

Weaving the Safety Net

KEY MESSAGES

Policy makers and sector specialists need to choose the right mix of safety net policies and programs to meet national goals related to reducing poverty and vulnerability as set out in national or sector strategies.

Our vision of a good safety net system is one that addresses the needs of the poor and vulnerable in a given country; that is adequate, equitable, cost-effective, incentive compatible, sustainable, and dynamic; and that is well adapted to the country's circumstances and constraints.

The general framework for assessing the safety net sector involves three steps: (1) Diagnosing the sources of poverty and vulnerability using the key tools of poverty assessments, risk and vulnerability assessments, and/or poverty and social impact analysis. (2) Evaluating the individual safety net interventions against the criteria listed. (3) Evaluating the mix of programs against the criteria listed. We refer to a key diagnostic tool: the public expenditure review of the safety net sector.

Such assessments are useful whenever significant reforms are contemplated or new needs arise. Moreover, they are warranted periodically because old strategies may become obsolete as new problems and priorities emerge, or simply because the world has learned how to solve old problems in more efficient ways.

Moving from the status quo toward the vision of a good safety net implies overcoming challenges with respect to financial constraints, political feasibility, and administrative capacity. Different types of reforms will face different combinations of these challenges and how binding each is will vary over time in a given setting. In most settings some sort of improvement will be feasible, though sometimes improvements will come incrementally over a number of years and stages.

9.1 What Is a Good Safety Net?

Safety net systems are usually woven of several programs, ideally complementing each other as well as complementing other public or social policies. A good safety net system is more than a collection of well-designed and well-implemented programs, however; it also exhibits the following attributes.

- **Appropriate.** The range of programs used and the balance between them and with the other elements of public policy should respond to the particular needs of the country. Each program should be customized for best fit with the circumstances.

- **Adequate.** The safety net system overall covers the various groups in need of assistance—the chronic poor, the transient poor, those affected by reforms, and all the various subsets of these groups. Individual programs should provide full coverage and meaningful benefits to whichever subset of the population they are meant to assist.
- **Equitable.** The safety net should treat beneficiaries in a fair and equitable way. In particular, it should aim to provide the same benefits to individuals or households that are equal in all important respects (horizontal equity) and may provide more generous benefits to the poorest beneficiaries (vertical equity).
- **Cost-effective.** Cost-effective programs channel most program resources to their intended target group. They also economize the administrative resources required to implement the program in two ways. First, at the level of the whole safety net system, they avoid fragmentation and the subsequent need to develop administrative systems without realizing economies of scale. Second, they run efficiently with the minimum resources required to achieve the desired impact, but with sufficient resources to carry out all program functions well.
- **Incentive compatible.** Safety nets can change households' behavior, for better or worse. To ensure that the balance of changes is positive, the role of safety nets should be kept to the minimum consistent with adequacy. The safety net system often may include programs that explicitly help build assets or incomes of their individual clients or communities by linking transfers to required or voluntary program elements. Public works programs can provide physical assets to communities. Conditional cash transfer (CCT) programs build the human capital of households. Links to financial, job search, training, or social care services may help households raise their incomes.
- **Sustainable.** Prudent safety net systems are financially sustainable, in that they are pursued in a balanced manner with other aspects of government expenditure. Individual programs should be both financially and politically sustainable so that stop/start cycles of programs are avoided, as these result in enormous lost opportunities for efficient administration and the achievement of programs' promotive aspects. In low-income countries, programs started with donor support are gradually incorporated into the public sector.
- **Dynamic.** A good safety net system will evolve over time. The appropriate balance of programs will change as the economy grows and changes, as other elements of policy develop, or when shocks occur. The management of specific programs should also evolve as problems are solved and new standards set.

9.2 Know Your Target Group

Policy makers and sector specialists cannot choose an appropriate mix of safety net policies without first obtaining a good understanding of the population groups that need safety net programs on a permanent basis: the chronically poor or a subset of these, the transient poor or a subset of these, and other vulnerable groups.

The analytical tools that provide a better understanding of the groups that need safety net programs are poverty analysis and risk and vulnerability analysis. Poverty analysis provides information on the level, severity, and depth of poverty; describes the characteristics of the poor; and identifies the factors associated with poverty. When repeated over time, it depicts the trends, duration, and dynamics of poverty among particular groups and identifies the factors associated with poverty. Risk and vulnerability analysis complements poverty analysis by providing insights into the risks the poor face, as well as the size and characteristics of the population at risk of becoming poor in the event of a shock. Many countries are prone to a variety of interlocking risks that feed off each other; for example, natural disasters destroy potable water and sewage systems and may therefore be followed by epidemics. The poor and those hovering just above the poverty line are particularly vulnerable to such risks. This vulnerability, combined with low levels of assets, high variability of income, and lack of effective risk management instruments can have a disastrous impact on people's livelihoods. Risk and vulnerability analysis can identify prevention and mitigation activities that would help prevent the transmission of poverty over time (see Hoogeveen and others 2004 for a guide to risk and vulnerability analysis). The two types of analyses are complementary and together can provide powerful insights that can result in the most appropriate policy responses, including responses other than safety net interventions. The analysis of poverty and vulnerability to poverty will indicate whether existing safety net programs are appropriate given the magnitude, depth, characteristics, and causes of poverty and vulnerability.

DETERMINING THE SIZE OF THE TARGET GROUP

The first step in designing a safety net is to understand the dimensions of the problem to be addressed.

How Many People Are Poor or Vulnerable?

Knowing the size of the poor and vulnerable population helps to determine the scope of the safety net, both in terms of coverage and budget. Another important and simple poverty statistic that informs the design of safety net programs is the income gap—that is, the average deficit of the poor's resources relative to the poverty line. When policy makers are considering introducing new programs, the income gap informs them how generous a program should be to cover this deficit or a given fraction of it. For existing programs, the income gap provides an estimate of the remaining consumption deficit of the poor despite the existence of the current programs. However, as discussed in chapter 3, section 1, the income gap is only one factor taken into consideration when setting the benefit level of a program. Other important factors are the type of program and its objective, the budget constraint, and the institutional capacity to administer programs with differentiated benefits, along with political economy factors. In general, policy makers will try to find the right balance between providing enough protection from poverty while maintaining adequate incentives for self-sufficiency and work effort.

How Does Poverty Evolve over Time?

When the information available to assess poverty includes repeated cross-sectional surveys, policy analysts can track changes in the level and depth of poverty in the aggregate

or for selected subgroups.¹ This information can, in turn, be used to assess whether existing programs offer effective protection against poverty. For example, such comparisons have shown that in Chile in the 1990s, the indigent did not share in the general prosperity of the country (table 9.1). From 1987 to 1992, Chile made substantial progress in reducing poverty. After 1992, however, further progress was observed for total poverty, but not for the indigent. Thus the indigent were left out during a period of sustained growth. Responding to these findings, the government of Chile developed the Chile Solidario program, which helps the indigent escape from poverty via a combination of cash assistance, priority access to public services, and personalized support (World Bank 2005g).

TABLE 9.1 **Failure to Reduce Indigence Despite Growth, Chile, Selected Years**

Item	1987	1990	1992	1994	1996	1998	2000
Mean income (peso)	90,598	101,075	122,353	126,644	142,892	159,821	160,441
Gini index	0.5468	0.5322	0.5362	0.5298	0.5409	0.5465	0.5457
Poverty headcount (%)	40.0	33.1	24.2	23.1	19.9	17.0	15.7
Extreme poverty headcount (%)	12.7	9.0	4.7	5.1	4.2	3.9	4.2

SOURCE: World Bank 2005g.

How Many People Are Vulnerable to Poverty?

As the recent crises in East Asia (1997), the Russian Federation (1998), and Argentina (2002) demonstrated, countries need flexible safety net systems that can be scaled up in times of need to help the poorest and most affected cope with the hardship brought about by a crisis. Poverty and risk and vulnerability analyses can help identify prospectively those who may become poor in the event of a severe shock and those at risk of poverty. Even crude estimates based on a cross-sectional survey can be used to identify potential threats to the living standards of the population. Estimating the share of the population just above the poverty line may indicate the share of the population at risk of poverty during economic downturns. Table 9.2 illustrates this for Indonesia just before the 1997 East Asian crisis. In 1996, 15.7 percent of the population was poor, but a large share of the population was living just above the poverty line, indicated by the fact that the income shares for the second and third population quintiles

TABLE 9.2 **Percentage Share of Income by Quintile, Indonesia, 1996**

Share of	Quintile				
	1	2	3	4	5
Income	8.0	11.3	15.1	20.8	44.9
Population	15.7 poor	84.3 not poor			

SOURCES: World Bank 2000e, 2001i.

NOTE: Quintile 1 is the poorest; quintile 5 the richest.

were similar. When the crisis hit, many of those living at the border of poverty became poor; by 1999, 27.1 percent of the population was poor.

PICTURING THE TARGET GROUP

Poverty profiles based on household surveys reveal who the target group is and can be useful both for suggesting how to reach them and indicating what sort of assistance they may need. We provide four typical examples of how the information generated by poverty profiles informs safety net policy making.

Identify Easily Identifiable Characteristics of the Poor That Can Be Used for Categorical Targeting

The poverty profile will show policy analysts whether poverty is concentrated in groups identified by easily observable characteristics such as ethnicity or location. When poverty is concentrated in easy-to-identify groups, reaching these groups may be simple. For example, an assessment of poverty in Cambodia in 1997 found that 90 percent of rural inhabitants were poor and that most of the poor lived in rural areas (World Bank 1999b). Under these circumstances, restricting program eligibility to rural areas would result in high coverage of the poor and low leakage. Situations where poverty is dispersed may necessitate implementation of a household targeting system, which in turn requires greater administrative capacity and resources.

Distinguish between Chronic and Transient Poverty

When panel data—data based on a survey that revisits the same households over time—are available, they can shed light on the dynamics of poverty, which in turn informs the selection and design of appropriate safety net interventions. Typically, households are classified according to the time they spend in poverty and the frequency of their spells as transient poor or chronically poor. Classifying households by the duration of their poverty spell can inform the content of safety net programs and policies. When a large share of poverty is chronic, governments may consider more permanent safety net programs and less frequent recertification. Some targeting instruments, notably proxy means testing, are more appropriate for such contexts.

Dercon (1999) uses a two-period panel survey to analyze movements into and out of poverty in Ethiopia during the 1990s (table 9.3). Between 1989 and 1995, the overall poverty rate declined from 61 to 46 percent of the population; however, the aggregate decrease in poverty masked significant flows in and out of poverty, which became apparent only when examining the panel structure of the data. The overall decrease in poverty by 15 percentage points was the result

TABLE 9.3 Percentage of Population Moving Into and Out of Poverty, Rural Ethiopia, 1989 and 1995

Status in 1989	Status in 1995		
	Poor	Nonpoor	Total
Poor	31	30	61
Nonpoor	15	24	39
Total	46	54	100

SOURCE: Dercon 1999.

of two offsetting tendencies. On the one hand, a large population group amounting to 30 percent of the total population was poor in 1989 but escaped poverty in 1995. On the other hand, another group equal to 15 percent of the population was not poor in 1989 but fell into poverty in 1995. The large flows in and out of poverty are a clear sign of vulnerability to poverty.

Account for Seasonal Variations in Poverty or Vulnerability

Poverty and/or vulnerability have a markedly seasonal nature when livelihoods are tied to seasonal events; when climate induces extra expenditure needs, for instance, for heating; or when illness has seasonal patterns that both reduce work effort and require expenditures for health care. Box 9.1 provides an example from Mozambique.

Quantify the Contribution of Various Population Subgroups to Total Poverty

Poverty profiles have generated similar qualitative findings across many countries: poverty is more frequent or intense for larger households with higher dependency rates and is negatively correlated with the education level of the adults, their level of physical and financial capital, the quality of their dwelling, and/or their endowment with durable goods. In many cases, rural populations, including farmers, are at higher risk of poverty than the general population.

