

## **SOCIAL ASSISTANCE SCHEMES ACROSS THE WORLD ELIGIBILITY CONDITIONS AND BENEFITS**

There is a wide variety of non-contributory transfer programs in the developing world. They include cash transfers, in-kind transfers, workfare programs and price subsidies. These programs are known by different names in different parts of the worlds. In Europe and former Soviet Union, they are named social assistance. In English-speaking countries, they are known as welfare programs. In developing world, they are called social safety net programs. We use these terms interchangeably throughout the paper.

The cash transfer programs are most similar with the social assistance programs operating in OECD countries. They include need-based social assistance, social (non-contributory) pensions or disability transfers, family benefits and food stamps. They also include conditional cash transfers, transfers to poor households made in exchange of human capital investments in the health, nutrition and education of the beneficiaries, especially children. Unlike OECD countries, developing countries operate a large variety of in-kind transfer programs, including targeted food transfers and rations, supplements for mothers and children, school-based feeding programs and transfers, and – in case of disasters – emergency food distribution. Workfare programs, in which the poor work for food or cash to create and maintain community assets, are also widespread. Finally, there are still many countries that use general subsidies to protect the poor against the high cost of food, energy, housing or utilities. In fact, the food and fuel crisis that impacted the world economy in 2008 have seen a resurgence of price subsidies, often in the poorest countries that lack a well functioning safety net.

This paper, which draws from a recent monograph on safety net programs in developing world published by the World Bank (Grosch et al, 2008) reviews the most prevalent types of social assistance programs found in developing countries and discusses two design elements that are critical for their

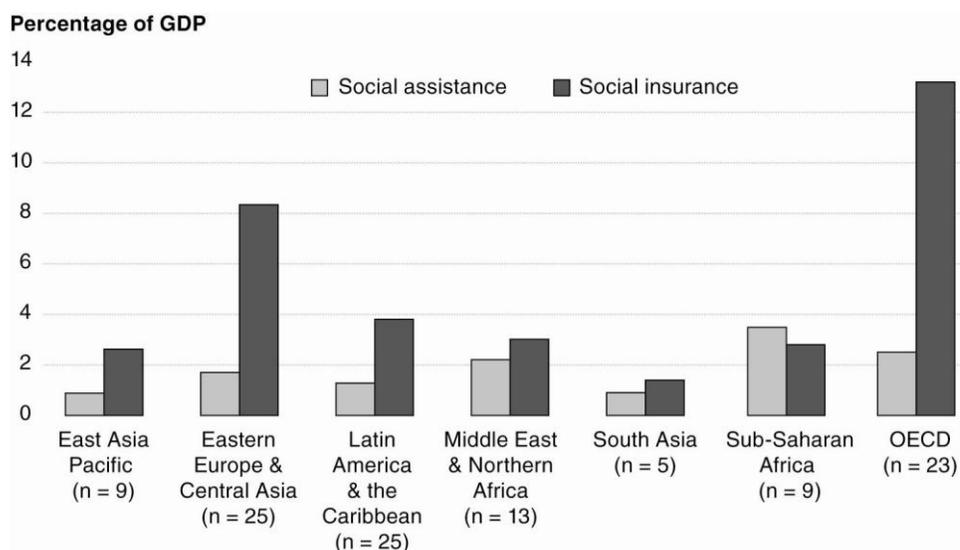
effectiveness: selecting the right beneficiaries and providing them with enough resources to alleviate the social condition for which the programs have been put in place.

#### 1. Social protection and social assistance spending in developing countries

Across world regions there is a large variation in social protection spending – the sum of social assistance and social insurance spending –, driven primarily by differences in social insurance spending (Figure 1). Higher-income regions spend more on social protection, as expected. Social protection spending is highest in the OECD, and second highest in Eastern Europe and Central Asia region (ECA).

Social assistance spending in developing countries is not large, and do not vary much from region to region and even across countries. In 87 developing countries surveyed by Weigand and Grosh (2008), median spending on safety nets is 1.4 percent of GDP. For about half of the countries, spending falls between 1 and 2 percent of GDP. The top social assistance spender is the Middle East and North Africa (with 2.2% of GDP on average), notably because its spending mix is burdened by costly, regressive consumer subsidies. ECA region spends about 1.8% of GDP on social assistance programs, and Latin America and the Caribbean follows, with 1.3 percent of GDP. Social assistance spending is among the lowest in Asia, where demand for redistributive policies has been and remains low. The smaller number of observations makes the averages less robust for Sub-Saharan Africa.

