

Social Safety Nets for Poverty Reduction in South Asia – Global Experiences

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Introduction

I am pleased to be here to present the keynote address on “Social Safety Nets for Poverty Reduction” as part of the Annual General Meeting of the Sri Lankan Agricultural Economics Association (SAEA). First of all let me sincerely thank the association for the invitation and the opportunity to talk before you. I am glad the Sri Lankan Agricultural Economics Association brings together its members on an annual basis to discuss the problems, issues, challenges, and solutions facing the agricultural economy of Sri Lanka.

The role of agricultural economists in the development process is very clear. Agriculture, to a great extent, plays a key role in the economic development of a developing country like Sri Lanka. Hence, the role of agricultural economists becomes important in the agricultural development of the country as well as the overall development of the economy. Traditionally, agricultural economists have concentrated on economic issues related to production, marketing, consumption, and trade. Increasingly, issues related to general economic development, such as poverty alleviation, globalization, trade liberalization, issues related to WTO, and issues that link us from the farm to the consumers and from rural areas to urban areas are becoming important. If we are to successfully contribute to the policymaking process in agricultural development we need to strengthen our capacity to deal with these issues.

Today, the topic of my presentation relates to such issues that are not generally seen as part of the profession of agricultural economics. Social safety nets for poverty reduction have become important tool for achieving poverty alleviation and have been proven to perform well in several developing countries. However, broad based growth through appropriate

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economic policies is needed in order to benefit from the short-term poverty alleviation programs designed through social safety nets (Coady, 2004).

In this address I will present various program interventions related to social safety nets and discuss some of the crosscutting issues related to the institutional design, targeting, evaluation, political process, and nature of the social safety nets in countries with varying degrees of development. The program interventions that have been designed in developing countries, while they provide opportunities for better understanding, are yet to be fully evaluated for various benefits and outcomes in terms of poverty alleviation.

Social safety nets have been designed with various objectives. Depending on these objectives they could be classified into income transfers through cash, food related transfer programs, prices subsidies, human capital related social safety nets, public works programs, and micro credit and informal insurance programs.

Cash Transfer Programs

The cash transfer program attempts to provide assistance to poor households in the form of cash in order to reduce the risk and vulnerability of these households falling into the poverty trap. Cash transfer programs could be based on employment generation or a universal program that transfers some income to poor households, which can be used to spend on basic needs. Depending on the group of beneficiaries, the cash transfer programs could be statutory or voluntary in nature. Cash transfer programs could be used for emergency purposes in periods of crisis or could be used as short- or medium-term poverty alleviation program (Tabor, 2002).

Food Based Safety Net Programs

Many safety net programs in South Asia use food as a mechanism to transfer resources to the poor and vulnerable sections of society. The food based transfers also come from the fact that most of the countries in South Asia have achieved food self sufficiency and due to the green revolution technologies in the 1960s and 1970s food grain production has been substantially increased and thus surplus food available is used for helping rural and urban poor to attain a certain basic level of food consumption. However, several challenges confront food-based programs. The extent to which food-based programs target households in real need of food remains questionable. Furthermore, the impact of food-based programs on food prices in the local areas is also a matter of concern. Several political economy issues

should also be considered in designing and implementing food- based transfer programs. We discuss some of them below.

Supplementary Feeding Programs

The supplementary feeding programs, which provide food to the vulnerable sections of society such as school feeding programs that are operated in most of the countries in South Asia, base their economic rationale on the quality of human capital that is generated that could further be invested in income generating activities. Furthermore, supplementary feeding programs focus on the selective needs of its beneficiaries and reduce the universal nature of the general food subsidy programs. Supplementary feeding programs also target specific groups of the community such as children under 5 years of age as in the case of the Integrated Child Development Services Program (ICDS) of India and school children through their lunch program to have adequate food during their attendance at school. Also, supplementary feeding programs focus on pregnant and lactating mothers through their attendance to primary health centers. While there are several challenges that need to be addressed that relate to program design issues and the criteria for evaluating supplementary programs, supplementary feeding programs remain one of the most attractive programs of transferring benefits to intended beneficiaries and reducing poverty.

Food-for-Work Programs

The economic rationale for the Food-for-Work program, which uses food as a wage good in attracting labour for implementing the public works program, comes from surplus and ready availability of food in rural areas that can be purchased by the implementing agency and cost effectively distributed by the public works program. However, if the program is not properly designed it can attract a wide range of beneficiaries who may not be entitled to food. Yet, the quality of food provided through the public works program as wage may be better than the quality of food available in the open market. However, the food-for-work programs can target the beneficiaries effectively by providing geographical targeting approaches and attracting laborers during the lean season of crop cultivation and by providing low quality food as wage so that only laborers in real need of food will participate in the program.

Food Stamp Programs

Another food-based approach that has been recently advocated in South Asian countries is the Food Stamp Program, which has been effectively used in the past in Sri Lanka. Food stamp programs could identify target groups efficiently and restrict the use of food stamps to those who receive them. It reduces the leakage that is prevalent in a general subsidy program. However, implementing food stamps requires good governance and administrative setup from the public sector. Furthermore, the food stamp program reduces the role of the implementing agency in transporting food from one place to another and thus substantially reduces the cost of transferring food to beneficiaries. Food stamp programs are also considered an alternative to the general food subsidy or food rationing programs, which could enhance the efficiency of the food distribution system. Some states in India are currently experimenting with the food stamp programs (Dev *et al.*, 2004).