While the observable characteristics of the poor tend to be similar across countries, the relative importance of these characteristics is country specific. For example, households headed by illiterate people represent a deep pocket of poverty in both Chile and Zambia. While the poverty rate among this subgroup will be high in both countries, their share in the total poor population will be low in Chile, where few adults are illiterate, and high in Zambia, where the opposite is true. Putting actual figures on the contribution of each characteristic to total poverty or on the fraction of poor people who share given characteristics is therefore important for the design or review of a safety net program.

A poverty and vulnerability profile will provide clues as to who the poor are and how they may be identified, often based on such indicators as living in a home without electricity. It will not, however, tell us the root cause of their poverty.

UNDERSTANDING CAUSES OF POVERTY AND VULNERABILITY

Understanding the causes of poverty and vulnerability is of paramount importance to select policies and programs that can reduce or eliminate poverty, including safety nets. In general, poverty is generated by a lack of assets, uninsured exposure to shocks, or a combination of these factors. Poverty analysis and risk and vulnerability analysis will inform the choice of intervention: whether to use a safety net program and which type of safety net program would be more appropriate.

With Respect to Which Assets Are the Poor Most Disadvantaged?

Most often, the policies that build the assets of the poor lie outside the social protection sector in sectors such as health, education, microfinance, land reform, or infrastructure to provide basic services. As chapters 2 and 7 indicate, increasing evidence suggests that safety net policies are effective in helping the poor build their assets: public works programs can help build the infrastructure needed to improve income for today's earners

BOX 9.1 Seasonality of Vulnerability in Two Localities in Mozambique

Angoche. The small town of Angoche used to be an important fishing town with several processing plants for cashews, rice, and the like. All but one were shut down in the 1990s. The closure of these plants led to a rapid rise in unemployment and underemployment and to the near collapse of the local economy. Most households resorted to artisanal fishing, informal and petty trade, and subsistence agriculture. A few fortunate people remain employed in the formal sector in public institutions; stores; and a small, recently opened shrimp processing plant.

December through March coincides with the shrimp protection period, when shrimp trawling and fishing are not allowed. Well-being normally begins to deteriorate in January and February, and March and April are the most critical months. During this period the supply of fish is at its lowest and the prices of staple goods, particularly dried cassava, are at their highest. In addition, the beginning of the school year strains household budgets with payments due for matriculation (for children in secondary school), school materials, and uniforms. This time is also when households normally suffer the most from ill health caused by malaria, diarrhea, and even cholera in bad years.

Conditions improve in May and June. Fish, shrimp, and scallops are abundant, both for eating and selling, and agricultural produce (fresh and dried cassava, maize, sorghum, and rice) can be bought at fairly low prices. Well-being remains high into July and August, with a boost from good fishing conditions. Conditions start to decline again in November and December as a result of bad fishing conditions, the onset of shrimp protection, and higher prices for agricultural products.

Xilembene. Xilembene is a peri-urban town. Central to the agricultural engine of Mozambique during colonial times, it has a rich history and is known across Mozambique as the birthplace of Samora Machel, the country's first president. Until recently, it benefited from an extensive and sophisticated system of irrigation canals that stretched across much of southern Mozambique, but the region's infrastructure for agricultural support—which previously included several processing plants, an agricultural seed production factory, and several credit institutions—gradually fell apart because of a lack of maintenance and investment. Irrigation has been in a state of permanent disrepair since the 2000 floods, leaving the fields of hundreds of households without easy and regular access to water. The gradual collapse of agricultural production and marketing devastated local subsistence farmers. Nevertheless, households in Xilembene appear to face smoother and less severe changes in well-being during the year than those in Angoche.

September means the end of the good times. The food situation becomes severe from late October until February or March, with most households eating fewer than two meals a day. The most vulnerable—orphans and female-headed households—rarely get more than one meal a day. This period also coincides with the warm and rainy season, which brings with it malaria and diarrhea. January burdens many households with schooling expenses. The winter months from April through July are times of abundance, with harvests bringing in enough food for most people. In good years, production is sufficient to sell the excess.

SOURCE: World Bank 2008b.

while CCT programs work to build human capital for tomorrow's earners. If infrastructure and human capital are the assets that the poor most lack, then safety nets may not only help them cope with the underlying problem of a lack of assets, but may also be part of the solution.

What Are the Major Sources of Risk?

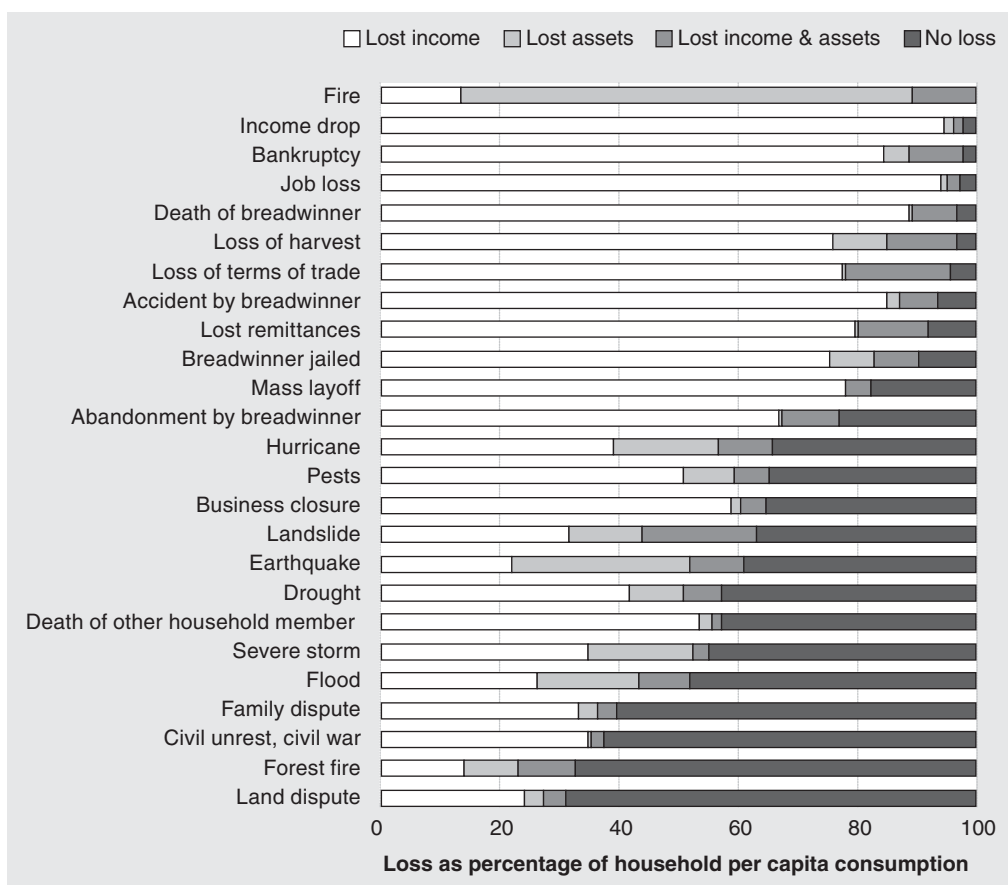
Exposure to uninsured risk is another channel that determines poverty. Various means can be used to identify the major sources of risk the poor face. Analyses for several Latin American countries categorize the population into age groups, list the risks each age group theoretically faces, marshal data on the basic indicators of each risk, and use those data to assess whether the potential problem represented by each risk should be a priority for attention. For example, one would look at indicators of nutritional status to see if children's health and development are threatened. If the malnutrition rate is low, higher priority should be given to other risks. Such analysis can be enriched by systematically distinguishing between different population groups by gender, ethnicity where pertinent, and level of poverty. This approach has the advantages that most audiences find it easy to understand and that programs to address unacceptable outcomes match well with this approach. Its disadvantage is that in grouping together individuals of different ages and needs, it ignores the role of the family.

What Are the Characteristics of the Risks?

Once the sources of risk have been identified, each type of risk should be assessed as to its severity, scope (in terms of the numbers and groups of people affected), and types of effects and their expected frequency within the particular country context. An important aspect of this assessment is determining whether the identified risks affect specific individuals or households and are therefore idiosyncratic (such risks include noncommunicable illnesses, individual short-term unemployment, and family breakup), or whether they affect entire regions or groups of households and are therefore covariate (such as drought, seasonal price volatility, war, or a financial crisis that affects an entire community at the same time). Risks can be either single or repeated events, with examples of the latter being droughts or floods. Covariate, repeated, or compounded (covariate and repeated) shocks are typically difficult to handle through informal means such as savings, loans, or gifts, and an appropriate response to catastrophic events may be long-term net transfers. In contrast, noncatastrophic events that occur frequently but whose effects are not severe, such as transitory illness or temporary unemployment, do not always require long-term net transfers, because affected households may be able to cope using savings, loans, reciprocal gifts, or, in some cases, private insurance. For extremely poor households, however, even these types of events can be devastating. Figure 9.1 gives an example of one phase of a risk and vulnerability analysis for Guatemala.

Are Safety Nets the Appropriate Response to Poverty and Vulnerability?

Once the groups affected by various causes of poverty and their characteristics have been identified, the role that safety nets can play, in conjunction with interventions in other sectors and at the macroeconomic level, can be investigated. Other social protection programs, notably, labor market programs and pensions, and policies to ensure macroeco-

FIGURE 9.1 **Losses by Households That Experienced Shocks, Guatemala, 2000**

SOURCE: Tesliuc and Lindert 2004, figure 4.

conomic stability, rural development, and human capital formation are especially important. Safety nets are typically used to fill in where other policies cannot deliver sufficient results in the short run.

MODIFYING THE DIAGNOSTIC WHEN SAFETY NETS ARE USED TO MITIGATE THE NEGATIVE CONSEQUENCES OF NEEDED REFORMS

In one special instance, safety net programs are called for that require a slight modification of the diagnostic outlined in the rest of this section—that is, when safety net programs are used to compensate those who lose from needed economic reforms. In this case they act as safety nets for politicians as well as for the poor.

The analytical approach used to identify the appropriate compensation mechanism is a form of distributional analysis that in recent years has become known as poverty and social impact analysis (good references on the topic are Coudouel and Paternostro 2006a, 2006b, 2006c; World Bank 2004b). Poverty and social impact analysis is an examination of the distributional impact of policy reforms on the well-being and welfare of various stakeholder groups, particularly the poor and vulnerable. Increasingly, this kind of analysis

is being applied to promote evidence-based policy choices and foster debate on policy reform options, thereby helping to

- examine the link between policy reforms and their poverty and social impacts,
- consider trade-offs among reforms based on their distributional impacts,
- enhance the positive impacts of reforms and minimize their adverse impacts,
- design mitigating measures and risk management systems,
- assess the risks of policy reforms,
- build country ownership and capacity for analysis.

Unlike poverty analysis and risk and vulnerability analysis, poverty and social impact analysis is not a distinct analytical technique. The process begins with an *ex ante* analysis of the expected poverty and social impacts of policy reforms, which will help in the design of the reforms. Ideally, the approach then involves monitoring the results during implementation of the reforms. Finally, where possible, *ex post* evaluations of the poverty and social impacts of the reforms are carried out. Poverty and social impact analysis can be an especially important ingredient in the design and implementation of reforms that are expected to have large distributional impacts, are prominent in governments' policy agendas, and are likely to provoke significant debate.

IMPROVING THE DIAGNOSTICS REQUIRES BETTER DATA

The poverty diagnostic will be more informative for the safety net practitioner if it captures as many dimensions of poverty as possible, which in turn depends on having access to good data. Simple diagnostics tend to focus on monetary poverty, identifying the poor based on their income, consumption, or asset endowment. More complex diagnostics will incorporate nonmonetary indicators of poverty, which identify individuals affected by poor health; poor nutritional status; low level of education or illiteracy; lack of access to basic services; social exclusion; insecurity due to violence, gang activity, or political repression; and/or lack of freedom, voice, or empowerment. Richer diagnostics will incorporate the temporal dimension of poverty. By examining the dynamics of household welfare, such diagnostics quantify the duration of poverty for different population subgroups, separate the chronically poor from the transient poor, and may incorporate an analysis of risk-induced poverty or vulnerability. Table 9.4 summarizes the value added of collecting in-depth information pertaining to different dimensions of household welfare to quantify the need for poverty alleviation programs, including safety nets.

