



Social Safety Nets Primer Notes

2003 ■ No. 11

What Role for Safety Net Transfers in Very Low Income Countries?

In countries where large parts of the population live in absolute poverty, the need for social safety nets may be greatest but the capacity to fund and administer them can be severely constrained. What role can social safety net programs play in very low income countries (VLICs)?

Three Main Constraints for Social Safety Net Programs

Three major challenges must be faced when deciding what programs would be feasible in a VLIC:

Availability of information—The information required to target social safety net programs—such as income, household size, age, and landholdings—is often not available or too costly to obtain. It may be possible to circumvent this constraint by (1) selecting programs that are self-targeting, (2) using community targeting, and (3) opting for universal coverage.

Administrative capacity—The capacity to administer complex programs tends to be very limited in VLICs. Policymakers should consider (1) choosing fewer and simpler program designs, consistent with the available capacity, rather than many or complex programs, (2) using the administrative systems in place rather than creating additional ones, and (3) using in-community groups to target the benefits (within well-defined guidelines).

Affordability—Public spending is understandably very low in such countries and subject to many competing claims for essential development investments. Alternative approaches to the funding constraint can be to (1) use safety net

expenditures to achieve other development goals, (2) choose selective coverage by targeting population groups generally accepted as deserving of support, and (3) leverage expenditures by focusing on interventions that reduce the impact of risks on households' livelihoods.

Program Choices—Some Examples

Some special considerations of certain types of interventions apply in the specific context of VLICs.

Cash transfers—Programs such as pensions, unemployment insurance and social assistance may not be suitable in the context of VLICs. Information on income and employment is hard to obtain, a big share of employment is found in subsistence farming and informal markets, and the incidence of poverty is so high that the programs would be unaffordable. There may, however, be scope for limited, highly targeted, cash-transfer programs for, say, groups with a high incidence of poverty and that are generally accepted as deserving support.

Public works are a self-targeting intervention that can be particularly attractive in information- and capacity- constrained countries. They have the advantage of creating productive assets, but the disadvantages of being managerially complex and a relatively expensive way to make transfers. In order to target the poorest successfully through public works, it is crucial that the offered wage rate be determined correctly and set below the prevailing market wage rate for unskilled labor. The most common public works programs in VLICs are food-for-work programs.

Food and nutrition programs—Untargeted food-transfer programs generally prove to be fiscally unsustainable, and many countries have moved to more targeted programs. In general, it may be preferable to restrict untargeted food transfers to emergency situations or to use them to smooth consumption in countries with large seasonal food shortages.

School feeding programs in turn tend to suffer from large inclusion errors (because of the difficulty of targeting only poor children) and tend to be unaffordable if made universal. One possible solution is, where possible, to target geographically. Another is to implement a food-for-education program that distributes free food to poor families whose children attend school regularly—a possibly less disruptive and burdensome way of administering a food transfer through the education system.

Agricultural inputs—Programs subsidizing agricultural input prices tend to be plagued by large leakages to the non-poor. Distributing small amounts of fertilizer and seed distorts the market less. Such programs also leverage the farmer’s labor and natural inputs and so have a ‘multiplier effect’.

Some Guiding Principles

Limiting the cost of the programs and the opportunity cost of other investments foregone is one of the key challenges of social safety net programs in VLICs. While decisions obviously need to be made on a country-by-country basis, the following general principles emerge from the analysis:

- Use safety net expenditures to fund investments that lift longer-run impediments to growth, such as public works projects (e.g., roads and irrigation).
- Use safety net expenditures that simultaneously contribute to human-capital development, such as programs providing food sup-

port while encouraging children’s attendance in school or their use of health services.

- Be selective with pure transfers. Try to identify a sub-group of the ultra-poor or very distinct groups that everyone can agree deserve support, such as orphans or the disabled. As well as limiting the overall cost of the program, this may make it more likely that the program receives enough popular support and will be sustained.
- Judicious timing can optimize the impact of transfers: for example, by providing agricultural inputs in the planting period.
- ‘Leverage’ spending on safety nets by using limited injections of cash to mitigate crises. As an illustration, a small cash-transfer during times of emergency may be able to keep the poor from selling their assets.
- Choose one or two simple program designs and adhere to them over a sustained period.

It is absolutely essential to evaluate programs periodically to assess their effects and reform them where necessary.

Finally, given the need to strike a balance between investments for growth and transfers—both compete for scarce public resources—it may be helpful to follow these steps when deciding on the type and scope of social safety net programs:

1. Re-examine the main constraints to growth and the role of public investment policy in overcoming these constraints;
2. Conduct a vulnerability assessment and identify the main risks confronting poor people; and
3. Identify policy interventions that have a potential both for reducing vulnerability *and* for enhancing growth prospects.

The World Bank Social Safety Nets Primer series is intended to provide a practical resource for those engaged in the design and implementation of safety net programs around the world. Readers will find information on good practices for a variety of types of interventions, country contexts, themes and target groups, as well as current thinking on the role of social safety nets in the broader development agenda.



World Bank, Human Development Network
Social Protection, Social Safety Nets
<http://www.worldbank.org/safetynets>

WORLD BANK INSTITUTE
Promoting knowledge and learning for a better world



Printed on 100% post-consumer recycled paper