

Social Safety Nets: Learning from Global Experience

India Habitat Centre, New Delhi

3rd June'09

India Development Foundation in collaboration with the World Bank organised a discussion and release of reports on Effective Safety Nets and Conditional Cash Transfers. The objective of the workshop was to share international policy and operational experiences on social safety net reforms, and Conditional Cash Transfers, and to facilitate policy dialogue for its implementation and sustainability in the context of India's development policy.

The half-day Workshop involved approximately 80 participants representing a range of policy interests (finance/economy/social sectors/media/elected representatives), donor community, civil society, academia and the private sector.

The Reports, **For Protection and Promotion** (Grosh et al, 2009) and **Conditional Cash Transfers: Reducing Present and Future Poverty** (Fizsbein et al, 2009), were released by Smt Sheila Dikshit, Chief Minister of Delhi. Dr Roberto Zagha, Country Director, World Bank, India, welcomed the guests and set the context of the findings of the reports. Dr Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, delivered the inaugural address focusing on implications of social safety nets for development policy in India. Dr Vijay Kelkar, Chairman, 13th Finance Commission, delivered the concluding remarks.

Dr. Roberto Zagha pointed out the significance of social safety nets (SSN) with the example of the "Brazilian miracle". He explained how the widely held notion of the need for a country to grow first, led it to ignore redistribution, which gave rise to inequality. Brazil was among the first countries to move away from this mindset and as a result, pioneered its innovative social safety net program. The main objective of SSN was to reduce risks, especially the non-insurable ones. SSN aims to limit loss of human capital arising due to impact of risks. He mentioned India spending more on SSN than most other developing countries and the National Rural Employment Guarantee Act (NREGA) was an important innovation in this field as it was a rights-based program. He then invited Mr. Montek Singh Ahluwalia to deliver the inaugural address..

Mr. Montek Singh Ahluwalia described the evolution of SSN in India that started with the notion that a focus on growth was not enough because it left out those outside the market. Jawaharlal Nehru's regime had set a target of 7% growth for India, but it wasn't enough to reach out to everyone, hence they started targeted programs for poverty alleviation. Robert McNamara, former President of the World Bank, took up this idea and introduced global anti-poverty schemes in the agenda of the Bank. The difference today was that poverty alleviation programs had to go beyond being mere entitlements and move on to a rights based model. SSNs are required in a world that has risks and where people are vulnerable to exogenous, random shocks. This could include people of all classes, even though the poor are most vulnerable. However, SSNs are meant to protect people from *random* shocks, whereas, most shocks are systemic and not always

random. Economic reforms in this context are meant to bring in structural changes to usher in greater efficiency in the economy. This structural change could make certain populations vulnerable to risk. Thus these people need protection through SSN, especially in developing countries where there is an atmosphere of constant economic change. Researchers have pointed out the significance of SSNs in the industrialisation of Europe. Over the years, focus has shifted from converting poverty alleviation schemes to entitlement-based SSNs. Notable programs operational in India include the RSBY (Rashtriya Swasthya Bima Yojana) and NREGA. Conditional Cash Transfer (CCT) is another kind of SSN, but subject to performance of some kind by the beneficiary. Most programs in India of such kind are in between a development program and CCT e.g. vouchers for school going kids. An important observation to be made once these programs are completely rolled out is whether these right-based programs will suffer from less governance failures (which in the Indian context is an euphemism for corruption) as compared to the pure development schemes.

