Just Give Money to the Poor

The Development Revolution from the Global South

Armando Barrientos and David Hulme
Brooks World Poverty Institute
University of Manchester, U.K.
The book’s core message

• Direct transfers to households are a key component of effective poverty reduction and development strategies in the South
  – combined with growth and basic services

  – Aimed to reach a wider readership:
    • policy makers, students and researchers, generally people interested in development
A ‘quiet’ revolution from the South

• 10 years ago, there was limited international interest in direct transfers to poor households
  – not mentioned in MDGs

• Rapid growth over last decade
  – 750 million people reached in 2009 ...one billion?*

• Ideas and impetus have come from the ‘South’

Diversity, Dynamics, Scope and Scale

• Diversity in programme objectives and design
  – Pure income transfers
    • Social pensions, child grants, family allowances [South Africa’s Old Age and Child Support Grants]
  – Transfers and services
    • Human development [Mexico’s Oportunidades, Brazil’s Bolsa Familia]
    • Assets [Ethiopia’s Productive Safety Net Programme, India’s National Rural Employment Guarantee Scheme]
  – Integrated poverty reduction programmes [Chile’s Chile Solidario, Bangladesh’s Targeting the Ultra Poor]

• Growth in scale and scope
• ...and institutionalisation, but it has been harder in low income countries
### 4 Findings, 2 Debates, 5 Policy implications

<table>
<thead>
<tr>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Households make good use of transfers</td>
</tr>
<tr>
<td>• Transfers are effective in reducing poverty</td>
</tr>
<tr>
<td>• They have longer term benefits - human development</td>
</tr>
<tr>
<td>• They are affordable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debates</th>
</tr>
</thead>
<tbody>
<tr>
<td>conditions and targeting</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Policy Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>To be effective, transfers must be:</td>
</tr>
<tr>
<td>• Fair</td>
</tr>
<tr>
<td>• Assured</td>
</tr>
<tr>
<td>• Practical</td>
</tr>
<tr>
<td>• Sufficient to make an impact on households</td>
</tr>
<tr>
<td>• Politically acceptable</td>
</tr>
</tbody>
</table>
Findings

1. Households make good use of transfers
   - Studies have tracked increase in consumption following receipt of transfers, transfers are shared
   - Improved nutrition: better food, regular meals
   - If mothers are the recipient, child expenditures rise

2. Transfers are effective in reducing poverty in the short run
   - Impact on the poverty gap, rather than poverty headcount
     Progresa beneficiaries showed a poverty gap reduction of 30% in 2 years
3. Transfers can have longer term benefits
   - Children are taller and healthier with increased school attendance and progression
   - No adverse effects on labour supply, and some evidence of household resource re-allocation

4. Transfers are affordable
   - Public spending on social assistance in developing countries ranges from 0% to 3.5%
   - Brazil’s *Bolsa Familia* and Mexico’s *Oportunidades* absorb 0.4% and 0.6% of GDP; South Africa’s *Grants* absorb 3.5% of GDP
   - Sources of finance from: improved fiscal space, expenditure switching, international aid, debt cancellation, natural resources
   - ...but financing is difficult in low income countries
Figure 1. Difference in height for age between OPORTUNIDADES treatment (joined 1998) and control (joined 2000) groups in 2003 for 2-6 year olds

Gertler and Fernald [2006] Vol III ch. 2 Impacto de mediano plazo del programa Oportunidades sobre el desarrollo infantil en areas rurales
Medium term impact on food consumption
Mean gain in food consumption for 9 year participants compared to 3 year participants

Gain in components of food consumption (M$)  Gain as % of 2007 consumption levels of those who joined in 1998

<table>
<thead>
<tr>
<th>Purchased food</th>
<th>Own produced food</th>
</tr>
</thead>
<tbody>
<tr>
<td>393 M$</td>
<td>126 M$</td>
</tr>
<tr>
<td>14.3 %</td>
<td>17.2 %</td>
</tr>
</tbody>
</table>

Data Source: Arroyo Ortiz et al. 2008
A study of the impact of BONOSOL, a social pension in Bolivia, finds that:

Consumption among beneficiaries in rural areas increased by twice the transfer amount.

Martinez [2006]
Debates: conditions and targeting

Conditions?

• Many programmes make transfers conditional on human development improvements, schooling, immunisation, etc. – conditions are essential to achieving programme objectives

• ...but where enrolment and attendance are high, or where service infrastructure is not available, conditions are unnecessary/difficult to implement

Targeting?

• Selective versus ‘universal’ coverage

• In practice, combination of targeting strategies: geographic, categorical, means test, proxy means test, community

• In low income countries, with low levels of inequality, effective selection of beneficiaries is harder.
Establishing social protection in low income countries is challenging:
  – Institutional capacity, finance, and aid dependency

Getting the technics and the politics right
  – From ‘optimal design’ to institution building
  – Evidence, cross-country learning, politics
  – Supporting South-South knowledge creation and diffusion

Finance – domestic financing is essential
Policy Implications

Successful transfer programmes are:

- Perceived to be **fair**
- **Assured** - regular and reliable
- **Practical** – design and implementation must take account of capacity – avoid technical fixes crowding out direct support
- **Sufficient** to have an impact on household resources - 20% of household expenditure
- **Politically acceptable** to elites and civil society
Where do we go from here?

• Rapid growth of transfers in middle income countries
  – ...but slower spread in low income countries
  – ...need to strengthen institutionalisation: social assistance

• Social transfers are not a ‘magic bullet’, growth and basic services are needed too

• Partnerships:
  – The role for international aid is to facilitate ‘start ups’ and support research and knowledge generation and diffusion, but domestic financing is essential in the medium run
  – NGOs, civil society, and the private sector – all have a contribution to make, but public agencies need to be in charge
Just Give Money to the Poor
The Development Revolution from the Global South

Joseph Hanlon, Armando Barrientos, David Hulme

List Price: $24.95, £19.95
Amazon.com: $17.96
Amazon.co.uk: £16.73

Publisher: Kumarian Press