8kg. Only in a handful

Figure 3
Targeting Effectiveness



Source: 2012 Susenas.

of localities did the listed beneficiaries ever receive their full entitlement of 15kg, and these are usually in places where the local government conducts a great deal of monitoring and policy support to the Raskin programme.

When the instruction was given to the TNP2K PWG to amend the Raskin programme, the issue of targeting quickly became the focus.

The programme review conducted also identified the need for much improved public information and communication of Raskin's terms and conditions at both the household and community levels. Hence, in mid-2012 a series of Raskin reforms were introduced, namely:

- The 2012 regional distribution of Raskin allocation to 17.5 million households was recalculated among the provinces and districts based on the most recent regional poverty rates, economic growth rates etc.

- New names and beneficiaries names were issued from BDT for each district, subistrict and village based on the recalculated quotas and the household ranking from the 2011 PPLS.

- Better communication of Raskin programme information was implemented for communities and households. Having extracted names from the BDT, it was now possible to have several things in place to improve communication at the local level:

  - Posters containing the names of Raskin beneficiaries are sent to each of the 77,000 villages. It was expected that these posters would be put on display at the village office to inform the community about Raskin recipients.

  - Raskin cards were sent to 1.3 million pilot households. This card contained information about beneficiaries (names of household head and spouse, address etc.) and, more importantly, also contained a note on the household's rights to Raskin and terms and conditions of receiving Raskin. The information printed on the card included the entitlement of 15kg/household/month and the subsidised purchase price of Raskin of IDR1600/kg.

  - Raskin reforms also included a new mechanism to address updating beneficiary data and grievances. A village community meeting can remove specific names from the list obtained from BDT. Legitimate reasons for removing beneficiary names include:

    (i) the beneficiary has moved away from the village;
    (ii) recently deceased;
    (iii) name duplication; and
    (iv) too wealthy to continue as a beneficiary.

    Another form is issued for the village meeting to list a proposed replacement beneficiary and to oversee the replacement process. Beneficiaries not included in the list (exclusion errors) are the priority focus. This mechanism was designed to improve transparency and accountability at the community level for beneficiary targeting and updating Raskin programme data.

Regular research and spot checks were carried out to evaluate the impacts of the reforms. A rigorous impact evaluation would take time to do; however, several quick spot checks indicated that the latest reforms created renewed interest at the community level and among local governments regarding the distribution of Raskin to eligible beneficiaries.

The reforms attracted a lot of media coverage, and many complaints were made regarding local governments' responsibility for the quality, allocations, price and frequency of Raskin rice distributed.

There were challenges about displaying posters at certain communities, as some villages anticipated social conflicts, but there were also indications that beneficiary households received higher Raskin rice allocations.

The TNP2K Secretariat is tasked with increasing the effectiveness of the poverty alleviation programmes and, therefore, focuses on addressing impediments to programme implementation.

The acceptance of the Raskin cards varied across regions, but there was early evidence that households in areas with the cards received a greater amount of rice compared to non-card areas. Currently the TNP2K PWG is analysing no less than 5000 village-level Raskin update and grievances forms.

Closing remarks

Establishing a reliable targeting system is very challenging, especially in Indonesia, where previous programmes, each with their own targeting methodologies, have been in operation over a long period of time.

Lessons from previous data collections in 2005 and 2008 suggest that data such as names and addresses must be managed rather than merely collected.

The management of such data must involve efforts to gain trust from different stakeholders: programme implementing agencies, local governments, and down to the villagers.

It is also important to note that no data are 100 percent flaw-free. Proper grievance and regular update mechanisms must be in place, and the programme must in turn trust the local communities to improve beneficiary lists. As suggested by the Raskin reform, a single registry can be used to improve a programme's targeting and implementation. A single registry is not only a list of beneficiaries but also a crucial tool for communication, updating and facilitation of grievances. ■

Social Information Systems for Enhanced Integration and Impact: Lessons from Chile

by Maria José Rivera Jofré, Project Director of the Social Information Analysis Department, Ministry of Social Development of Chile

The mission of the Ministry of Social Development (MDS) of Chile is to contribute to the design and implementation of national and regional policies, plans and programmes aimed at combating extreme poverty, particularly by providing social protection to vulnerable families and facilitating their political, economic and cultural inclusion.[1]

To fulfil its mission, MDS needs to gather socioeconomic information about vulnerable Chilean families. Social information is essential to the efficacy of public policies aimed at a country's poorest and most vulnerable populations.

Therefore, the Ministry's Social Information Division, largely by way of its Analysis of Social Information Department (ASID), is tasked with managing information collected from different institutions and from its internal departments, and applying this information to the functioning of the various anti-poverty programmes in operation, including the delivery of programme benefits.