Figure 1 Social Assistance and Social Insurance as a Percentage of GDP by Region, Selected Years



Sources: Weigand and Grosh 2008; OECD 2004.

## 2. Targeting and eligibility criteria

All social safety net programs offer cash or in-kind transfers to a specific target group. To separate the target group of the program from the rest of the population, different targeting methods, reviewed in Box 1, can be used either individually or in combination. For each type of safety net program operating in developing countries we present the most typical targeting method used and provide examples of how eligibility criteria are crafted.

2.1 Cash transfer programs There are four main types of cash transfer programs in developing countries: last-resort or need-based social assistance; family allowances; social pensions; and food stamps.

*2.1.1 Needs-based social assistance programs* provide a monthly cash transfer to the poorest households, typically identified based on a means test or proxy means test. These programs are common

in Eastern Europe and former Soviet Union countries. Albania, Bulgaria, Kyrgyz Republic Lithuania, Romania or Ukraine, for example, operate guaranteed minimum income programs covering between 3% to 10% of the population. In combination with other programs, such as the unemployment benefit, social pension or disability benefit programs, they succeed to cover almost entirely the poorest 20% of the population. Armenia and Georgia operate larger last resort programs where beneficiaries are identified using a proxy means test. Some last resort programs are also found elsewhere in poor countries, for instance, in Mozambique and Zambia in Sub-Saharan Africa (Devereux and others 2005; Schubert 2005) and in Pakistan in South Asia (ADB 2006). As a general rule, the design of these programs tends to be simpler in low-income, low-capacity setting, and get more complicated in programs operating in middle-income countries.

<b>Box 1. Targeting methods</b>		
<b>Type of needs assessment</b>	<b>Targeting method</b>	<b>Description</b>
Individual or household assessment	Means Test	A government employee directly assesses, household by household or individual by individual, whether the means of the applicant fall below a threshold, hence is eligible for the program. The means being tested typically include incomes and assets. Programs differ substantially with respect to the comprehensiveness of the means taken into account and the verification of their means.
	Proxy-means Test	Proxy means tests use a relatively small number of household characteristics to calculate a score that is correlated with the household's economic welfare. The score is derived using a multivariate regression of consumption or income on few household characteristics. Applicant households are eligible when their score falls below the program threshold.
	Community targeting	A community leader or group of community members whose principal functions in the community are not related to the transfer program decides who in the community should receive benefits.
Categorical targeting	Geographical targeting	Eligibility for benefits is determined, at least partly, by location of residence. This method uses surveys of basic needs or poverty maps.

	Demographic targeting	Eligibility is determined by age, gender, disability status or some other demographic characteristic.
Self-targeting	A good or service that is open to everybody, but designed in such a way that take-up for it will be much higher among the poor than the nonpoor.	
	Workfare	Use of low wages on public works schemes so that only individuals with a low opportunity cost of time will request jobs.
	Inferior Commodities	Transfer of free or subsidized commodities with "inferior" characteristics (e.g. such as low quality wheat), with negative income elasticity of demand.
	Location of point-of-sale	Location of point-of-sale or point-of-service units (e.g. ration stores, participating clinics or schools) in areas where the poor are highly concentrated so that the non-poor have higher (private and social) cost of travel.

Beneficiaries of needs-based transfers are usually targeted using means tests as in Bulgaria, Hungary, and Romania; proxy means tests as in Armenia; or a combination of proxy and means tests as in Mozambique and Zambia. Eligibility criteria are set either by the central government, or they can be decided at the local level so as to take local conditions, preferences, and priorities into account. For example, in Albania and Uzbekistan communes use local information to achieve better poverty targeting than could be expected on the basis of proxy indicators alone (Alderman 2001).

*2.1.2. Noncontributory pensions.* Many countries provide noncontributory pensions for some or all of those who do not fall under the country's contributory pension scheme and, in some cases, all those above a fixed age. Under these noncontributory schemes, benefits are paid without regard to past participation in the labor market. Beneficiaries are identified using categorical criteria (age), sometimes coupled with means testing.