Comparing Food Subsidy Programs

An international comparison of the leakage in food subsidy programs shows that the untargeted programs of food subsidies and food rations in India, Pakistan, Brazil, and Egypt have a leakage rate of 50-80 percent to the non needy population. The self-targeting food rations that use low quality food and tend to have a lower leakage rate of 10-20 percent. The targeted Food for Education programs, which provide a free ration of food for children enrolled in school, have the lowest level of leakage as shown in the case of Bangladesh (8-14 percent). The supplementation schemes where food supplements are provided to the most vulnerable group through targeting and through identifying beneficiaries based on need have the lowest leakage levels of less than 3-10 percent. Thus, it is important to identify the cost effectiveness of food transfer by comparing the food-based transfer programs to cash-based programs as well as identifying the cost effectiveness of various food-based transfer programs and focusing them towards the particular objective of poverty reduction (Rogers and Coates, 2002).

Public Work Programs as Social Safety Nets

Ravillion (1999 and 2000) and Subbarao (1997) have identified the key design features of a good public works program. They conclude that in order to achieve a high level of effectiveness in term of poverty reduction, the public works program should set a wage rate that is equivalent to the existing wage rate in local communities. To attain a wider impact and to attract a wide range of poor segments of society, restrictions on the eligibility of

participation should be avoided in the public works program. However, if rationing is required it may be achieved by targeting the public works program to poor areas. The labour intensity of work involved in the public works program should be high because the skill level of participants will be very low and should be a highly labour-intensive activity. Furthermore, the public works programs are successful where they are synchronized to the timing of the slack agricultural seasons when a majority of the labour force in rural areas is unemployed in farm activities. A major constraint that reduces the participation of the poor and vulnerable population, particularly women in the public works program, is the unavailability of child care opportunities for the lactating mothers of young children. Providing child care or preschool services can improve the participation of women in the public works program. The transaction costs to poor households who are willing to participate in the public works program should be kept low since they may not have any resources to begin with. The public works program should also include an asset maintenance component in order to create sustainable impact on development activities in the region (Subbarao, 2003).

Savings and Insurance Programs as Safety Nets for Poverty Reduction

Formal and informal savings programs and insurance schemes that encourage poor households to save part of their earnings and insure against systemic shocks are seen as an important element of strengthening public safety nets. Mordoch and Sharma (2002) identify various savings and insurance mechanisms that can strengthen public safety nets. The informal coping mechanisms used by poor segments of society could be through either ex-ante management of risks or ex-post risk coping mechanisms. Furthermore, risk sharing among the poor could be done through spreading risk spatially and by sharing risk through inter temporal smoothing mechanisms. The risks that the poor segment of society face should be identified before any safety net mechanism is designed. Communities also respond to many types of risk by transferring income from one household to another, through intra household transfers of individual members of the households, and through indigenous insurance mechanisms and community institutions that help vulnerable groups within the communities.

The safety net programs that attempt to strengthen the savings and insurance mechanisms for poverty reduction should take into account the nature and magnitude of household savings that are generated by household members and the nature of diversification of assets between various productive activities. Any policy response that addresses poverty reduction through savings and insurance mechanisms should build on the existing

mechanisms of savings and insurance. Microfinance schemes emerging in many parts of South Asia provide opportunities for new types of savings and community participation in addition to micro insurance schemes that could be helpful in insuring against the weather related disasters.

Targeting for Poverty Reduction

Targeting is an issue that has received wide attention in designing safety net programs for reducing leakage as well as increasing the effectiveness of safety net programs in reaching the intended beneficiaries. However, targeting comes with an associated set of costs while it can increase the benefit of the programs and reduce the inefficiencies associated with the leakage of the benefits to the non intended population and the associated corruption in implementing safety net programs. However, targeting requires adequate resources to be spent on screening, delivery and monitoring of the targeted population (Coady, 2004).

Concluding Remarks

In this talk, I have presented a general review of existing safety net programs in developing countries provides an opportunity for designing and implementing effective safety net programs in South Asia, including Sri Lanka. However, several possible roles for safety net programs in very poor countries should be recognized. Safety net programs can fill the poverty gap among very poor segments of society. They can also bring the poor in countries where poverty is widespread to an acceptable level of consumption of the basic needs in life. Safety net programs can provide consumption smoothing over seasons and years when natural disasters frequently affect vulnerable groups. Safety nets, in addition to protecting poor segments of society from major shocks, can insure them against risks and associated income losses, thereby allowing the poor to take on riskier but high return productive activities. Safety nets have also proven to be an effective method of building human capital through interventions in the health and education sectors providing school-based or health-based income transfers.

The design and implementation of food safety net programs in South Asia require pilot programs that could be evaluated to identify ways of avoiding the pitfalls of existing programs in order to save resources and to better target programs to the intended beneficiaries. Finally, safety net programs alone cannot reduce poverty in the long run. Economic policies designed and implemented to provide a conducive environment for broad based economic

growth are also necessary to pull a large segment of society from poverty in the long run.

Once again I thank the officers of the Sri Lankan Agricultural Economics Association for inviting me to present this keynote address. I look forward to working with your association in the future.

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