

# 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'

\* Social Assistance in Developing Countries Database – available from [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1672090](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1672090)

# 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

Findings	<ul style="list-style-type: none"><li>•Households make good use of transfers</li><li>•Transfers are effective in reducing poverty</li><li>•They have longer term benefits - human development</li><li>•They are affordable</li></ul>
Debates	conditions and targeting
Policy Implications	<p>To be effective, transfers must be:</p> <ul style="list-style-type: none"><li>• Fair</li><li>• Assured</li><li>• Practical</li><li>• Sufficient to make an impact on households</li><li>• Politically acceptable</li></ul>

# 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

# Findings

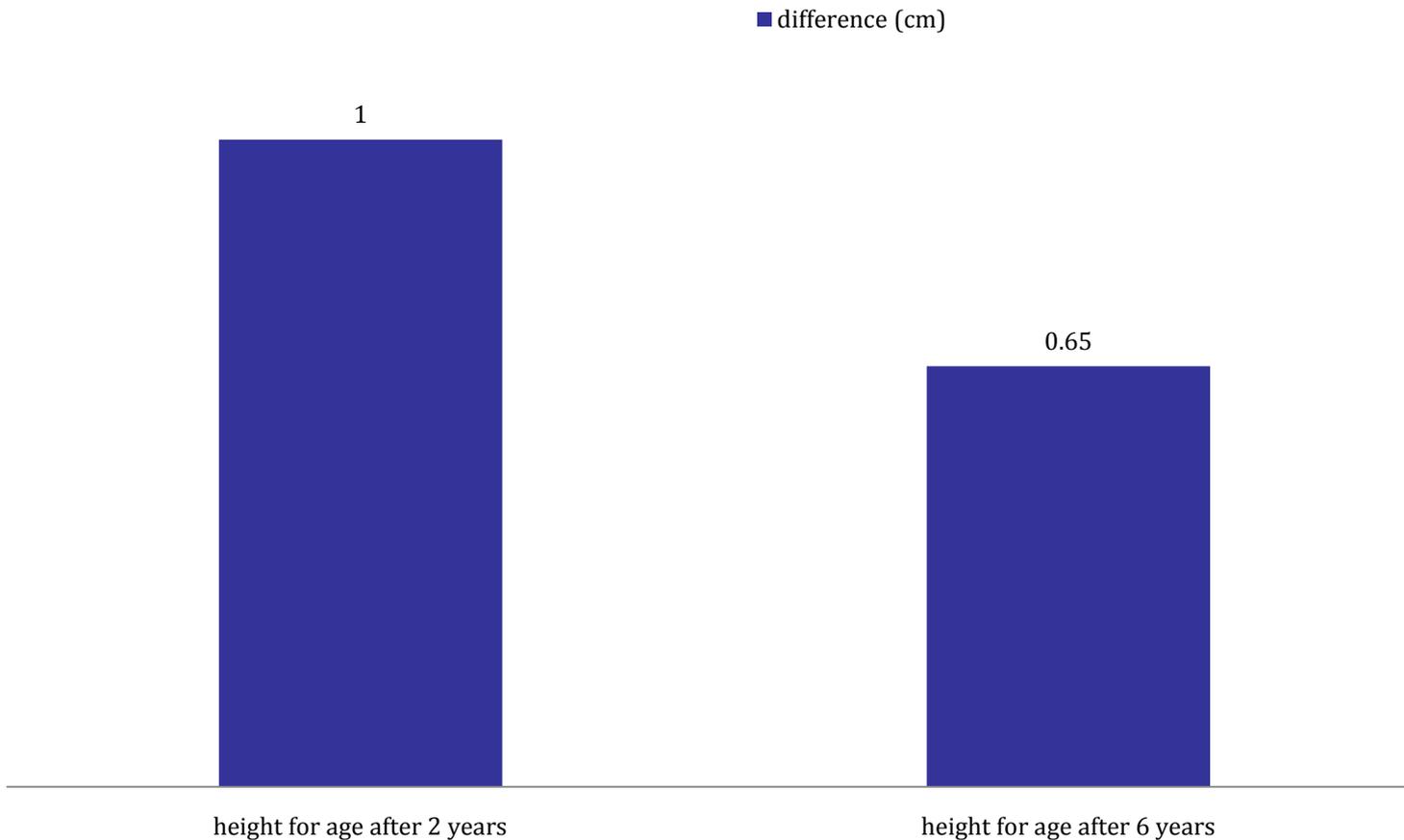
## 3. Transfers can have longer term benefits