The ASID also manages, integrates and analyses social information about citizens (ID level) to provide the necessary elements for programme monitoring, inter-ministry coordination and the proper targeting of government resources.

ASID is itself divided into two teams. The Sectoralists Team consists of business specialists in charge of creating and managing the respective contracts between the Ministry and any given external institution or internal department which has information on vulnerable families, thus laying the groundwork for the data exchange between the two sides. ASID's Data Management Team, on the other hand, is in charge of the database linkage, business intelligence and data mining.

The operating model for the Sectoralists Team is as follows:

1. Identify a business and information need (internal or external institution)
2. Contract signing: agreement and information transfer conditions (social programmes and frequency of information delivery)
3. Contract management: ensure compliance of all contracts (control transfer of information and deadlines)
4. Feedback: recognise fundamental changes in the contracts and updates.

The exchange of information from one area to another, as per requests from different areas of the Ministry or the external institutions/organisations, typically follows a certain protocol:

1. Receipt of the request to the Sectoralists Team
2. Submission of the Sectoralists Team's request to the Data Analysis Team
3. Information exchange by the Data Management Team, according to the specific request and standards
4. Once databases are linked and cross-checked against one another the resulting file is reviewed by the Sectoralists Team.
5. Delivery of information to the requester.

Social information is essential to the efficacy of public policies aimed at a country's poorest and most vulnerable populations.

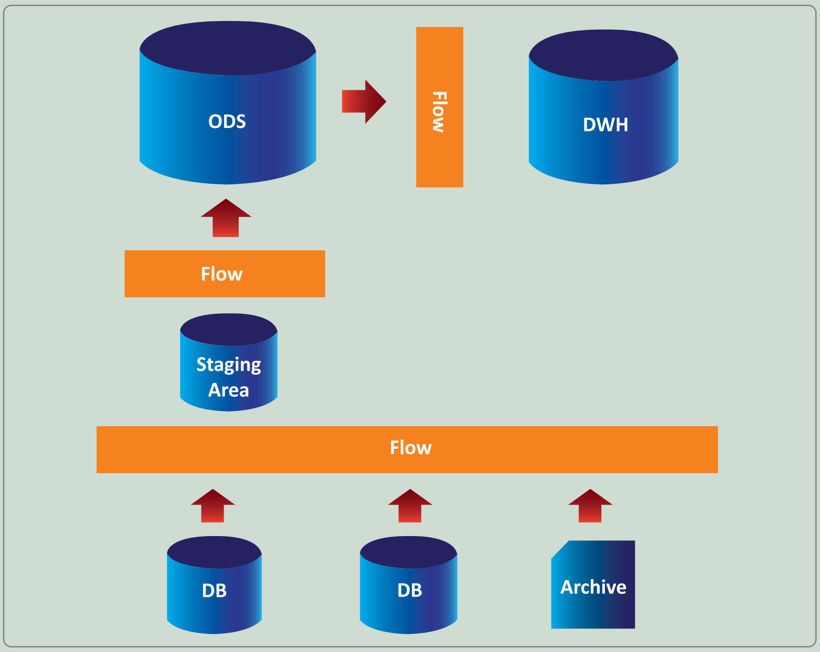
One of the future challenges is the creation of new contracts with more institutions so as to enrich the sources of information available for processing, with the overall aim of building sound public policies inside MDS and for other relevant institutions in the area of social protection.

1. See: <http://www.ministeriodesarrollosocial.gob.cl/>.

2. See: <http://ris.ministeriodesarrollosocial.gob.cl/html/index.html>.

The ASID also has the objective of creating the Register of Social Information, which is a data repository of all information regarding the benefits from the government received by different people in the country. This information can be consulted online, and the Sectoralists Team is in charge of website administration.[2]

Figure 1
Information Flow to the Data Warehouse



Source: Data bases and archives.

Data warehouse implementation

To meet the requests from different institutions, and given the importance of social information for decision-making, a data warehouse was installed, thus providing a unique data repository for data storage that allows better integration and management of social information, as well as higher security standards. The data warehouse uses standardised concepts to make it easier to use the data.

The data warehouse consolidates and unifies information from different source systems, including different programmes and benefits under the responsibility of MDS and also administrative databases (from the contracts) that allow the verification of information for some benefits and improve the targeting of the social programmes.

Figure 1 depicts the way in which the data from source systems is loaded into an operational data store (ODS), integrated with existing data and then transferred to the data warehouse (DWH) for reporting use.

The main advantages of this new social information approach are the integration of data from different institutions (administrative databases), through the contracts, as well as the efficient facilitation of requests for information by internal divisions, departmenst and/or external institutions. It has also allowed the creation of reports using special software (business intelligence) as well as the tracking of longitudinal social and economic trends via historic information by way of this same software.