*2.1.3 Family allowance programs* are common in Eastern Europe and the former Soviet Union. Benefits are often small—a few U.S. dollars a month, representing a fraction of the cost of the food basket — although in some middle-income transition states, including the Czech Republic and Hungary,

they provide a more substantial contribution to the cost of raising a child. Family allowances can take various forms, such as means-tested child benefits similar to needs-based transfers as used in the Czech Republic, Poland, and South Africa; birth grants or categorical transfers for all children under a fixed age (often children under 2 or 3 years of age or those under 16 or 18), which are most common in Europe and the former Soviet Union; and programs for the employed population, often with a special system for public sector employees, which are popular in some middle-income countries such as Argentina or Uruguay (Lindert, Skoufias, and Shapiro 2006).

Beneficiaries of noncontributory pensions and family allowance programs are often targeted by age group (demographic targeting) and can be based simply on age and place of residence, as for Bolivia's and Lesotho's pension programs or Hungary's and Romania's family allowance programs. Selection can also be based on a means test, as in South Africa for both the pension and family allowance programs and Bulgaria and Poland for family allowances, or can be based on a proxy means test as for the pension program in Chile.

*2.1.4 Food stamps, vouchers, and coupons* are near cash instruments targeted to poor households (Castañeda 1998; Grosh 1992; Hoddinott 1999; Rogers and Coates 2002) that they can use to purchase food at authorized retail locations. Retailers who accept these instruments can redeem them for cash through the banking system. The value of the food stamp is backed by the government's commitment to pay. Such programs have been implemented in Colombia, Honduras, Jamaica, Mexico, Sri Lanka, the United States, and a few other countries. The amount of the transfer is often based on the gap between the amount of resources spent on food and the amount needed to acquire a minimum basket of commodities. Some programs restrict households to buying only a few specific foods, while others allow them to purchase any foods they wish.

Food stamp programs are typically targeted using means or proxy-means testing. They can include self-targeting elements. In Honduras, the Bono Escolar (Food Stamps for Schoolchildren) benefit was distributed through primary schools in selected areas and the Bono Materno Infantil (Food Stamps for Mothers and Young Children) benefit was distributed at health centers in poor areas; thus, targeting was achieved through school attendance by children or the use of health clinics by mothers.

2.2. Food-based programs. The main objective of food-based programs is to provide for adequate food consumption and thus help poor consumers achieve and maintain better nutritional status when, in the absence of the intervention, people would be likely to curtail their food consumption, resulting in malnutrition, morbidity, and possibly death. There is a variety of food-based programs: food rations; supplementary feeding programs; school feeding programs; and emergency food distribution programs.

*2.2.1 Food rations.* Typically, beneficiaries collect rations at designated public or private distribution centers either for free or at a reduced price. In India, for example, certified poor consumers, that is, those with an income below the poverty line, can purchase wheat and other commodities at reduced prices through the public distribution system (PDS). Take-home rations are a special case of rationing in which rationed quantities of food are delivered directly to beneficiary households. Many such programs are found in Africa, Latin America, and South Asia, and include the Vulnerable Group Development Program in Bangladesh, the Gratuitous Relief Program in Ethiopia, and the Comedores Populares (Community Kitchens) program in Peru. Several food ration programs have their genesis in reforms of prior general food price subsidy programs. This is what happened to the PDS in India when it started to provide commodities at lower prices to households below the poverty line and to the market price stabilization interventions operated by Indonesia's National Food Logistics Agency.

The best targeting mechanisms for food transfer programs include the use of individual targeting mechanisms, such as means tests and proxy means tests; self-targeting methods through the use of

inferior commodities; or methods based on nutritional risk criteria, for instance, age or pregnancy. Targeted households usually receive a ration card that entitles them to a certain amount of food at a subsidized price as in the Arab Republic of Egypt and in India's targeted PDS. The progressiveness of transfers depends on how well they are targeted, as well as the impact of waiting time and possible stigma on participation by poor and nonpoor households (self-targeting).

*2.2.2 Supplementary feeding programs* provide food to mothers and young children. The food may be prepared and eaten on-site—for example, at child feeding centers as in Bangladesh, Indonesia, and Thailand—or provided as a so-called dry ration to take home as in Chile, where food supplements are distributed on a monthly basis through the primary health care system. Bolivia, Colombia, the Republic of Congo, Guatemala, Indonesia, Jamaica, Peru, Senegal, and Thailand also have supplementary feeding programs (Gillespie 1999).