In addition, program diagnostics require data of three sorts: the details of specific programs; an overview of the full panoply of safety net programs; and comprehensive information about all complementary programs in the areas of social insurance, health, education, and poverty reduction.

Conducting in-depth analysis will only be possible for a selected subset of programs. These should include programs that receive substantial budget allocations or that affect large groups of people; smaller interventions that appear to address important, largely unmet needs; and programs for which good evaluations are already available.

A broad overview of the full range of safety net interventions is needed. This might provide only limited information on budget and design features, such as intended target

TABLE 9.4 **Types of Data Required for Different Types of Diagnostics**

Item	Data requirements	Type of analysis
Dimension of poverty: monetary	Cross-sectional survey with information on monetary welfare (consumption, income, assets)	<ul style="list-style-type: none"> • Level and severity of poverty • Poverty profile • Factors associated with poverty
	Panel survey with information on monetary welfare	<ul style="list-style-type: none"> • Chronic versus transient poverty • Transition in and out of poverty • Duration of poverty • Factors causing poverty
Dimension of poverty: monetary, nonmonetary	Cross-sectional survey with information on monetary and nonmonetary welfare	<ul style="list-style-type: none"> • Level of monetary and nonmonetary poverty • Households deprived in different dimensions of well-being (for example, nutrition, health, education, housing, social capital) • Poverty profile for vulnerable groups
	Repeated cross-sectional survey with information on monetary and nonmonetary welfare	<ul style="list-style-type: none"> • Trends in poverty, total and by subgroups
Vulnerability to poverty	Cross-sectional survey with information on welfare, shocks, and risk management strategies and instruments	<ul style="list-style-type: none"> • Main sources of risk to household welfare • Households with high exposure to risk • Households with low coping capacity
	Panel survey with information on welfare, shocks, and risk management strategies and instruments	<ul style="list-style-type: none"> • Proximate factors of vulnerability: low consumption versus variable consumption • Factors causing vulnerability

SOURCE: Authors.

group and benefit levels, and little on actual performance. It should, however, be comprehensive in conducting an inventory of the main public safety net programs run by all ministries and across various levels of government. This sounds relatively straightforward, but may be quite difficult in practice, because the safety net “sector” consists of many programs spread across different agencies and levels of government. Especially where a country has many small or medium programs, they may be insignificant individually, but important in aggregate. For example, in Madagascar, 18 different international aid agencies have financed and/or delivered safety net interventions and together accounted for about 74 percent of the total safety net budget in 2004. The remainder was funded from the government’s general revenues (including the Heavily Indebted Poor Countries Initiative) through five ministries. Chapter 3, section 5, shows that this is not unusual, and indeed, that countries that are not as poor often have even more programs running simultaneously. A second complication arises when countries have safety net policies whose cost is hard to estimate, such as quasi-fiscal subsidies, and such policies are likely to be omitted from the analysis. Typical examples of underreporting include subsidy programs for privileged citizens in the countries of the former Soviet Union and quasi-fiscal subsidies such as energy and water subsidies. Omitting these policies from the diagnostic is likely to

be misleading, because they may account for a large volume of inefficient spending. For example, the quasi-fiscal cost of the subsidies provided to privileged citizens in Russia in 2002 represented 2 percent of Russia's gross domestic product (GDP), or about a third of the entire social assistance budget.

As the safety net needs to fit into broader social policy, understanding the coverage and adequacy of other social services is important, that is, contributory pension systems, health insurance, education coverage, housing policy, and the like (see the discussion in chapter 2, section 2). In a complete review of a country's social protection strategy, these elements may receive parallel treatment to safety nets. In a safety nets assessment, the safety net programs will be the focus, but some information on the context may also be included.

9.3 Assessing the Performance of Individual Programs

The basic issue in assessing an individual program is determining whether it is a "good" version of whatever sort of program it is. The desirability of a public works program versus a needs-based cash transfer is context specific, but obviously a good public works program or cash transfer is always better than a bad one. Ideally, a full cost-effectiveness exercise can be carried out to ascertain how good a program is. In the numerous cases where this is not possible, reviewing individual facets of the program can be helpful, often by benchmarking against other feasible options or against best practice (chapter 7 summarizes some elements of best practice for each type of program). This assessment should be complemented by a review of the program's actual performance. The diagnostic tools and standards for understanding actual performance are much clearer than for looking at systems as a whole.

The performance of a program is multifaceted, thus acknowledging that and considering explicitly different elements of the program is useful. This section discusses four facets of a program: its adequacy, equity, cost-effectiveness, and sustainability. Analysts may work with different numbers of dimensions, title them differently, group them differently, and/or break out factors that contribute to these four dimensions (for example, quality of delivery systems) or add complementary process indicators (for instance, transparency). Indeed, adequacy, equity, and cost-effectiveness together determine whether the program has the desired impact or not, so some writers would lump these features together. We separate them to continue with the multifaceted discussion of impact in chapter 6, to help us understand which feature or features may be working well and which less so, and to enable us to make some judgments in the all-too-frequent cases when policy decisions must be made in the absence of a strong information base.

This book provides only a brief explanation of what we mean by each of the four dimensions. More information is provided in the social protection chapter of the toolkit for preparing public expenditure reviews found at www.worldbank.org/hdipers. The toolkit provides a checklist of topics for analysis (summarized in box 9.2), notes with explanations or references to methodological materials and comparators, and illustrations of some of the types of analyses suggested.

ADEQUACY

A program is adequate if it provides "sufficient" benefits to "enough" people for "long enough." These are, of course, relative terms. The profile of poverty and vulnerability will

provide an indication of the level of need. Considering possible disincentive effects may limit the generosity of a program somewhat; considering fiscal constraints may do so even more. Simplifying a bit, assessing the overall generosity of a program implies taking into account coverage, benefit level, and duration.

Coverage

At its simplest, coverage refers to the total number of people benefiting from a particular safety net intervention. A meaningful analysis should further refine the coverage to make it relevant to the context, for example, calculating total coverage in relation to the number of people in the poorest quintile or two and/or including their geographic location (urban versus rural, specific region) and social characteristics (ethnic group, age, gender).

The analysis should assess whether all the poor are covered by the existing safety net or by other social protection interventions. The most accurate estimation of the gap in coverage among the poor would require survey data with information about household welfare and program receipt. Given this information, the analyst can estimate both the gap in coverage of the overall safety net or social protection intervention (given the complementarities among income replacement benefits such as contributory pensions and unemployment insurance) and the extent to which multiple safety net programs overlap.

Even when no survey data on program receipt are available, the analyst can assess whether the program is large enough to reach all the poor by comparing the fraction of the population that is poor with the caseload of existing programs. For example, if 20 percent of the population lives in poverty and existing programs cover only 10 percent of the population, we know that the safety net is not reaching a large share of the poor. However, comparing the fraction of the poor with program caseloads may be a crude way to gauge how many poor are not being reached by the safety net for two reasons. First, not all the beneficiaries of a safety net program will be poor. In some programs, the eligibility criteria may not be closely linked with poverty, and even where they are, some applicants may cheat to gain eligibility while others bordering eligibility may be accidentally included or excluded from the program. Second, some beneficiaries of safety net programs may be eligible for more than one program, and therefore adding up administrative data on the caseloads of all programs may overestimate the total coverage of the safety net. For instance, in the early 1990s, the Bulgarian authorities were happy with the take-up of the Guaranteed Minimum Income Program, because both the program's caseload and the number of extreme poor (the explicit target group of the program) were similar, around 10 percent of the population. However, as subsequent survey analyses have shown (World Bank 2002b), more than one-third of the existing beneficiaries were not extremely poor, and thus one-third of those who were extremely poor were not served.

A good analysis will take the coverage of other programs into account. Adequacy has to be judged in relation to needs: if social policy has only a small hole, then a small program may be sufficient. In Chile, the proxy means-tested social pensions program covers only 13 percent of the population, but 64 percent of the population is already covered by the contributory system, and presumably not all those who are not covered by contributory pensions are poor, so even though it is small in absolute size, the program makes a meaningful start at meeting needs (Rofman 2005).

BOX 9.2 **The Public Expenditure Review Lens: Analysis of Individual Programs**

A public expenditure review should assess how well a selection of the most important programs is working and provide guidance on any necessary or contemplated reforms. Such analysis should usually cover elements within each of the following areas:

- Adequacy
 - Coverage, which may be disaggregated as pertinent by location (rural versus urban), state, age, gender, formal versus informal sector of employment, and so on. May include demographic projections for pensions.
 - Adequacy of benefit level. Benchmarks will vary by program; for example, social pensions could be compared with the poverty line, unemployment assistance with average wages and the poverty line, social assistance with the poverty line, wages for public works jobs with the market wage for similar work, and the like.
 - Duration of benefit.
- Equity
 - Incidence of benefits received and participation rates and exclusion should always be presented by welfare group, for instance, consumption quintile, when available.
 - Where poverty profiles or program goals indicate or where full distributional information is not available, presenting breakdowns by other pertinent groups—age or gender, location (urban versus rural), covered or uncovered sector—may be useful.
 - Where pertinent, the review should contrast the incidence of participation and of payments made where benefits are not uniform.
- Cost-effectiveness (the specific indicators will vary greatly by program and here we provide only a few examples)
 - Does program design conform to good international practice? Are relevant parameters in line with benchmarks or international comparators?

Comparing the dynamics of poverty with that of program caseloads—for programs aimed explicitly at the poor—may highlight ineffective targeting, as was the case with Russia's Child Allowance Program. The eligibility for child allowances is determined by a simple income test, whereby a child may benefit from the program if the household's per capita income is below the poverty line. During 2000–5, child poverty fell by half, but the caseload fell only by about a fifth. These findings prompted the authorities to launch an in-depth study to investigate why the targeting performance of income-tested programs is mediocre.

Benefit Level

The main issue concerning the benefit level is to determine the adequacy of the transfer in helping program beneficiaries fulfill their basic needs. Several benchmarks can be used to measure the adequacy of benefits depending on the type of transfer and its objectives. The amount of cash or the value of an in-kind transfer could be compared with the income gap between the beneficiary's income level and the poverty line. Similarly, a feeding intervention may assess the nutritional supplement it provides against the nutritional deficit

- Is the level of administrative costs appropriate, that is, high enough to allow adequate administration, but low enough to be efficient?
- Does the intended budget reach the beneficiaries or are there indications of resources being siphoned off for unintended or illegal uses?
- What are unit costs? For example, for public works, what is the share of unskilled labor in total costs? For food programs, what is the cost per calorie provided? For training programs, what is the cost per trainee? How do unit costs compare with appropriate local benchmarks or good international practice?
- Does the program have significant effects on labor markets, for instance, to what degree do social assistance benefits discourage work effort?
- Sustainability
 - Is the burden on the budget sustainable? How do any foreseeable trends brought about by changes in poverty levels or fiscal status affect the answer?
 - What is the budget or expenditure allocation for each social protection program as a percentage of total government expenditure and of social protection expenditure?
 - What is the source of financing for each program (external or internal)? Are funds earmarked? Are there issues of intergovernmental financial flows?
 - Is this source of finance likely to shrink or to grow over time in concert with need?
 - Is the program in conflict with existing policy, legal, or regulatory frameworks that could undermine its sustainability?
 - What is the unit cost of the intervention, for example, to transfer US\$1 to the target group of a social assistance program?

SOURCE: Adapted from www.worldbank.org/hdipers.

of a child, and the adequacy of transfers made through a public works program could be measured by the level of wages it offers compared with the prevalent minimum or market wage or the number of days of employment provided compared with the average number of days of idleness during the slack season. Note that a household may benefit from several programs at the same time or over the course of a year, and therefore the analysis may need to take the combination of several programs into account to assess the adequacy of safety net programs. Finally, a good analysis of benefit level should also address possible work disincentive risks.