- 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

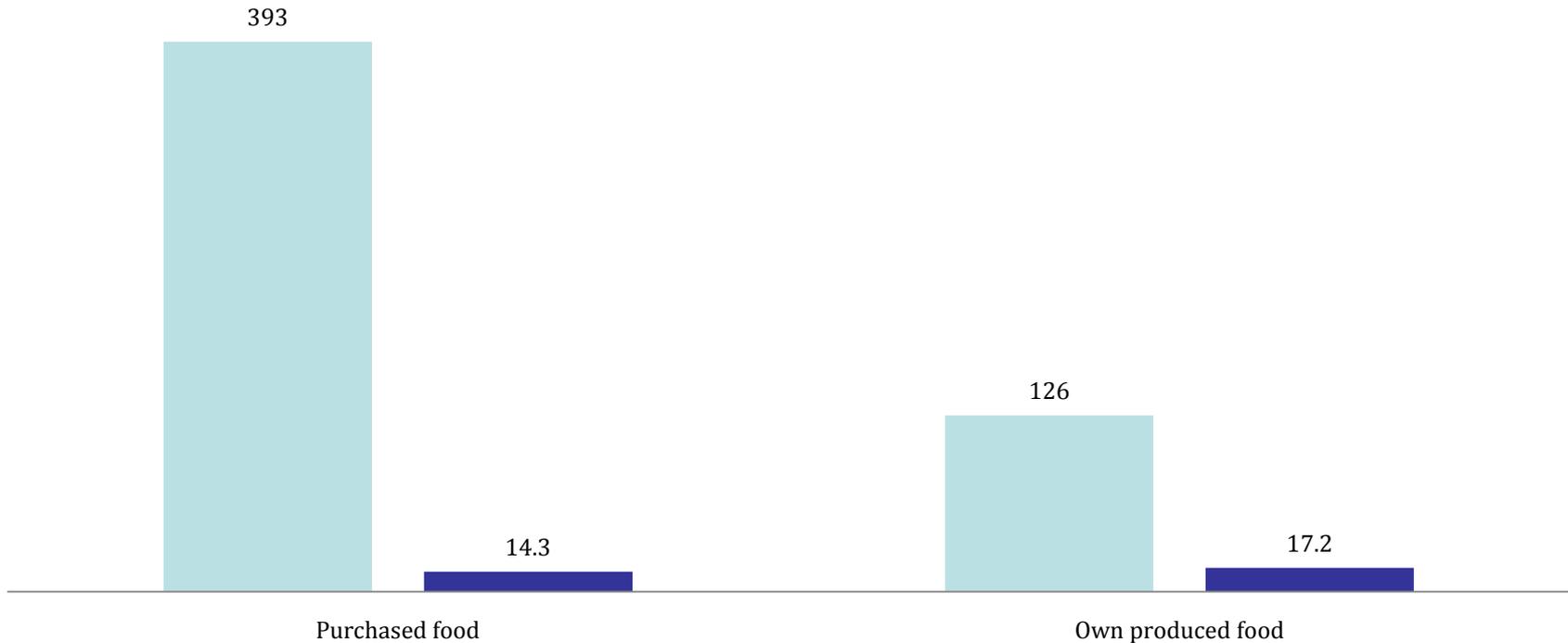
**Figure 1. Difference in height for age between OPORTUNIDADES treatment (joined 1998) and control (joined 2000) groups in 2003 for 2-6 year olds**



# 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



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.

# Low income countries...and aid

- 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

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Joseph Hanlon, Armando  
Barrientos, David Hulme

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