The typical target groups for supplemental feeding programs are pregnant and lactating women and children under the age of three or five (categorical targeting). Many programs give more benefits to those who are malnourished (underweight or stunted) or those failing to grow according to norms.

*2.2.3 School feeding programs* provide meals for children at school to encourage their enrollment and improve their nutritional status and ability to pay attention in class; or give students a take-home ration. They can vary from the provision of breakfast, lunch as in the Thailand School Lunch Project, or a midmorning snack as in Bangladesh (Ahmed 2004), to a combination of these as in Colombia, Costa Rica, Guatemala and Peru. School feeding programs are often integrated with other interventions, such as health and nutrition education, parasite treatment, health screening, and provision of water and sanitation.

The selection of beneficiaries for school feeding programs is often difficult, as targeting children within schools may stigmatize them, and may therefore limit program feasibility, efficiency, and

desirability. The selection of schools (the institutional targets) participating in school feeding programs is therefore the main criterion that can be used to target school feeding programs as in Costa Rica, although examples of effective targeting of school feeding programs are available—for example, the U.S. School Lunch Program, which has been able to avoid stigmatizing recipients. Gender targeting can also be used if female enrollment and attendance are particularly low.

*2.2.4 Emergency distribution of food* includes direct provision of food during crises, emergencies, and situations in which people are displaced. Emergency food programs provide a safety net of last resort whose objective is to save lives by preventing starvation, malnutrition, morbidity, and possible death when public and private institutions fail to protect individual entitlements to food. In many emergency situations, such as refugee camps or camps for internally displaced populations, food transfers are the only source of food and may be the only resources households receive.

2.3 General price subsidies offer goods below market prices to any consumer, either in unlimited quantities or only to a certain amount or quota. The commodities covered by these programs range from staple food commodities such as rice, wheat, and maize (corn meal) to lighting and cooking fuel and gasoline for transport. The stated objective of consumer subsidies is to guarantee access to food and other essential commodities at prices that consumers can afford. Controlling the prices of staple commodities is crucial not only for poor, food-insecure households, but it also responds to the political need to prevent prices from becoming too high. Reforms to remove existing subsidies are usually difficult to implement and are often marred by general discontent, political opposition, and sometimes riots. Examples include the food riots that followed a selective rising of commodity prices in Egypt in 1977, and, more recently, the food riots that occurred in the wake of currency devaluation and subsequent increases in the costs of traded commodities in Indonesia and Zimbabwe in 1997.

Given the nature of general subsidy programs, beneficiaries are not selected directly, and only indirect methods can be used to ensure that the poor benefit more than the rich. This can be achieved by subsidizing inferior commodities, a form of self-targeting. Geographic targeting can also be used to increase the share of benefits accruing to the poor by limiting the quantity that can be purchased by one customer at a time, or by locating public ration shops in food-deficit zones. Other targeting methods include opening stores at inconvenient times and lengthy queuing times, based on the argument that nonpoor households have higher opportunity costs of time and will not stand in queue. However, as retailers only collect cash and not the value of the time costs, this results in an excessive burden and an economic loss (often referred to as deadweight loss in economic terms) to society in general.

2.4. Workfare or public works programs. Labor-intensive public works programs have two main objectives: first, to provide a source of income to poor workers, and second, to construct or rehabilitate public infrastructure. In the safety net literature, the shorthand term “public works” is often used for such programs. Traditionally, public works programs have involved activities such as road construction and maintenance, which have generally been associated with a high level of labor intensity. Other activities often include the maintenance of public spaces and buildings and soil conservation, aimed at responding to the needs of local communities and increasing the level of labor intensity.

Public works programs are often a good choice in post-crisis countries, as in Korea following the 1997 economic crisis and in Argentina following the peso crises that began in 1999. They are also valuable when infrastructure reconstruction and employment generation are priorities after a natural disaster, as in Sri Lanka following the 2005 tsunami. In countries where formal unemployment insurance is infeasible or unaffordable, public works programs that guarantee employment often serve an insurance function.

The selection of participants for public works programs requires a combination of direct and indirect methods that are sometimes carried out in three or four steps (Ravallion, 1999). These include geographic targeting, selection of projects and schemes based on their labor intensity, self-targeting mechanisms related to the wage level, and—if these still yield more interested workers than jobs—some means of rationing them.