Duration

A further dimension of adequacy is the duration of the benefit. Some programs are meant to provide seasonal or episodic support, in which case they can be judged against the length of the season of need. For example, does the heating allowance provide assistance for the entire winter or only for six weeks? Does the school feeding program run out of food before the school year ends? Other programs are designed to provide continuous support, although sometimes for limited periods. In such cases, considering whether the

family's underlying need is likely to have changed before the program ends is useful—that is, will they have had enough time to increase their assets or likelihood of employment so that they will no longer need assistance?

EQUITY

Equity analysis examines the distribution of benefits across pertinent groups, showing both who is included in the program and who is excluded. One of the most common goals of safety net programs is redistribution, so looking at patterns of inclusion and exclusion across the distribution of welfare, as measured by consumption (or income or assets) is always pertinent. Looking at rates of participation and exclusion among various other groups is usually also wise, with analysis carried out by age, gender, ethnic group, geographic location, economic sector, and so on to see whether patterns of exclusion other than income or consumption are addressed. Moreover, the goals of some safety nets are to reach those affected by specific shocks for which some of these household characteristics may be proxies.

The benchmarks to be used in judging whether the patterns of benefit are acceptable are not absolute. First, they depend on the definitions of the target groups. Safety nets are usually meant to help certain groups in society, such as the poor, those who have suffered specific shocks, those believed to be vulnerable, and so on. The definition of target groups may differ from place to place and time to time, and is sometimes kept rather vague so as to build coalitions of support across advocates for different groups. (See chapter 4, section 2, for benchmarks with respect to errors of inclusion in relation to the welfare dimension and chapter 6, section 5, for a methodological treatment of the analysis.)

Second, the benchmarks should relate to feasible alternatives. For example, serving the same population group is more costly if it is dispersed than if it is concentrated in few locations. A country with a significant share of its population dispersed in remote areas will have inherently bigger challenges in covering all the poor than one that is more densely settled or has extensive transport systems. A country with a long history of exclusion of ethnic groups or women may wish to benchmark itself against countries with similar legacies but recent progress and not only against countries where such discrimination does not exist.

COST-EFFECTIVENESS

Good programs are cost-effective: they improve the livelihood of participants using the least amount of resources. As discussed in chapter 6, section 4, a cost-effectiveness ratio (or cost-benefit ratio when outcomes can be expressed in monetary terms) can be estimated for a program as a whole or for different parts of a program's production function. This subsection illustrates the usefulness of these indicators and examines the related issue of whether a program has sufficient resources to fulfill all its functions.

Efficiency and Effectiveness

Full cost-effectiveness or cost-efficiency analysis is rarely undertaken for safety nets. Rather, individual dimensions that contribute to the program's overall cost-effectiveness are examined, in particular: (1) efficiency in procurement, which assesses whether the program achieved value for money in relation to purchases; (2) efficiency in service delivery,

which compares the program's output with the inputs used to generate the output; and (3) effectiveness, which examines the program's results (change in outcomes) per unit of output. These indicators cover different parts of the program functions logically along the program's results chain.

Efficiency in procurement is important for in-kind transfer programs such as food distribution, school feeding, and public works programs. For example, nonlabor inputs and capital goods should represent 30 to 50 percent of the costs of a productive public works program, and obtaining the best value for money for these items can reduce the program's overall costs and increase the amount of resources that goes to beneficiaries. In getting good value for money, the program should examine how costs and quality vary depending on the source of the purchases—for example, whether they are bought locally, domestically, or on the international market—and should follow transparent procurement practices. In general, using locally produced inputs rather than importing them from abroad is preferable, especially for food, as this tends to cost less because of savings on transport costs and has less of an impact on local production. However, this is not always feasible or true. The effectiveness of school feeding programs is enhanced when the food is fortified, and this may be less easily done for community-level local purchases. For all types of programs, having transparent procurement procedures and monitoring the cost and quantity of inputs is important.

Another aspect that may be examined is how efficiently the program transforms its inputs into outputs. Table 9.5 provides an example of cost-efficiency analysis where the measure is the cost of delivering 1,000 calories via various school feeding programs. This is a fairly straightforward case with closely comparable outputs and inputs across different programs.

TABLE 9.5 **Cost-Efficiency of Various School Feeding Programs, Panama, 2005**

Item	Milk	Porridge	Cookie	Lunch
Subsidy per ration (B)	0.21	0.09	0.13	0.13
Calories per ration	159	161	150	645
Subsidy per 1,000 calories per day (B)	1.33	0.55	0.84	0.20
Grams of protein per ration	8.1	4.0	2.2	16.3
Subsidy per 100 grams of protein per day (B)	2.62	2.22	5.70	0.80

SOURCE: World Bank 2000c, table A16.1.

NOTE: Subsidy amounts are given in Panamanian balboas.

Table 9.6 illustrates a more complex and less common cost-effectiveness analysis that compares the costs of reducing the poverty gap using different kinds of programs (a ratio of program cost per unit of output). Here it was necessary to assume that gross and net benefits were equal. To calculate how gross and net benefits may differ requires full modeling of behavioral changes, an enterprise that more closely resembles impact evaluation

(chapter 6, section 5). If full modeling is not possible, the results of such modeling for similar programs in similar contexts may give an idea of what to expect.

When performing a complete efficiency analysis is not possible, judgments may be based on consideration of whether a program seems to have incorporated good practice in its design and have sufficient implementation capacity (chapter 7). These elements may not

be sufficient to produce an efficient program, but are probably necessary. A 2003 analysis of the Gratuitous Relief Program, a food-for-work program in Ethiopia, concluded that the program was inefficient and had a low impact because the works part of the program had too few nonlabor inputs, the works selection was not integrated into appropriate planning systems, and works were poorly supervised (World Bank 2004a). Because the food was often received late and during the rainy season when works were difficult or impossible to undertake, the labor requirement was often not enforced, but the food was nevertheless distributed to avoid a humanitarian crisis. Thus none of the usual elements of a good public works program (as described in chapter 7, section 4) were fully in place.

Adequate Funds for Administrative Costs

Understanding administrative costs is important for understanding program efficiency. To maximize the level of transfers reaching beneficiaries, the obvious desire is to minimize administrative costs. At the same time, delivering cash or in-kind transfers is like any production process: to reach the intended beneficiaries with the desired transfer or service, programs have to finance a set of critical functions, such as receiving and processing applications, dealing with appeals, processing payments, undertaking monitoring and evaluation, and exercising oversight over how program resources are used. Programs that allocate insufficient resources to perform these functions tend to perform poorly. As a result, sector specialists often ask what a reasonable level of administrative costs is.

After sifting through all available studies (see the annex to this chapter) and making whatever allowances for differences in methods of assembling data on administrative costs and program design and implementation factors that we could,² we arrive at the conclusion that the administrative costs of well-executed cash or near cash programs cluster in the range of 8 to 15 percent of total costs (figure 9.2). Anything much less may imply underdeveloped administration, though it may also imply significant economies of scale and/or an extremely generous program. For example, both factors explain the low share of admin-

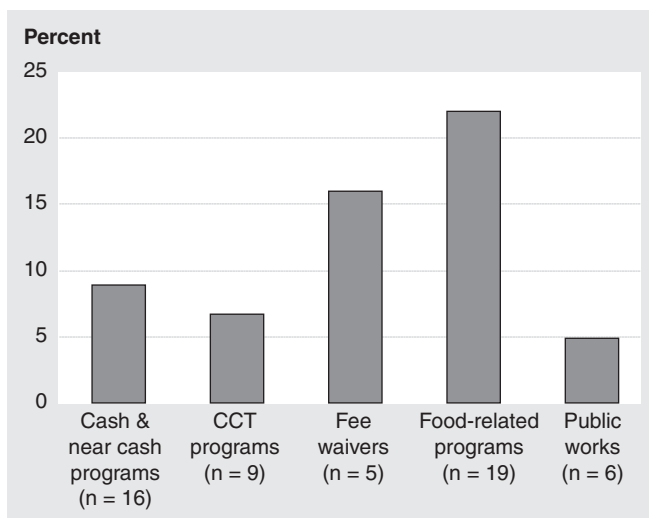
TABLE 9.6 **Cost-Effectiveness of Transfers to Reduce Poverty, Guatemala, 2000**

Program	Quetzal of cost for each quetzal of reduction in poverty gap
All social assistance programs	1.4–2.0
School feeding	1.5
School transport subsidies	6.0
Scholarships	3.0
Energy subsidy	8.0
Social insurance	5.0–9.0

SOURCE: World Bank 2003f.

NOTE: The cost-effectiveness of poverty reduction estimated in the table are purely static and thus inappropriate for comparing programs with different expected future returns, for example, education-related programs versus cash transfers.

FIGURE 9.2 Share of Administrative Costs in Program Budget, Median Value by Type of Program, Selected Programs and Years



SOURCE: See the annex to this chapter.

administrative costs for Mexico's Oportunidades program (about 6 percent of total program costs) and for Armenia's Family Poverty Benefits Program (about 2 percent). Anything beyond about 12 to 15 percent of total costs bears close examination to see why administrative costs are relatively high. They may be entirely appropriate because the program is providing good service to a narrow target group or noncash services that the analyst has considered to be administration, but

conveys a direct benefit, or it may be a sign that the program could be improved.

On average, the share of administrative costs is larger for food-related programs because of the logistical costs of transportation, storage, preparation, and related losses during these phases of such programs. For the 19 food-related programs presented in the annex to this chapter, the average share of administrative costs was 22 percent.

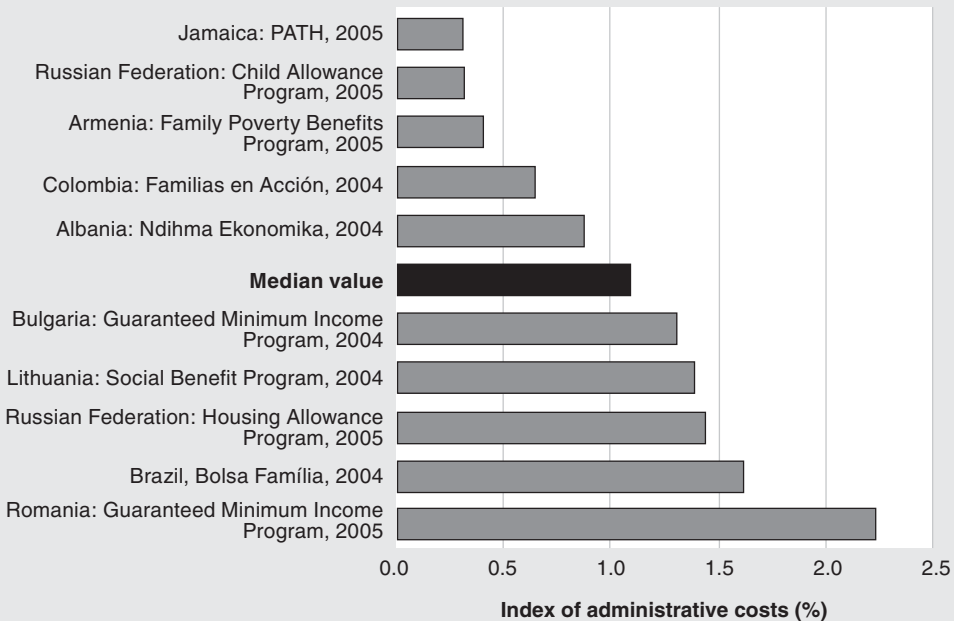
This benchmark must be used thoughtfully. As described in chapter 4, section 2, arriving at a reasonable estimate of administrative costs for a single program can be difficult, and arriving at numbers that are comparable across countries is likely to be still more difficult. We present a proposal for an indicator that will allow cross-program and cross-country comparability in box 9.3. Even when approximately comparable numbers are available, interpretation may be open to several subtleties. In examining a number, the following key questions should be asked:

- **Is the number high because the scale of the program is small or the program is just starting up?** This is the case for the administrative cost numbers often cited for Nicaragua's CCT program or the initial year or two of Oportunidades (Caldés, Coady, and Maluccio 2006). Now that several CCT programs are operating to scale and have undergone credible impact evaluations, and the findings of those evaluations have been positive, we know that a good CCT program can be run with administrative costs on the order of 6 to 12 percent (Lindert, Skoufias, and Shapiro 2006).
- **How does the program's level of generosity affect conclusions about the share of administrative costs?** In 2000–7, Russia's child allowance program had administrative costs of about 10 percent of the total, which sounds fine, but the program's benefits were low, equivalent to only 25 percent of median family allowance benefits in 22 European and Central Asian countries. Compared with

BOX 9.3 A Proposal for Benchmarking Administrative Costs

If generosity differs across programs, then comparing the share of administrative costs in total costs with the usual share of administrative costs may lead to the wrong conclusion, as in the Russian example cited in the text. To assess whether a program's administrative costs are within the normal range, we prefer to compare the administrative costs per beneficiary, expressed in purchasing power parity terms. We encourage analysts to report this information whenever they examine a program's administrative costs.