What is MDS's Social Information Division doing today?

With the objective of collecting more information for this Register of Social Information, the Sectoralists Team continues to monitor current agreements, modify them when needed and also create new contracts. The Data Management Team continues to improve aspects of data reporting to contribute to the efficient utilisation of the data for decision-making.

A Quality Assurance Project is being developed. This includes the development and implementation of new software to facilitate the ongoing assessment of data quality of the source systems, to apply business rules which allow the improvement of the information according to the business needs, and to improve data quality inside the data warehouse.

Future challenges

One of the future challenges is the creation of new contracts with more institutions so as to enrich the sources of information available for processing, with the overall aim of building sound public policies inside MDS and for other relevant institutions in the area of social protection. There is also a need to focus on improving the delivery of information from external institutions to the department in terms of its security and quality.

There is also a need for continuing to manage the data quality of all our source systems to ensure the good quality of the information delivered by the department.

Analysis of the way the data from external agreements are automatically transferred to the data warehouse is equally important.

This must include updates to the models that load data, in accordance with new changes to the business, which is very dynamic. It is also important to improve and consolidate data reporting (business intelligence), which is managed by the Data Management Team in collaboration with the Sectoralists Team.

All these challenges must be aligned with the division's objective of contributing to policy decision-making, and with the Ministry to better target public policies to benefit Chilean society. ■

Financial Inclusion in Peru's Development and Social Inclusion Agenda

by Gabriel Arrisueño Fajardo,
Ministry of Development and Social Inclusion of Peru

Financial inclusion, conceived as access to and use of quality financial services by all segments of the population, can increase the impact of government social policies and programmes and contribute to the well-being of vulnerable people by fostering asset capitalisation and enabling economic, educational and labour opportunities.

Collins et al. (2010) showed that in three different 'developing' countries—namely, Bangladesh, India and South Africa—people living in poverty and extreme poverty use a wide range of formal and informal financial instruments to help meet basic needs and manage unexpected events.

This finding is valuable on multiple levels. First, it helps explain how people can survive on low, uncertain and irregular income. It also counters the widespread misconception that poor people cannot save or are incapable of benefiting from using financial services. Equally important, it underscores how the need for financial services is even greater among poor people than among other segments of the population.

Around the world, countries are starting to design and implement measures to address the lack of access and use of quality financial services, especially by poor households. In Peru, as in other countries, such measures are being organised within a financial inclusion strategy.

Access to and use of financial services in Peru

In the last decade Peru has experienced accelerated economic growth, accompanied by a significant reduction of poverty. Gross national income (GNI) per capita increased from US$1980 in 2001 to US$5500 in 2011. Furthermore, poverty has decreased from 54.8 per cent of the population in 2001 to 31.3 per cent in 2010. However, although averages have improved, wide gaps still remain: 19.1 per cent of the urban population continues to live in poverty, compared to 54.2 per cent of the population of rural areas.[1]

These differences are also apparent regarding the access to and use of financial services. Peru's business environment for microfinance is considered one of the best in the world (Economist Intelligence Unit, 2011).

The country has a capable and prestigious regulatory body in the Superintendencia de Banca, Seguros y AFP (Superintendency of Banks, Insurance and Pension Funds—SBS); a wide variety of financial institutions provides an array of financial services to different segments of the population; and a law on electronic money was issued in December 2012 which could boost innovation in the financial sector.

Aided by this institutional framework, the number of Peruvian adults with a savings account increased by almost 40 percentage points from 2007 to 2012 (SBS, 2012).

However, bank penetration, measured as the ratio of loans to GDP, was only 29.84 per cent in June 2012 (ibid.). The presence of formal financial institutions in rural areas is scarce, as is the supply of financial services suited to meet the needs of the population. As a result, rural citizens in Peru tend to be neither informed about the financial system nor inclined to use formal financial services.

A financial inclusion strategy for the vulnerable population

Created in October 2011, Peru's Ministerio de Desarrollo e Inclusión Social (Ministry of

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In Peru, as in other countries, such measures are being organised within a financial inclusion strategy.

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1. All Peru indicators were obtained from the World Bank website, <http://data.worldbank.org/country/peru> (accessed 6 August 2013).

Development and Social Inclusion—MIDIS) has the main mandate of fostering social inclusion, understood as the situation in which all citizens can exert their rights, access quality public services and possess the essential capabilities to take advantage of the opportunities that economic growth currently presents, such that social origin or birthplace do not constitute obstacles to participation in the national community in equal conditions (MIDIS, 2012).