The *first* step is to select areas where public works programs will be located. Locating programs in poor areas and communities that have a high unemployment level will increase the amount of direct benefits (in terms of transfers) and indirect benefits (in terms of the physical assets that the program creates or maintains) that go to the poor. This can be achieved by allocating budgets for public works programs to local governments in proportion to the level of poverty in their jurisdictions, as occurred in Argentina and Indonesia (Sumarto, Suryahadi, and Pritchett 2000; Ravallion 2002). The *second* step is to select projects, opting for those with the highest possible labor intensity while achieving cost-effectiveness. The *third*, and crucial, step is to determine the wage rates. For workers to self-select themselves into the program, wages should be somewhat lower than the locally prevailing market wage for unskilled labor, which will enable the poor to benefit disproportionately. On the other hand, a lower wage rate will reduce the level of total transfers to the poor. When the wage rate cannot be set below the market wage because of minimum wage legislation, additional targeting methods are required. For example, Bulgaria's "From assistance to employment" program uses means testing, Colombia's Empleo en Acción (Employment in Action) program uses proxy-means testing, and Malawi uses community-based targeting.

2.5. Conditional cash transfer programs. Conditional cash transfers provide money to poor families contingent on them making investments in human capital, such as keeping their children in school or taking them to health centers on a regular basis. CCTs have two explicit goals: to reduce the current level of poverty and to promote investments in the human capital of the poor to reduce their level

of future poverty. The balance between these goals varies somewhat among programs and affects some of their design features.

The classic CCT programs, with Mexico's PROGRESA (now known as Oportunidades) as the iconic example, emphasize the short-run poverty relief and social assistance goal by covering children from birth to some point in the teen years. Conditions cover enrollment and minimum attendance at primary and at least junior secondary grades. The program also has conditions for the use of a basic package of preventive health care services, at least for children from birth to age five or six. Because the programs cover all poor families with children in a wide age range, they serve as a broad social assistance program as well as a demand-side subsidy for health and education services.

Most CCT programs use a combination of targeting methods to select their beneficiaries: areas of concentrated poverty are selected using geographic targeting; poor households are then selected using mainly proxy means tests (Brazil Bolsa Familia uses income test), and sometimes community targeting.

### 3. Determining Benefit Levels in Theory and Practice

The level of benefits is an important element of the design of a social assistance program that contributes to the effectiveness of the program. This section looks at the theory concerning the size of transfers, discusses the criteria for adjusting benefit levels to household circumstances, and reviews the evidence on the generosity of safety net programs in practice.

*3.1 . Considerations for determining the size of the transfers.* A basic question in any safety net program is how generous the program should be, that is, how much to pay. No clear-cut answer to this question is available. Ultimately, the level of the benefit is one of the products of the iterative process of designing a program, that is, the program designers select a benefit level such that the overall program

will fit within its budgetary, administrative, and political constraints, while maximizing its outcomes for beneficiaries. However, this summary is too general to be a useful guide for practitioners. I will try to break down these decisions and highlight the key elements and trade-offs that occur when selecting a program's benefit level.

First and foremost, the benefit level depends on the objective of the program, and hence on the program type. The benefit level should be consistent with program theory, that is, the stylized model of how policy makers think the program's output will affect the outcomes they are trying to influence. A benefit level compatible with program theory will be the smallest transfer necessary to achieve the desired impact on intended outcomes (consumption, income, earnings, school enrollment, or use of nutritional or health services).

Last resort programs aim to reduce poverty, hence the benefit level is set as a fraction of the income gap of expected beneficiaries. This is the case for programs that select beneficiaries using a proxy means test, such as in Armenia and Georgia. A number of variations on this principle are possible. In low-income countries, benefits are often set relative to the costs of an "adequate" food basket or the food poverty line. For example, the cash transfer program from the Kalomo District in Zambia pays \$10 per month to a beneficiary households, equivalent with the cost of a 50 kilogram bag of maize, which enable beneficiaries to have a second meal per day. In guaranteed minimum income (GMI) programs, which are common in Europe and Central Asia, the level of benefit is the difference between the eligibility threshold and the income of each family. Programs that compensate poor consumers for one element of expenditure, so-called gap formulas, are used, for example, for family allowances that cover a portion of the cost of raising a child, heating allowances that cover the seasonal increase in heating costs during the winter, and food stamps that cover only the food poverty gap.