Alternatively, analysts can multiply program generosity, calculated as the ratio of benefits to the consumption of the beneficiary household based on household survey data, with the share of administrative costs and compare this index across safety net programs of the same type, for example, cash programs, public works programs, or school feeding programs. The following figure reports this index for a sample of programs from Europe and Central Asia and Latin America and the Caribbean.



SOURCE: Tesliuc and others forthcoming.

NOTE: Index of administrative costs = Generosity × Share of administrative costs in total program budget.

similar programs in that region, the staff of the Russian program needed to make ends meet with only a quarter of the budget provided elsewhere. The program achieved its low administrative costs by underinvesting in some program functions that are critical for accurate targeting, such as third-party verification of claimants' incomes and assets, recertification, and adequate monitoring and evaluation. Employee workloads became huge, with one staff member serving 1,655 beneficiaries. In contrast, the workload in well-targeted programs in Armenia and Romania was only 180 and 93 beneficiaries per staff member, respectively. In

qualitative interviews with employees of the Russian program they cited lack of time as the key reason for their superficial treatment of important program functions. Not surprisingly, the program's targeting accuracy remained low, with more than 60 percent of the children being served falling outside the target group.

- **Is the number high because of an inherent design problem?** This was the case with Mexico's old Leche Industrializada Compania Nacional de Subsistencias Populares (National Subsistence Commodities' Industrialized Milk Program), which provided subsidized fresh milk to the urban poor through dedicated stores. This design was expensive compared with many other possible variants. By using dedicated stores for a single product rather than selling the milk through commercial outlets, it had to maintain a large physical and staff infrastructure for a relatively small throughput. By selling a highly perishable product, the program had to deal with the complications of refrigeration, rotation of inventories, and spoilage that ration stores that sell cereals do not face to the same extent. By focusing on milk, transferring calories was inherently expensive (Grosh 1994).
- **Is the number too high because of leakages or losses?** Food transfer programs in South Asia have high administrative costs because they procure, store, and transport food commodities; in addition, they suffer from leakages and losses resulting from pilferage and spoilage. In India, the estimated cost of transferring Rs 1 of food grains under the targeted public distribution system in fiscal 1999/2000 was Rs 1.11 without leakages, but Rs 1.59 once estimates of leakage were taken into account (World Bank 2001e).
- **Would additional administrative expenses or systems pay off in relation to efficiency or improved impact?** The U.K. government estimates that it spent about £1 million on a hotline to reduce fraud in all social protection programs, and as a result identified about £21 million in overpayments (Barr 2007).

SUSTAINABILITY

Sustainability has fiscal, political, and administrative dimensions as follows:

- **Fiscal sustainability** depends on both the level and sources of financing. Less costly programs or programs in countries with fewer fiscal pressures will be sustained more easily. Programs wholly financed by current tax revenues are more likely to be sustained than those reliant on deficit spending, borrowing from international aid agencies, or grants from donor agencies. Low-income countries with low tax bases tend to rely on donor funding to support their safety net interventions, and this reduces the sustainability of their programs.
- **Political sustainability** is difficult to write about with certainty, because both public attitudes about poverty and safety net programs differ from place to place, and because the specifics of governmental structures and party dynamics differ as well. Whether a program targeted to the very poorest or a more general program aimed at a larger group of still mostly poor people is more politically sustainable is a disputed issue, and is probably context specific. Nevertheless, a program that is well run; that demonstrates good results; and that communicates these results

effectively to its supervisory agencies, interested advocacy groups, the press, and the public is on much firmer ground than one that can only appeal to the idea that it is doing “good works.”

- **Administrative sustainability** requires building and maintaining a minimal administrative apparatus (or capacity) and a sufficient administrative budget. A minimum administrative capacity is required if there is a need to scale up a program or to maintain program know-how across political cycles. As is clear from chapters 4 through 8, a program cannot be well run without a basic level of inputs. Contracting out or allocating functions to entities other than the main safety net agency can lower the number of staff directly on the program’s payroll, but requires that arrangements with the contributing agencies are sustainable and that appropriate incentives and monitoring arrangements are in place. It may even raise the level of sophistication of required systems.

9.4 Assessing the Performance of the Entire Safety Net System

An assessment of individual programs will result in an understanding of which are performing well or badly and of areas where improvements might be possible. Targeting systems might be fine-tuned, benefit levels revised, or systems for monitoring and management action developed. When considering reforms of existing programs, the safety net system as a whole also needs to be examined. Perhaps the most important action may be not to fix each existing program individually, but rather to discontinue or consolidate some programs or add others.

A good safety net system depends not only on individual programs being “good,” but on the mix of programs being appropriate and fitting well into broader poverty reduction, risk management, and social policies. The entries presented in box 9.4 will help the analyst examine this issue. The analysis matches the needs revealed by the poverty and vulnerability assessment discussed at the beginning of this chapter with what we know about the advantages and disadvantages of various types of programs from chapters 7 and 8 and the evaluations of specific programs.³

APPROPRIATENESS

A first set of questions examines whether the safety net programs are appropriate: whether a safety net is the best policy response to the country’s problem, whether it complements other social protection and antipoverty policies well, whether it incorporates an efficient way to target the main groups, and whether the overall budgetary effort is reasonable. These questions are as follows:

- **How much of the poverty or vulnerability problem is best addressed by safety nets?** Often, reducing poverty and vulnerability requires public interventions other than safety nets or can be accomplished using multiple policy instruments. For example, a review of agriculture policy in Sub-Saharan African countries (Krueger, Schiff, and Valdes 1991) shows that several countries were taxing their farmers, most of whom were poorer than their urban counterparts, through a combination of export tariffs and marketing policies. The implicit tax on the value added of the

BOX 9.4 **The Public Expenditure Review Lens: Sectorwide View**

This part of the analysis investigates the overall composition of social protection expenditures and addresses whether the mix of programs and their size is adequate or sensible given constraints. It normally addresses the following issues:

- Get the big picture
 - List the country's main public programs: child allowances, noncontributory pensions, needs-based social assistance, food programs, public works, targeted fee waivers, any other social assistance programs, unemployment insurance and assistance or active labor market policies, contributory pensions, and so on.
 - List pertinent nongovernment programs: private pensions, large programs by nongovernmental organizations, unusually large international remittances, and local inter-household transfers.
- Obtain an overview of budget allocations, trends, and processes
 - List public expenditures by program and calculate the safety net and social protection sector total as a share of GDP and of total public expenditures and in absolute values.
 - Assess intergovernmental financing arrangements, including defining and describing the operations of any subvention mechanisms.
 - Obtain trend information to show whether program expenditures are countercyclical and whether the balance between programs is changing over time.
 - Review issues pertaining to budget formulation, execution, and auditing and the incentives conveyed therein that affect the sector or its subsectors.
- Identify gaps, overlaps, and inefficiencies
 - Does the program mix have an appropriate blend of social insurance and social assistance? Of coverage in the formal and informal sectors?
 - Is the mix of public and private programs suitable?
 - Does the program mix provide an adequate balance of efforts to assist the chronically poor, transient poor, and special groups that may need aid even if overall poverty is low?
 - Given the risk profile, do large gaps exist in areas of intervention? Significant overlaps? Duplication? Fragmentation?
 - Is the overall level of effort sensible? Too high? Too low?

SOURCE: Adapted from www.worldbank.org/hdipers.

agriculture sector was used to finance government consumption and urban investments and was, in effect, a transfer from the poor to the rich. In such settings, rural poverty can be tackled more effectively by removing the agricultural price distortions than by using rural safety nets. Safety net policies may complement this approach, for instance, by providing transfers to poor, landless households in rural areas. Similar trade-offs often arise in other sectors as well. To reduce high unemployment, a government may finance a workfare program in a depressed area or develop the infrastructure for a free trade zone. If primary school enrollment is low, a government may build schools in areas with high poverty, provide free

primary education for all children, or give scholarships to poor children. If high out-of-pocket expenditures block access by the poor to public health services, the government may build health posts in poor areas, provide a free package of health interventions, or give health waivers to the poor. Often, the optimal response is not to choose one option, but to combine a number of options.

- **Does the safety net system fit well within the range of complementary social insurance and poverty reduction policies?** Is the system unbalanced, providing too little for safety nets and too much for social insurance? Is the balance of demand-side (social protection) and supply-side (health and education) programs suitable for human capital formation? Do programs dovetail well enough; for example, are social pensions and contributory pensions functioning in a coordinated way to providing adequate income support for the elderly? Or does the social pension unduly undermine incentives to contribute to the employment-based scheme? Does the social assistance of last resort program unduly undermine job search or work in the informal economy?
- Do programs cover the main groups that should be covered? Does the program mix provide an adequate balance of efforts to assist the chronically poor, the transient poor, and special groups that may need aid even if overall poverty is low? Brazilian social policy in the 1990s, for example, was often criticized for devoting radically more resources to the elderly than to children despite much higher poverty rates among children and the evidence on the importance to human capital and lifelong outcomes of ensuring adequate child welfare. This was partly redressed with the expansion of the Bolsa Familia (Family Grant) program. Other countries use a single program of last resort to address the needs of different groups, such as the guaranteed minimum income programs in transition economies that give benefits to children, the elderly, people with disabilities, and others living in poor households.
- Are resources dedicated to an efficient mix of programs within the safety net? In addition to seeing that each program operates as well as it can, looking at the balance of programs is important. For example, in 2004, the Arab Republic of Egypt spent the equivalent of 10.5 percent of GDP on general food and energy subsidies that benefited the nonpoor more than the poor (World Bank 2005e) and distorted incentives for the production and consumption of these goods. Meanwhile targeted safety net programs received only 0.3 percent of GDP, and poverty remained at 20 percent. Clearly the safety net could play a greater role if resources were shifted from general subsidies that mostly benefit the nonpoor to targeted safety net interventions.
- Are resources reasonable? Resources are rarely adequate to do all that a government might want to in the area of social policy. One can judge whether resources are reasonable by comparing spending with the cumulative income gap of the poor, or perhaps spending with the poverty gap of the poorest 10 or 15 percent of the population. Looking at the resources put into targeted safety nets versus into contributory social insurance and subsidies in other sectors—electricity, fuel, water, health, education, and so on—is useful. In doing this, it makes sense to think

about whether transfers would be as good or better as a way to meet equity or risk management goals than some of the other options and about whether progress toward other goals and services is more or less constrained than for safety nets. One can also benchmark against what other countries spend on safety nets.

Box 9.5 lists a number of common mistakes made in reforming safety net systems.

BOX 9.5 Common Pitfalls in Reforming Safety Net Systems

When developing reform plans, avoiding common pitfalls such as the following is important.