Smt. Sheila Dixit observed that in Delhi alone, there are 48 schemes for different categories of poor at different levels. The cut off point for deciding the beneficiaries of such schemes is fixed at Rs 100,000 per annum per family. This too was fixed long ago. The idea of excluding those above this limit has been a conscious decision due to observed failure of PDS machinery. Mostly people who are not entitled for the benefit have been enrolled in large numbers and the quota of grains in the name of such people are siphoned off to black market. There were also delays in supply to the Fair Price shops which results in most of those dependent on ration to buy from the market and when the supplies do arrive towards the end of the month, they have no money left to buy food grains. CCTs launched in Delhi aimed to alleviate this problem, even though there is a fear that the money could be subject to mis-utilization. "Ladli" and Old age pensions schemes are CCT programs that have been successful in Delhi. Under the convergence scheme of the Government of Delhi, now People can enquire about register and receive benefits for any of the 48 schemes for which they are eligible, without running from one department to another. The leakage in the system is of such scale that when the Delhi government surveyed the target population for beneficiaries, they found that there were 99 lakh people who need to be covered, while at present there were only 4 lakh. There was also not enough spending/utilization of funds allocated to the social sector, which was only 45% as compared to the 95% utilization of funds allocated for infrastructure development. In order to make CCTs more universal and effective, they need to be customized for different places in India. Entitlement claim should be hassle free. It is better to have leakage to a few ineligible people, rather than leave more eligible people out of the safety net. Another problem with CCT schemes is with handling in-migration into cities. Moreover this proportion changes from time to time. Such people even though eligible for benefits in concept, are technically ineligible for SSN schemes of Delhi. Hence rules need to be more liberal and appropriate to the needs of the people. CCT thus needs resource allocation as a top priority.

Margaret Grosh (Lead Economist, Human Development Network, World Bank): SSN is interchangeable with social protection. The scope of her presentation included CCT and health insurance, education schemes etc. Some characteristics of SSN transactions were: spending on safety nets at a modest proportion of GDP, all countries need SSNs for redistribution (e.g. most important SSN in Brazil took only 10% of government spending but had most impact in poverty reduction). They can be used to encourage consumption expenditure, manage risk ex-post and ex-ante and make beneficial policy reforms. Safety nets can be cost effective. They should be appropriate, adequate,

equitable, cost effective, incentive compatible, sustainable and dynamic. Challenges to implementing them are large costs, sharing of responsibilities between government and different agencies lead to problems in coordination. Program generosity is less by 10-20% in developing countries, as compared to developed ones, leading to the problem of “peanuts for the masses” that lead to ineffective program spending. Targeting of SSN programs can be improved and administrative structure should be well balanced. Even though it requires money, time and acumen, administration costs need not be prohibitive to carry out effective SSN.

Ariel Fiszbein (Chief Economist, World Bank) said that more CCT programs are being introduced all over the world and programs vary in size and areas of target. Most programs have large impacts on per capita consumption among other things. They have reduced consumption poverty because they have been well targeted and have substantial magnitude and importantly, have not reduced adult participation in labour markets. CCTs have caused more utilization of education and health services especially in poor households. In countries like Nicaragua, Cambodia, Pakistan and Ecuador CCTs had better utilization in education sector and in Nicaragua and Mexico, the effects on health utilization were improved. In both cases, far greater impact was observed on the poorer part of the society. SSN improved child nutrition in Colombia but had a negative impact in the same sector in Nicaragua. Thus CCTs do have mixed results. Though enrolment rates were higher because of CCTs, it did not translate to improved “quality education”. This could be because of late exposure of children to education and/or poor quality of education institutions. Thus for achieving human capital development goals, CCTs are not enough by themselves. They need more infrastructure investment and innovative means which would improve the supply of health and education services. Additionally, CCTs need to be complemented with other development-oriented programs in the country. Pro active actions are needed to change behaviours within a household that prevent accumulation of human capital e.g. extension of pre-school programs in Mexico and Chile. There are many reasons for switching to cash transfers. Evidence of market failure, incomplete altruism and political justifications including the belief that CCTs encourage people to do something to help themselves, are among the important reasons. These reasons need some more backing through empirical evidence. CCT cannot be the right instrument for all poor households; they are better for structural poverty than transient poverty and complement unemployment and insurance programs. CCTs also have important institutional legacies and that is another of their important impacts. They need to be backed by effective impact evaluation techniques so that the good programs can be continued in constantly changing political and economic circumstances that most developing countries experience. They need good designs to effectively determine exit and entry rules and amount of transfers.

Vijay Kelkar: Wrapping up, he reiterated the importance of cross country studies such as these that allow researchers to look at the various ways in which programmes can be efficiently tailored to suit local demands. Timely discussion as the country prepares for another era of policy lead social inclusion and economic growth where safety nets become critical. The importance of the third tier of governance that directly looks at such interventions and most recommendations in these books would indeed be used by these local governments to improve their service delivery particularly in providing safety nets and CCTs.

The half-day Workshop was attended by approximately 100 participants representing a range of policy interests (finance/economy/social sectors/media/elected representatives), donor community, civil society, academia and the private sector.