Conditional cash transfer (CCT) programs encourage poor beneficiaries to invest in children's human capital by conditioning the benefit on the use of school, nutrition, and/or health services. The level of benefit will thus reflect two objectives: reducing current poverty among beneficiaries and providing incentives for human capital accumulation. The principles for the first objective are similar to those for last resort programs. For the second objective, the level of benefits is set to compensate households for the opportunity cost of using the services. The total benefit to a household may include a few components. An education grant will compensate households for the opportunity cost of the time children spend in school and not working, plus for the direct costs of schooling. A health and/or nutrition grant will compensate families for the cost of the time they spend taking their children for health checks and/or attending nutritional education events. Some programs, like the Programa de Asignación Familiar II (Family Allowance Program) in Honduras and the Red de Protección Social (Social Protection Network) in Nicaragua, offered a supply grant to the service providers—schools and health posts—to cover the cost of improved service. The rationale of education, health, and nutrition grants is to increase the demand for education, health, and nutrition services. Sometimes programs may offer unconditional grants to any poor household, with eligibility determined by the same principles as for last resort programs.

In workfare programs, the benefit level is the wage rate. To ensure self-selection by the poor, the wage rate should be set somewhat below the wage level for unskilled workers. When other considerations, such as minimum wage laws, preclude setting such a low wage rate, programs have to ration demand by capping the total number of days of work to be provided to individual workers. In Argentina's Trabajar workfare program, for example, the wage payment was set slightly below the legal minimum wage. As the economic crisis that began in Argentina in 1996 became more severe, unemployment and wages worsened and program wages were adjusted downward. Participation was capped at 90 days per worker. In Ethiopia's Productive Safety Net Program, the labor market is so thin in some areas that fixing a wage rate that is both below the prevailing wage and delivers sufficient value is difficult. Thus the total benefit package is designed to fill the food gap during the three months of the

hungry season. In this case, the wage may be too high to induce adequate self-targeting, so the number of days of work allowed is capped at five days per person per month.

In-kind transfers have diverse objectives. If the program's objective is to provide a feeding supplement to schoolchildren, then the benefit level will be the cost of the food bundle. If the in-kind transfer is a vehicle for transferring income to poor households, then the same principles in determining the appropriate size of the transfer apply as for a cash transfer, though with some complications. If the in-kind transfer provides less of an item than the household would normally consume (is inframarginal), economic theory suggests that the subsidy is equivalent to a cash transfer of equivalent size, albeit with administrative costs that may be substantially higher. If the in-kind transfer is larger than what the household would normally consume, then the household may raise its consumption of the target good and/or may sell some portion of it, often at a discount, which will lower the real value of the transfer.

A second element that is taken into account in setting the level of benefits is the program's overall budget constraints. As an example, consider a transfer program whose objective is to reduce poverty. The process will likely start with an assessment of the poverty level in the country and then the selection of a subgroup of poor households that the program will serve (those who are "deserving" according to the values of the particular society). The first question to address is the affordability of bringing the consumption of the poor to the poverty line. Combining information on the number of poor and their income gap, policy makers can estimate the overall resource deficit among the poor. Knowing the magnitude of the overall resource deficit of the poor will inform policy makers whether measures to cover this deficit are affordable or not. Estimating the financial effort required to eliminate poverty, measured either in absolute or relative terms, is rarely the end of the story. This initial estimate is often larger than the budget available for the program. Dealing with this imbalance will typically involve an iterative process, where the generosity and/or the coverage of the program are typically restricted to the poorest and most destitute.

In the end, defining the appropriate benefit level is a balancing act: finding a level that is neither too high to generate dependency nor too low to lack impact. If the benefit is too small, the program fails to achieve its objective. If the program is too generous, it may have adverse consequences, such as reducing work incentives or crowding out private transfers, which would diminish or even outweigh its positive impact. Worldwide, programs with benefits that are too low occur more frequently than program with benefits that are too high.