- **Having unrealistic expectations.** Safety net programs can never fully compensate for macroeconomic instability or eliminate the causes of poverty, although they can be helpful when used in conjunction with policies that address the root problems of these.
- **Avoiding conflicts between policies and programs.** Safety net programs cannot be expected to, for example, solve an unemployment problem caused by excessively restrictive labor market regulation or rural poverty caused by distortions in agriculture markets.
- **Avoiding having too many programs.** International experience is rife with countries that have too many programs, each with low coverage, low benefits, inadequate administrative systems, and high overheads. Having fewer, larger programs would allow them to achieve economies of scale. In countries with too many programs, they often overlap and are not sufficiently coordinated to achieve the best possible synergies.
- **Preventing an imbalance in target groups.** Programs may be excessively based in the formal sector or favor “virtuous groups” such as children or the elderly while failing to cover other groups, such as minorities or those with disabilities.
- **Rationing entry into a program by budget rather than by eligibility threshold.** When the funding for a program is insufficient to allow all those who meet the defined eligibility criteria to be included, horizontal inequity is created, transparency declines, and opportunities for rent seeking are created whereby eligibility intake officers may demand bribes or give favorable treatment to those with whom they share an interest or affiliation.
- **Having insufficient administrative effort, monitoring, and evaluation.** Programs are often set up in a hurry with only rudimentary systems. They may die altogether or fade away after a few years, especially if a change in government occurs. Developing and fine-tuning the most effective safety net systems takes time.

INCENTIVE COMPATIBILITY

A second set of questions examines whether the interactions between different safety net programs stimulate work and economic independence for beneficiaries as opposed to creating poverty traps. These questions are as follows:

- **Does the safety net contain elements that help households avoid irreversible losses?** One of the most compelling reasons for safety nets is to prevent irreversible losses to households’ or individuals’ long-term welfare resulting from a short-

term coping strategy. Childhood malnutrition is perhaps the most irreversible and most costly example. A notable feature of current interest in relation to CCTs in Sub-Saharan Africa is that proposals and discussions tend to focus only on links to the education system despite a substantial improvement in primary school enrollment rates, while malnutrition is still high and worsening.⁴ Allowing households to retain their land, animals, tools, or other inputs to their livelihoods is important everywhere, thus a minimum goal would be to avoid such losses.

- **Does the safety net contribute as much as is appropriate to the long-term reduction of poverty?** As described in chapter 7, a number of safety net programs contribute to long-term poverty reduction: CCT programs can improve the human capital of children and public works programs can improve the physical capital of communities. Recently, a handful of programs has been experimenting with other ways to move households into independence through links to other efforts, such as obtaining documentation, or through training and access to microfinance.

9.5 From Diagnosis to Action

The review of the mix of programs and how well each functions is likely to lead to ideas for reform, as few systems are optimal. Changes may be dramatic and entail eliminating or merging some programs and creating others, or may be more moderate and involve a change in the relative size of programs or modifications to one or more programs.

ASSESSING REFORM OPTIONS

Using the information generated during the preceding steps, the team responsible for designing the action plan for reforms can put together a list of interventions to address existing gaps and needs. The next step is to prioritize the interventions and determine their implications for existing programs or policies. This exercise will result in one or more proposals for a more appropriate mix of safety net and social protection interventions. These proposals may differ from the status quo in one or more of the following ways:

- **Changing the budget envelope for safety net interventions.** Often a country will find that it is spending too little to have an effective safety net. It may need to scale up existing programs (sometimes reforming them first for greater efficiency) or add new programs to its safety net. Some countries will find that they are spending too much on programs that are aimed at redistribution or at protecting equity, but are actually based on inefficient general subsidies or on social insurance programs that are ineffective in reaching the poor.
- **Reforming one or more existing interventions to make them more effective or to change their purpose.** Often, modifying existing safety net interventions is helpful. In some cases, changes in a program's rules or administration can markedly improve its effectiveness. In these cases, the program should already be reasonably well suited to the poverty situation in the country in question.
- **Creating a new intervention.** Introducing a new safety net intervention is often tempting, especially when a major risk or cause of poverty is largely unaddressed.

Despite a valid justification for the program in such cases, the value of the new program with regard to other uses of funds must be assessed. Establishing a new program that addresses an issue that should have been addressed by other, poorly performing programs is tempting, and particular care must be taken in such situations. Sometimes starting a new program is appropriate, as when small local programs cannot be scaled up without losing their effectiveness, but in many cases, starting a new program rather than resolving an old one's flaws can prove costly in the long run. The forces that led to the need to reform the old program or that made it difficult to reform may, over time, affect the new program, leaving the country with two poorly performing programs. Moreover, neither program will have as much opportunity to achieve full economies of scale.

- **Replacing or removing existing interventions entirely.** This may be desirable if the interventions are ineffective and cannot be feasibly modified or if they address low-priority groups or risks. To make such a move palatable, a government usually has to show that the funds (and sometimes the staff and structures) will be used for some other intervention in support of a broadly similar goal.

Table 9.7 provides some examples of recent safety net reforms.

ADOPTING AN ACTION PLAN

The purpose of an action plan is to ensure that medium-term and long-run goals are accomplished by ensuring that the immediate and intermediate steps are taken. At a minimum, the plan should include details on (1) the steps required to get from the status quo to the goal, (2) the resources required, (3) the timetable, and (4) the assignment of who is responsible for each action. Including other factors, such as how stakeholders will be consulted and the indicators that will be adopted to monitor progress, may also be useful. Many of the issues that must be addressed when developing an action plan for the safety net sector are generic to action planning generally.

Often the plan will need to be developed iteratively. For example, a first, general version might include an entry such as “reform the public works program.” A more detailed version should elaborate on subcomponents of the reform, such as “get an exemption from the minimum wage law,” “develop a poverty map,” and “develop a manual of unit costs for tools and materials with suitable regional variations.” A third version should detail the steps required to pass legislation or to gather the data for the unit cost manual. As successive levels of detail are added, inconsistencies across goals, resources, and time frames may emerge. Identifying these so that they can be resolved is important. The different levels of detail are also useful for the various users of the plan. Pamphlets for dissemination to the general public may reflect only broad goals and minimal detail, for example, but those who are actually implementing the plan will need much more detail if the work is to stay on track, especially where work by multiple offices has to be coordinated. Detailed development of the plan is also an important way of verifying that the goals in the general version are actually achievable.

The resources required can be specified in several ways, with the one-time investment requirements and annual recurrent costs specified separately. Each will need to fit within the respective budget envelopes. Specifying the administrative resources required

TABLE 9.7 **Examples of Recent Reforms by Type**

Type of reform	Country	Year	Action
Improving individual programs	Argentina	2005	Transition from emergency Jefes de Hogar (Heads of Household) cash transfer program to the Seguro de Capacitación (Training Insurance) program, a medium-run employment services approach
	Ethiopia	2005	Transformation from relief-oriented food aid to a meaningful public works program complemented by transfers to those who cannot work
Adding significant new programs	Colombia	2000	Creation of the Familias en Acción CCT program
	India	2007	Nationwide extension of the Employment Guarantee Scheme
	Lesotho	2004	Creation of a universal social pension
Merging several programs	Brazil	2004	Merger of the Bolsa Escola, Bolsa Alimentação, Cartão Alimentação, and Auxílio Gás programs into Bolsa Família
	Jamaica	2001	Merger of the Food Stamp Program, the Outdoor Poor Relief Program, and public assistance into the PATH
Replacing some programs with others	Armenia	1999	Replacement of 26 categorically targeted payments with a single proxy means-tested family benefit
	Ecuador	2003	Replacement of the Bono Solidario and Beca Escolar programs with Bono de Desarrollo Humano, a program with greater coverage and generosity and a stronger beneficiary identification system
	Georgia	2007	Replacement of most existing, fragmented social assistance programs with a proxy means-tested targeted poverty benefit
	Mexico	1997	Replacement of a range of in-kind food and price subsidies with PROGRESA
Reducing subsidies and creating compensatory programs	Brazil	2002	Elimination of gas subsidies and the creation of Auxílio Gás
	Indonesia	2006	Reduction in fuel subsidies and the creation of a cash transfer program
	Jamaica	1984	Elimination of food subsidies and the creation of the Food Stamp Program
	Romania	1997	Replacement of heating and utility subsidies with targeted, seasonal heating allowances

SOURCE: Authors.

(personnel, training, equipment, processes) in detail can be useful. Even though their financial cost may be small relative to the program's benefits, making them available may require significant lead time—for example, if significant training is required, if new tasks are to be accomplished so that new staff must be hired or jobs redesigned, or if databases or administrative systems need to be built from scratch. Identifying specific needs makes it possible to see what measures are required to meet them and how the program might be phased.

Specifying who is responsible for each action can be particularly important for safety net strategies, because so many actors carry out safety net interventions. No single head of sector is available as, for example, a ministry of education would be for all matters relating to education. For instance, unless specified, who would be responsible for such cross-cutting actions as ensuring that safety net programs carry out impact evaluations at least once every five years would be unclear. A single decision-making unit, usually in the ministry of planning or finance or the prime minister's office, may be assigned to monitor progress and provide technical assistance, but many agencies will have to carry out evaluations of their own programs. Furthermore, many individual programs involve multiple actors, such as a central ministry and local offices, a municipality, a nongovernmental organization, and grassroots groups. Note that donor agencies have a large role in some safety net programs and may have to take some actions to bring about the desired reforms. The assignment of responsibility in the action plan is to ensure that every action is carried out, with none being omitted because the parties involved were unaware of their responsibilities. Such assignment may also reveal the complexity of the process or highlight potential synergies wherein, for example, several actors might carry out a common consultative process jointly rather than each undertaking it separately.

ADDRESSING THE CHALLENGES OF THE REFORM PROCESS

All reform programs face challenges. Here we discuss common elements related to financial constraints, political feasibility, and administrative capacity. The many technical challenges related to specific kinds of programs or their specific functions are discussed in greater detail in chapters 3 through 8.

Different types of reforms will face different combinations of challenges. A new program creates new winners among beneficiaries and program officials, so the political feasibility issues may be easy, but obtaining sufficient financing may be hard. Setting up new systems will require building administrative capacity, but starting from a clean slate may be technically easier than merging or transforming several legacy systems as a program merger or upgrade would require. In contrast, closing programs is politically challenging, but relatively simple in relation to financial and administrative issues. Reforming an existing program will involve both political and technical challenges, but may not pose financial challenges. The creation of new safety net programs may occur more often than the reform or discontinuation of programs in part because this is easier to accomplish.

Financial Constraints

Any action plan should fit within its budget constraint, that is, any new program or proposed reform must be financially feasible. This may seem obvious, but numerous strategy exercises, many of which never bear fruit, fail to look at financial sustainability issues.

The first step in determining what is affordable is to estimate what a program might cost. Table 9.8 shows the illustrative costing exercise done in Pakistan as part of the development of the social protection strategy (Government of Pakistan 2007). It sought to put options on the table for a consultation process intended to garner support to expand the safety net system. The safety net part of the strategy suggested an increase in spending for targeted safety nets program from PRs 11.3 billion in 2004 (0.2 percent of GDP) to PRs 35.8 billion in 2010 (0.63 percent of GDP), resulting in an increase in coverage of

TABLE 9.8 Estimated Annual Costs and Expected Coverage of a Proposed Safety Net Reform Package, Pakistan, 2006–10

Programs	Current situation (FY2003/04)		Targets: minimum requirement	
	Cost (billion PRs)	Beneficiaries (thousands of households)	Cost (billion PRs)	Beneficiaries (thousand of households)
Cash transfers	10.0	2,069	18.0	3,150
Zakat (almsgiving) Program (cash and other transfers)	5.9	800	5.9	800
Food Support Program	4.0	1,250	2.2	700
Child Support Program (CCT program)	n.a.	n.a.	8.8	1,300
Pilots, such as for child and bonded labor programs	0.1	10	1.1	350
Public works programs	n.a.	n.a.	15.0	2,110
School feeding programs	0.7	500	1.6	800
Social care services (people with disabilities, vulnerable children)	0.6	50	1.2	100
Total social assistance	11.3	2,610	35.8	6,160

SOURCE: Government of Pakistan 2007.

NOTE: n.a. = not applicable.

the programs from 10 percent of the population in 2004 to 24 percent by 2010, or from 2.6 to 6.2 million households. The proposed increase would bring Pakistan more closely in line with average spending in the region.

Taking into account the population's poverty and vulnerability profile, the strategy proposed the introduction of a new CCT program, for which part of the unconditional cash transfer spending would be reoriented, and new workfare programs that would help the poorest households earn higher and more stable incomes. Some of the likely benefits of the proposed reform would include higher and more stable incomes for poor and vulnerable households; enhanced food security (diversity, quality, and quantity of food consumed); significant increases in school enrollment, attendance, and completion; reduced levels of child labor; lower levels of rural to urban migration; a more vibrant rural economy; and moderately lower income inequality.