MIDIS is designing a financial inclusion strategy for Peru's vulnerable population. As a dimension of social inclusion, financial inclusion can enhance the impact of different social programmes and policies and contribute to poverty reduction without adding further objectives to any such programmes.

MIDIS's strategy will be framed within a broader effort, a national strategy for financial inclusion, led by the Ministry of Economics and Finance, which will target all population segments.

MIDIS's financial inclusion strategy is informed by the notion of financial capability that transcends financial literacy. Going beyond the awareness and comprehension of financial concepts, financial capability includes knowledge, the ability to act on it, and the opportunity to act (Johnson and Sherraden, 2007).

Conditional cash transfer (CCT) programmes present notable synergies with financial inclusion policies. Financial inclusion interventions can enhance capabilities for management, accumulation and efficient use of money, thus contributing to the improvement of living standards of CCT beneficiaries. Among the five social programmes managed by MIDIS, the CCT programme known as JUNTOS ('Together') holds the highest potential to contribute to boosting financial capability.

JUNTOS provides a bimonthly transfer of PEN200 (Peruvian Nuevos Soles—approximately US$65) to rural households living in poverty and extreme poverty.

It requires beneficiaries to comply with certain conditions related to their children's school attendance and medical check-ups. By the end of 2013, the programme is expected to reach more than 700,000 households.

Banco de la Nación (BN), the State bank, is responsible for JUNTOS payments through zero-cost savings accounts. More than half of the beneficiaries have received a Visa debit card that can be used at ATMs and at affiliated establishments.

BN is the financial institution with the largest number of branches in Peru, with a presence in locations where no other financial institution operates. In areas without a BN presence, BN outsources payment delivery to cash transportation companies, which deliver transfers at specific points of payment.

Beneficiaries often travel long distances on dangerous roads. The fees per transfer paid by JUNTOS to BN to cover the operational costs are considerably higher than those paid when transfers are made at a bank's branch, sometimes even higher than the transfer itself.

Furthermore, people paid under this scheme have virtually no contact with their savings accounts; many of them do not even know they have one.

A study published in 2011 found that, from a sample of 1800 JUNTOS beneficiaries, less than 1 per cent knew what a bank statement or an interest rate was. Furthermore, less than 50 per cent knew that they had a savings account at BN or what the SBS was (Trivelli, Montenegro and Gutiérrez, 2011).

To develop financial capabilities, MIDIS plans to work with vulnerable populations through financial education schemes, information dissemination, and other mechanisms aimed at improving poor people's financial competencies.

Recently, there has been a wide array of financial education interventions with rural populations in Peru. These experiences have generated substantial knowledge that should inform the design and implementation of MIDIS's strategy.

As a dimension of social inclusion, financial inclusion can enhance the impact of different social programmes and policies and contribute to poverty reduction without adding further objectives to any such programmes.

On the supply side, MIDIS will promote access to quality financial services. By reaching areas currently untouched, financial institutions could gain a significant number of new clients.

As Prahalad (2004) points out, active participation of the private sector and the provision of high-quality services are needed for poor households to benefit from globalisation.

The poorest segments of the population constitute a market that demands innovative solutions and offers financial institutions opportunities for growth.

Creating a market for the payment of social transfers could prompt an expansion of bank services to currently underserved locations, through banking agents, points of sale, mobile banking and other mechanisms.

Different schemes, from full market competition to cooperation between BN and other private financial institutions, are being assessed.

Holding a savings account can boost financial capability, since it facilitates 'learning by doing' through a person's interaction with a financial institution.

Saving in a formal financial institution, compared to saving in assets or 'under the mattress', allows for a more efficient and secure use of money, does not entail the risks linked with credit and does not have to be linked to a specific project.

There is also evidence that saving empowers women: it makes them feel more secure and strengthens their decision-making skills (Trivelli, Montenegro and Gutiérrez, 2011).

Additionally, insurance and micro insurance coverage help mitigate the impact of losses in health, life and material assets. They also help an individual avoid unforeseen events that might risk pushing poor people back into poverty.

Therefore, MIDIS's strategy expects a gradual introduction of people to financial services in which payments, savings and insurance coverage precede credit services. The State, through regulatory mechanisms, continuous monitoring and consumer protection legislation, should ensure that financial institutions provide their services in ways that allow vulnerable populations to benefit.

MIDIS's vision is ambitious. By 2016, 1 million citizens will possess the skills to use financial services and have access to a supply of quality financial services that meet their needs.

This endeavour will take substantial effort and ingenuity, as well as coordination with different actors. It will require the design and implementation of policies based on evidence, continuous monitoring and evaluation and, above all, a focus on citizens' needs.

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Conditional cash transfer (CCT) programmes present notable synergies with financial inclusion policies.

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