*3.2 Other elements of benefit formulas.* In addition to determining the average size of the benefit, program designers need to decide whether they would like to tailor the benefit level to the characteristics of the household, that is, to use a benefit formula. Benefit formulas may be flat—that is, all beneficiaries receive the same benefit—or they may vary according to the characteristics of the beneficiary household in a number of ways. Table 1 illustrates some of the household characteristics used for the determination of the benefit level in a number of conditional cash transfer programs. Some of the main variations include the following:

- Benefits vary by family poverty level, with larger benefits for poorer families.
- Benefits vary by family size or composition, with benefits determined by the total number of family members or of the number of family members not expected to work.
- Benefits vary by the age of family members, for example, benefits tied to education may be larger for older children in recognition of the higher opportunity costs of their time or to cover the greater number of inputs they need such as textbooks.
- Benefits vary by gender, for example, benefits tied to education may be higher for girls in countries with a marked gender gap in schooling.
- Benefits vary over time, being higher during the hungry season or the heating season or at the beginning of the school year to cover enrollment fees, uniforms, and shoes.

- Benefits vary by region to reflect differences in the cost of living in different areas.
- Benefits vary with longevity in the program, tapering down after a certain period as a way to encourage families to leave the program.
- Benefits differ in ways that promote certain behaviors even beyond a program's basic conditions. For instance, a CCT program might require school attendance all year to receive the base benefit, but provide a small bonus for good test scores at the end of the year.

Table 1. Household characteristics included in the benefit formula in a number of Conditional Cash Transfer Programs

Country/Program	Benefit varies by...							Frequency of payments	
	HH income	HH structure			Age of children	Gender	Duration in program		Payee
		# of children	cap	other HH members					
Kenya CT for OVC			max=3						bimonthly
Cambodia JFPR								parent/guardian	quarterly
Turkey SRMP								mothers	bimonthly
Brazil Bolsa Familia			max=3					mother	monthly
Chile Solidario								head of household	monthly
Colombia Familias en Accion								mother	bimonthly
Dominican Republic Solidaridad								head of household	bimonthly
Ecuador BDH								women	monthly
Honduras PRAF II								mother	quarterly
Jamaica PATH								family representative	bimonthly
Mexico Oportunidades								mother	bimonthly
West Bank Gaza									
Bangladesh FSSAP								female student	twice a year

Source: Fizbein and Shady (eds), World Bank, 2009

In general, variable benefit formulas will make a program more efficient, that is better able to deliver the level of transfer needed to raise most families toward the poverty line and/or induce the desired behavioral changes at minimum transfer cost. However, differentiating implies both obvious administrative costs and some less obvious costs because of the complexity involved. Much more effort will be needed to explain the formulas to client families, to the public, and to program monitors and

additional effort will be devoted to quality control procedures around the level of benefit determination. Private costs for applicants may also rise.

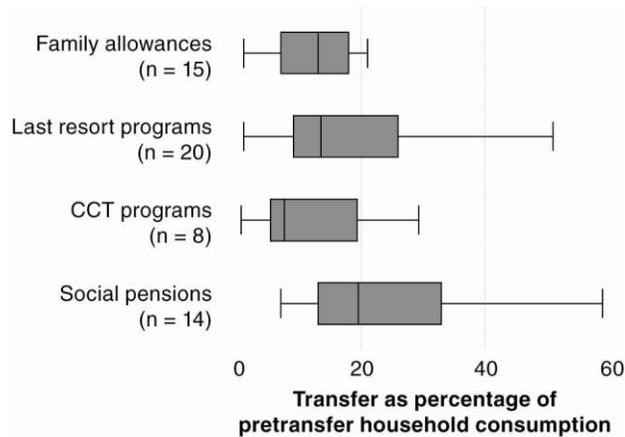
*3.3 Benefit levels in practice.* The question of how generous safety net programs are in practice can be answered in many ways, and probably because of this, little comparative evidence is available. Some of the most common ways to express the generosity of a program are as follows:

- By reporting the level of the benefit in local currency. This is not always simple, however, as programs often offer different benefits to individuals or households in different circumstances. In such cases, information about the levels of benefits can be presented as a table as shown in box 2.
- By reporting the level of the benefit in comparable purchasing power (in purchasing parity power dollars, for instance). The intent is to facilitate comparisons across countries, but such information is difficult to compare, because the same type of benefit may be assigned to different assistance units (individuals, families, households) in different countries. Moreover, the adjustments for differences in purchasing power may be insufficient to characterize a benefit as generous or not across countries, as generosity is a relative concept. For instance, in the United States, a benefit of US\$10 per person per month would be considered ungenerous, but in a poor country where a large fraction of the population lives on less than US\$1 per day, it may be considered quite generous.
- By reporting the level of the benefit as a share of the poverty line or other type of indicator, such as the minimum wage, the average wage, the minimum pension, the social pension, or the level of unemployment benefits. For example, in the OECD, the generosity of safety net programs is expressed as a share of the wage of the average production worker in the manufacturing sector. Such comparisons are useful for comparing a program's generosity with the generosity of other programs or types of earnings within a country, for instance, to ascertain whether the benefit level is likely to create disincentives for work. It is less useful for cross-country comparisons.