In assessing the financial sustainability of the proposed strategy, the authors carefully considered different alternatives for creating the fiscal space for needed safety net programs. Although the proposed increase in targeted program spending is substantial, it starts from a low base: combined spending for social insurance and assistance is less than 0.5 percent GDP in fiscal 2003/04 and only 3 percent of pro-poor expenditure as set out in the Poverty Reduction Strategy Paper. The overall increase in spending will account for only a small fraction of the agreed increase in pro-poor spending, from 4.25 in 2005 to

6.49 percent in 2010. Part of the cost of the strategy will be financed by eliminating unnecessary programs and waste and by reorienting some programs.

The budget must be consistent with the eligibility threshold and benefit levels. When the funding for a program is insufficient to allow all those who meet the defined eligibility criteria to be included in the program, horizontal inequity is created and transparency declines as eligibility intake officers gain discretionary power over who among those eligible may enter the program, thereby creating opportunities for corruption.

Thinking about various time horizons is also important, for example, whether the program is intended to solve a crisis and likely to be radically reduced or terminated after a couple of years. However, as discussed in chapter 3, many such programs stay in place after crises because they really targeted the chronically poor rather than the transient poor, and so were still needed after the crisis had passed. Even programs designed for those who were made transiently poor by a covariate shock may be continued after a large covariate shock abates and program designers realize that idiosyncratic shocks are present that cause transient poverty, and thus that a permanent program to serve those affected may be useful. Alternatively, a program may stay in place for less technically sound but still powerful reasons, for instance, that removing a program or dismissing the civil servants who are administering it may be politically unpopular.

Looking at the time horizon thoughtfully is also important for programs intended to be permanent from the outset such as social pensions. Sometimes governments set up programs to assist the very old that provide a modest income supplement and are therefore affordable, but two factors may increase their budget over time. First, demographic changes are leading to more people surviving to older ages, leading to a predictable increase in the number of beneficiaries if the program's parameters remain constant. Second, and perhaps more important, the government may face political pressure to increase the size of the transfer or to lower the age of eligibility. This has been the case in Mauritius, and policy makers in Lesotho foresee the same trajectory for their new social pension scheme.

Political Feasibility

Reforms that are accomplished relatively easily in some contexts can seem impossible to policy makers in other contexts. The following circumstances are the most propitious for reform, or at least for some types of reforms:

- When a major crisis occurs, such as those that followed the breakup of the Soviet Union, the East Asian financial crisis, and the tequila crisis, dramatic changes occur in needs, means, and/or public attitudes toward redistribution and render inaction unacceptable. Action on the safety net agenda is almost guaranteed. Such periods often result in wholesale system redesign and/or the addition of simple programs geared to protecting the poor during massive shocks.
- When times are good and policy makers are optimistic that the numbers that need to be served should be decreasing or that they may be able to serve those covered better, the environment may be propitious for reforms that lead to more sophisticated targeting methods or respond to concerns about labor disincentives. At such times simple programs may be transformed into sophisticated programs.
- When the proposed changes create few losers, for example, the expansion of a program during a time of growth, making changes to the system may be easy.

- When a program is so egregiously bad or so costly that it cannot be sustained, changes may be possible, though difficult. This is what has occurred with the reform or replacement of some of the general energy and food subsidy programs.
- Where political parties agree on the need for and direction of the reform, this can allow action, especially in building the capacity for sophisticated programs over time. This seems to be happening in several of the maturing Latin American CCT programs.
- Where changes in government are common, programs often depend on a specific government, or even minister. In such a setting, the electorate and beneficiaries can become accustomed to programs starting and stopping or shrinking into insignificance rather often, and do not protest the demise of each. This lends itself to the accumulation of many fragmented, neglected programs that do not add up to a coherent policy, but does allow for experimentation that yields some interesting new possibilities.

Although the underlying circumstances can make reforms easier or harder, and sometimes impossible, political feasibility is not a given. Policy makers can influence it. Making a reform politically acceptable is an art, with the specifics highly dependent on the context. We can thus only suggest the following general stratagems that may be of use. How to craft each, and the relative emphasis on each, will have to be left to the reform team itself.

- **Make the case for reform.** If people understand why and how badly changes are needed, they are more likely to accept them. If the current program or system is performing badly, measure that (as described in chapter 6), publicize the results, and explain how much better the new program would be. Craft a communication campaign using appropriate terms and venues to reach the entire range of stakeholders: the politicians and civil servants in all affected parts of the government, the opinion makers, the nongovernmental organization or advocacy community, the program's beneficiaries, and the general public (box 9.6).
- **Craft rule changes in ways that do not create more losers than necessary.** For example, when Sri Lanka converted from an in-kind food ration to a food stamp program, the value of the transfer was maintained, and only its form changed initially. In the U.S. welfare reform, the federal government imposed new rules for work requirements, but the budgets for the states were set for five years at the high levels then prevalent. State offices did not initially lose funding, and would have increased discretion over the use of those funds if they managed to reduce their caseloads by implementing the reforms. The strong economy meant that many welfare recipients found a fairly easy path back to employment, which validated the basic design change and gave states a big increase in their welfare budgets that they could use for innovative programs.
- **Decide whether and how much to compensate losers.** If an existing program is to be eliminated, reduced, or reformed, some people are likely to lose out. The question then arises as to whether and how to compensate them as discussed earlier. A number of cash transfer programs were created as partial compensation for the reduction or elimination of energy or utility subsidies. These usually sought to compensate consumers toward the bottom to middle of the welfare

distribution. Elsewhere, governments changed the eligibility rules for programs or successor programs. When new eligibility requirements are put in place, sometimes those eligible under the old rules are grandfathered in, at least for a period. When Ecuador converted from its Bono Solidario program to the new Bono de Desarrollo Humano program, for example, it allowed elderly beneficiaries of the former program who fell just above the eligibility threshold to remain in the new program for a year. Similarly, when Georgia moved from categorical targeting to proxy means testing for its social assistance benefit, it allowed former beneficiaries who did not qualify under the new eligibility criteria to maintain their previous benefit for a certain period.

- **Have a credible option.** If a program is being offered as compensation, the promise has to be credible. This is true at the moment of announcing the reform plan, and credibility must be maintained in the ensuing first months of delivery. In Zambia, when the government introduced a food stamp program in the 1980s as part of a package of maize price reforms, it failed to budget and manage cash well enough to ensure that it could immediately reimburse retailers for the stamps. Once the retailers experienced payment delays from the government, they refused to accept food stamps from the public, and the program's credibility collapsed.

Administrative Capacity

The key questions in determining administrative feasibility is what capacity is needed and where it should be located. This issue, like others, must be handled at both the program level and at the level of the entire safety net system.

No single standard is available for what capacity is needed at the level of the individual program. New programs, especially those set up during emergencies, are often run with only rudimentary capacity for processing eligibility and payments and minimal monitoring and auditing systems. Mature, permanent programs will have more sophisticated versions of these, as well as developed outreach mechanisms; systems to recertify eligibility periodically; established grievance or appeals systems; and much more developed monitoring and accountability mechanisms, perhaps including some performance-based incentives. Programs differ in their inherent complexity: a universal child allowance or social pension program is quite simple compared with a means-tested CCT program or public works program. The degree of completeness or sophistication will also vary by context, with simpler or more rudimentary systems generally being used in countries with lower administrative capacities and incomes.

At the whole system level, having a body that can review the entire system, make corrections in relation to balance, bring about cooperation among agencies or synergies across programs, and so on is desirable, but rarely achieved.

When a new program is to be created, policy makers have options about where to put it, each with its advantages and disadvantages (table 9.9). Some goals with respect to program placement are to put them where they can be well run, take advantage of institutional capacity where it exists rather than duplicating it, and put them where they can more readily be coordinated with other programs. Sometimes these goals come into conflict. Ministries of welfare are the natural location for most social assistance programs,

BOX 9.6 **Communication Strategy: A Key Component of Reform**

What Is a Communication Strategy? Communication strategies define objectives, target groups, and messages that will help achieve objectives.

Preparations for a communication strategy might include the following components:

- An assessment of the country's media climate, the specific needs of the planned reform program, and the level of awareness and acceptance of the reform
- A list of the main stakeholders, including government officials, parliamentarians, journalists, union members, members of professional associations, employees and employers in sectors affected by the reform, and members of social groups at which the reform is directed
- A program to develop the skills of spokespeople, opinion leaders, and champions of the reform by holding workshops, setting up communication units, training media advisors, training officials in strategic communication, and organizing placements and study tours to countries that have implemented similar reforms
- A set of guidelines for the institution implementing reform on how to become user-friendly, for example, by developing newsletters and interactive Web sites

The communication strategy may include these elements:

- A mass media campaign using radio and television spots, advertisements in print media, and articles in targeted periodicals and/or press conferences
- A program to develop media capacity on reporting on a given issue, including workshops for journalists, databases for the media, and awards for reporting
- A program of face-to-face presentations for key groups of stakeholders ranging from seminars for legislators, speeches at conferences, and so-called town hall meetings for union members and the general public
- An awareness program directed at potential beneficiaries through organizations they trust, such as schools, and nongovernmental organizations
- A set of feedback mechanisms—formal and informal consultations with stakeholders, media monitoring, and focus group and opinion research—to allow adjustment of the communication strategy or reform as needed

A communication strategy as described here is a relatively short, intense effort that precedes and accompanies a specific reform. It goes well beyond the normal outreach efforts that stable programs need to ensure that potential clients are aware of the programs. It is episodic, whereas outreach should be continuous.

Why Have a Communication Strategy? An effective communication campaign builds awareness of and trust in a reform and neutralizes criticism based on misconceptions. It improves the chances the reform will be completed and increases the chances that future reforms can be carried out.

but are often technically and politically weaker than other options, so that sometimes governments tend to locate them elsewhere, especially in the case of an emergency program or one that is the flagship of a new government.

Launching a major reform without an adequate communication campaign is risky, as illustrated by the Russian government's attempt to replace in-kind subsidies for privileged citizens with cash equivalents on January 1, 2005. Politically, the reform was difficult because the subsidies were large and reached about half of Russia's population. The fiscal and quasi-fiscal cost of the subsidies amounted to almost 6 percent of GDP. Even though the government was aware that the subsidies were regressive, it did not attempt to make them more pro-poor, fearing that middle-class beneficiaries would derail a reform that would make them worse off. For the same reason, the government decided to implement the reform in phases, starting with federal employees and pensioners, who represented one-third of the beneficiaries. Regional governments were supposed to monetize the rest of the subsidies at a later unspecified date.

Given the political economy constraints, the design of the reform was appropriate. The government opted for full cash compensation, taking beneficiaries' average consumption patterns and the cost of the subsidized services into account. The reform was income neutral for the middle class, increased the incomes of poor privileged citizens who consumed fewer subsidies than the average beneficiary, and reduced the level of subsidies for the well-off. (In Russia, some of the poor are granted privileged status and qualify for certain subsidies. The subsidies are not universal for all Russians.)

Details about the reform measures and their expected impact were not widely discussed or disseminated before the changes suddenly took place. A few days after they were implemented, pensioners took to the streets in Moscow, St. Petersburg, and a few other large cities to protest the reform. Even though federal privileges were monetized on January 1, 2005, the appetite for similar reforms by the regions disappeared. By the end of 2005, of Russia's 98 regions, only 8 had chosen to monetize the subsidies.

What Determines the Objectives and Scale of Communication Efforts? The timing and scale of communication efforts may range from a one-time poster information campaign or press conference to a comprehensive, multiyear communication program with a large budget. The following is a generic list of activities that might be included, with some indicative budget figures in parentheses: organizing training for journalists (project budget of around US\$100,000); laying the basis for a government-led communication strategy (US\$150,000); and developing communication capacities that involve setting up and hiring the staff for a spokesperson's office, training journalists, running a press and broadcasting information campaign, conducting public opinion research, maintaining the project's Web site, running a radio feature show, producing television news items and a soap opera on a reform, purchasing equipment for the news office, launching and maintaining a specialized magazine, and running a field theater in villages on the project issue (US\$2.5 million). Large-scale efforts will be needed for reforms that are complex, affect large benefits or groups of people, are controversial, or are to be carried out when dissent would be particularly costly to reformers or society.

Quite often, the capacity to run even a single program is not located in a single agency. Some functions will correspond to different levels of government, and often programs will try to take advantage of existing capacity by dividing responsibility among

TABLE 9.9 Options for Institutional Locations for Safety Nets

Option	Advantage	Disadvantage
Program level		
In ministry of social welfare	<ul style="list-style-type: none"> • Is often the natural location • Can easily allow programs to share structures for targeting, monitoring, payment, and so on • Will make the long-run development and balancing of a safety net easier if most programs respond to a single ministry 	<ul style="list-style-type: none"> • Ministries of welfare often have low administrative capacity and little political clout
In president's or prime minister's office	<ul style="list-style-type: none"> • Is often associated with more modern administrative systems and sometimes with higher salaries, leading to better capacity • Can give the program clout when dealing with partners 	<ul style="list-style-type: none"> • May clutter the institutional landscape • May be harder to keep the program free from political interference in reality or perception or to achieve continuity across electoral cycles
In sectoral ministry	<ul style="list-style-type: none"> • Allows the integration of supply- and demand-side actions to increase service use 	<ul style="list-style-type: none"> • Implies duplication of systems for targeting and the like across ministries and programs • Makes coordinating benefits and ensuring that the combined package across all programs is fair and sufficient difficult, but does not induce too many disincentives
In municipalities	<ul style="list-style-type: none"> • Has good possibilities for outreach, appeals mechanisms, and so on • Can be especially useful for ensuring that public works programs are well integrated with systems for planning infrastructure 	<ul style="list-style-type: none"> • May give rise to horizontal inequity if not financed centrally • Gives rise to the need to manage performance incentive issues if financed centrally • Is likely to give rise to substantial variability in relation to program implementation
System level		
In cabinet	<ul style="list-style-type: none"> • Is the natural home 	<ul style="list-style-type: none"> • May be so high a level that it remains perfunctory without getting to the required technical level
In special technical secretariat	<ul style="list-style-type: none"> • May provide significant clout and enhance results 	<ul style="list-style-type: none"> • Can cause confusion of roles • Can clutter the institutional landscape, especially if the secretariat becomes less important with a change of government or priorities but is not abolished
In planning ministry	<ul style="list-style-type: none"> • Can be a sensible place to locate functions that can be shared across programs in different sectors 	<ul style="list-style-type: none"> • Divides responsibilities for a single program and makes accountability mechanisms less clear

SOURCE: Authors.

agencies, sometimes on a cooperation basis, sometimes on a contract basis. Ensuring that the parts fit together is important. Chapter 3, section 6, discusses the issues pertaining to assigning different functions to different levels of government overall; chapter 4, section 4, discusses the role of central and local offices in targeting; chapter 5, section 4, discusses issues relevant to contracting out payment functions; and chapter 6 discusses monitoring, especially performance-based monitoring, which is particularly important when different agencies are involved in running a program.

9.6 How Often Should Safety Net Strategies Be Revised?

The last two decades have witnessed growing efforts to measure, monitor, and understand the nature of poverty, as well as to design effective policies to combat it, including safety nets. This effort has been made possible because of the greater availability of household survey data, an increase in computing capacity, and a growing trend toward open access to microdata. Such advances have been facilitated by the advocacy and capacity-building role played by international organizations and developing countries' increased capacity to rigorously analyze poverty, vulnerability, and the role played by existing safety net policies. While safety net programs have figured permanently in policies to reduce poverty since the early 1990s, their level of sophistication has increased over time. Data-intensive methods to identify the poor, such as proxy means testing or poverty maps, have emerged thanks to these advances, and have given governments the tools to replace more expensive categorical programs with more effectively targeted programs.

The way in which safety net programs are designed and implemented in developing countries will continue to become more sophisticated. The demands for improved performance by safety net programs are increasing with the emphasis governments, financiers, nongovernmental organizations, and the general public place on being accountable, delivering results, and demonstrating clear impact through rigorous impact evaluations. All these pressures call for regular reviews of the safety net sector as old strategies become obsolete because of the emergence of new problems and priorities, as progress in solving the first level of a problem reveals the next generation of issues, or simply as governments have learned how to solve old problems in more efficient ways.

With regard to when countries need a broad review of their safety net policy, the answer is "right away" for countries without a sector strategy. The same is true for countries that are considering introducing new programs or are substantially changing their mix of programs. For most other countries that have a strategic blueprint on file, assessments or reviews of the safety net strategy are probably warranted at least every 5 to 10 years.

In the interim period between such assessments, program-level assessments will likely be needed. While more limited in scope, program-specific assessments account for the majority of reforms in the safety net sector. They trigger the adaptation of safety net programs to changing circumstances through incremental improvements in design and operations.

Notes

1. Comparing poverty rates for population subgroups over time using cross-sectional surveys may be misleading. For time-invariant characteristics, say, gender or an age cohort born in

1965–70, this type of comparison is valid. For other characteristics, say rural inhabitants, the observed changes will reflect both changes in the welfare of the initial group as well as changes in the composition of the group. When membership of a group changes significantly between successive surveys, for example, rural households during a period of high migration to urban areas, the resulting change in poverty may be driven by the selection process, not by real changes in the welfare of the original group. For instance, the survey may indicate that poverty in rural areas is rising. This may be due to a fall in rural incomes, but it may also be the result of better-off households migrating to urban areas.

2. A handful of studies have tried to put together comparable numbers across a number of programs. Grosh (1994) provides information for 26 programs in Latin America. Lindert, Skoufias, and Shapiro (2006) provide information for 14 programs, also in Latin America. Coady, Grosh, and Hoddinott (2004) report administrative cost information for several programs in their appendixes, but found the sources too disparate in relation to methods to make strong comparisons. Caldés, Coady, and Maluccio (2006) provide numbers for three Latin American CCT programs and provide a useful method for disaggregating them by program function. Tesliuc and others (forthcoming) apply that method to six Europe and Central Asia programs. In addition, a variety of estimates of individual programs are available.
3. This section is based on Coudouel and others (2002) and Grosh (1995).
4. In Sub-Saharan Africa, the net enrollment ratio in primary school increased from 49 percent in 1991 to 68 percent in 2006 (World Bank 2008e). The average malnutrition rate as measured by weight for age in children under five was 27 percent in 2006 (World Bank 2008e) and is projected to increase (De Onis and others 2004).

Annex: Administrative Costs by Type of Intervention

Region	Country	Year	Program	% of total costs	Source
Cash and near cash programs					
Europe and Central Asia	Albania	2004	Ndihme Ekonomika	7.2	Tesliuc and others (forthcoming)
	Armenia	2006	Family Poverty Benefits Program	2.2	
	Bulgaria	2004	Guaranteed Minimum Income Program	9.9	
	Bulgaria	1992/93	Child allowances	5.6	Coady, Grosh, and Hoddinott (2004)
	Kyrgyz Republic	2005	Unified Monthly Benefit Program	9.3	Tesliuc and others (forthcoming)
	Lithuania	2004	Social Benefit Program	6.5	
	Romania	2003	Guaranteed Minimum Income Program	9.8	
Latin America and the Caribbean	Honduras	1992	Food stamps for female-headed households	12.0	Grosh (1994)
	Honduras	1992	Bono Materno Infantil)	6.0	
	Jamaica	1992	Food Stamp Program	10.0	
	Mexico	1992	Tortivales	12.0	
	Venezuela, R. B. de	1992	Food scholarship	4.0	
Middle East and North Africa	Yemen, Republic of	2001	Social Welfare Fund	8.5	Coady, Grosh, and Hoddinott (2004)
South Asia	Sri Lanka	1982	Food Stamp Program	2.0	Castañeda (1998)
Sub-Saharan Africa	Namibia	1993/94	Old-age pension	9.5	Coady, Grosh, and Hoddinott (2004)
	Zambia	2005	Pilot Social Cash Transfer Scheme	16.6	Devereux and others (2005)
			Median	8.9	
			Mean	8.2	
Conditional cash transfer programs					
Latin America and the Caribbean	Brazil	2003	Bolsa Familia	12.3	Lindert, Skoufias, and Shapiro (2006)

(continued)

ANNEX (continued)

Region	Country	Year	Program	% of total costs	Source
Latin America and the Caribbean	Colombia	2000/4	Familias en Acción	10.5	Lindert, Skoufias, and Shapiro (2006)
	Dominican Republic	2006	Solidaridad	5.9	World Bank (2006a)
	Ecuador	2005	Bono de Desarrollo Humano	4.1	
	Jamaica	2004/5	PATH	13.0	
	Mexico	2003	PROGRESA/Oportunidades	6.0	Lindert, Skoufias, and Shapiro (2006)
	Peru	2006	Juntos	11.6	World Bank (2006a)
South Asia	Bangladesh	2002	Primary Education Stipend Program	4.0	Ahmed (2005)
	Pakistan	2005/6	Child Support Program (pilot)	6.7	World Bank (2006k)
			Median	6.7	
			Mean	8.2	
Fee waivers					
Latin America and the Caribbean	Colombia	1992	Student loans	21.0	Grosh (1994)
	Costa Rica	1992	University tuition waivers	16.0	
	Jamaica	1992	Student loans	30.0	
	Belize	1992	Hospital fee waivers	0.4	
	Dominican Republic	1992	Hospital fee waivers	3.6	
			Median	16.0	
			Mean	14.2	
Food-related programs					
Latin America and the Caribbean	Bolivia	2003	School feeding, WFP	55.5	Lindert, Skoufias, and Shapiro (2006)
	Brazil	1997	Programa Nacional de Alimentación Escolar	28.9	
	Colombia	2003	School feeding, WFP	20.5	
	Dominican Republic	2003	School feeding, WFP	9.4	
	El Salvador	2003	School feeding, WFP	46.2	
	Guatemala	2003	School feeding, WFP	14.0	
	Honduras	2003	School feeding, WFP	30.1	

(continued)

ANNEX (continued)

Region	Country	Year	Program	% of total costs	Source
Latin America and the Caribbean	Nicaragua	2003	School feeding, WFP	38.3	Lindert, Skoufias, and Shapiro (2006)
	Chile	1992	Food supplements	6.0	Grosh (1994)
	Costa Rica	1992	Day care food packets	9.0	
	Dominican Republic	1992	Proyecto Materno-Infantil	12.3	
	Jamaica	1992	Nutribuns	6.8	
	Peru	2005	School feeding, WFP	19.2	WFP (2006a)
	Peru	1992	Programa de Alimentacion y Nutricion para Familias de Alto Riesgo	22.0	Grosh (1994)
	Mexico	1992	Leche Industrializada Compania Nacional de Subsistencias Populares	28.5	
South Asia	Bangladesh	2001	Income Generation for Vulnerable Group Development Program	10.0	Ahmed (2005)
Sub-Saharan Africa	Benin	2005	School feeding, WFP	37.2	WFP (2006a)
	Malawi	2005	School feeding, WFP	35.8	
	Mali	2005	School feeding, WFP	52.0	
			Median	22.0	
			Mean	25.4	
Public works					
Latin America and the Caribbean	Argentina	2004	Jefes de Hogar	1.6	Lindert, Skoufias, and Shapiro (2006)
	Bolivia	1992	Emergency Social Fund	3.5	Grosh (1994)
	Peru	2002–3	A Trabajar Urbano	23.0	Chacaltana (2003)
Middle East and North Africa	Morocco	1990s	Promotione Nationale	6.0	World Bank (2001g)
	Yemen, Republic of	2003	Second Public Works Programs	3.7	Al-Baseir (2003)
South Asia	Bangladesh	2001	Rural Maintenance Program	24.0	Ahmed (2005)
			Median	4.9	
			Mean	10.3	

SOURCE: Authors.

NOTE: WFP = World Food Programme.