Our preference for comparing generosity is the ratio of benefits to the total consumption of beneficiary households. This measure can be estimated using household surveys that collect information on household consumption and the value of safety net benefits received during a certain period. This measure is preferable, as it takes into account many of the complexities of the provision of safety net benefits and transforms them into a single index comparable across households and countries: benefits are implicitly aggregated at the household level, the unit where they are shared and used to finance consumption. This measure, however, does not adjust for one element of program generosity: the duration for which benefits are provided to eligible applicants.

We used household-level information for 55 cash transfer programs from 27 middle-income countries to illustrate how the generosity of these programs varies by program type. Figure 2 shows key values of the distribution of generosity statistics as well as maximum and minimum values. The median value of benefits as a share of the consumption of recipient households for the programs in Europe and Central Asia is 13.0 percent for family allowances, 13.5 percent for last resort programs, 9.0 percent for CCT programs, and 19.5 percent for social pensions. While the generosity of family allowance and CCT programs is concentrated in a narrow interval, the values are more dispersed for other types of programs. The higher generosity of social pensions is not surprising: these are the programs meant to sustain households not expected to work.

**Figure 2 Generosity of Selected Safety Net Programs,  
Europe and Central Asia and Latin America and the Caribbean, Selected Years, 2001–4**



Sources: Grosh et al (2008).

Note: n = number of programs. The median value is the line inside the shaded rectangle, the 25th percentile is the lower value of the shaded rectangle, and the 75th percentile is the upper value of the shaded rectangle. Programs whose generosity is 1.5 times more than, or less than, the median were excluded.

We found that even in middle-income countries the generosity of most safety net programs is modest or moderate. For a majority of programs, including income-replacement programs like social pensions or last-resort programs, it ranges between 5% and 20% of the pre-transfer consumption of beneficiary households.

#### 4. Lessons

This paper examines two design features that contribute to the success of safety net programs: the ability to correctly identify the right beneficiaries (the target group) and to provide them with enough resources to alleviate the social conditions for which the programs have been put in place. An important point underscored here and in Grosh et al (2008) is that successful safety net programs can be designed and

implemented in all country setting, including low-income countries. In low income countries, the design of the program – including the choice of targeting method and benefit formula -- should be simplified in line with the often lower administrative capacity.

For a wide range of safety net programs, the paper reviews the typical targeting methods used to select beneficiaries. A few methods of targeting and types of programs go hand-in-hand, for example, self-selection and commodity price subsidies or workfare programs. However, several different methods can often be used for a particular type of program; for instance, cash and food transfers can be targeted by means tests, proxy means tests, nutritional status or risk factors, geographic area, demographic characteristic, or self-selection. Often, programs use a number of methods; combining more targeting methods usually yields better targeting than a single method. Means tests and proxy means tests have the highest cost per beneficiary, but tend to produce the lowest errors of inclusion and are often good investments. Self-selection via a low wage rate and geographic targeting are also powerful and proven targeting tools.

The complexity of the eligibility and recertification procedures, and of the targeting methods employed, go hand in hand with the level of economic development and institutional capacity of the country. Many middle income countries have developed sophisticated and effective individual or household level targeting instruments, using means test or proxy-means tests. In low income countries, programs tend to employ simpler targeting methods, based on demographical or geographical criteria or community targeting.

Another element that is critical for the effectiveness of a program is its benefit level. To achieve its intended outcomes, a program's benefit level should be consistent with its objectives. However, budget constraints often make for hard trade-offs between coverage and benefit level. Programs with benefits that are too small will have little impact on beneficiaries and administrative costs will be high relative to the

level of benefits. Programs with high benefits will have a larger impact on recipient households, but will have a higher fiscal burden, require more care in relation to design and targeting, and may induce greater work disincentives. In general in developing countries, programs with benefits that are too low are more frequent than programs with benefits that are too high. We found that even in middle-income countries the generosity of most safety net programs is modest or moderate, substantially lower than in developed countries.

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