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Can Social Safety Nets Reduce Chronic Poverty?

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This article highlights distinctions between three determinants of poverty – low labour productivity, vulnerability, and dependency – and two categories of anti-poverty interventions – livelihood promotion and livelihood protection. Within this framework, social safety nets can be conceptualised as publicly funded transfer programmes with 'consumption smoothing', rather than 'mean shifting', objectives. However the article hypothesises that safety nets can have both 'protection' and 'promotion' effects. Three southern African case studies confirm that even tiny income transfers are often invested in income-generating activities, education, social networks, or the acquisition of productive assets, suggesting that social safety nets, far from being a merely residual welfarist intervention to alleviate transitory and livelihood shocks, can play a significant role in reducing chronic poverty.

Despite a resurgence of interest in social safety nets – recently repackaged as 'social protection' – for poor people in poor countries, safety nets remain relegated to the 'social welfare' category of anti-poverty interventions. An unfortunate consequence is that institutionalised systems of social protection – beyond the minimal humanitarianism of emergency relief – are often dismissed as unaffordable luxuries for poor countries, as in the following assessment of anti-poverty options in Mozambique:

> Especially in countries like Mozambique where poverty is widespread and a government's financial resources are limited, mechanisms other than safety nets must be found to lift the majority out of poverty. Large social assistance programs, such as direct transfers or social security, simply do not seem fiscally or politically sustainable in resource-poor countries. (Low et al., 1998: 25)

Interestingly, *contra* 'the view of modern proponents of free-market economics that social security is inimical to economic development', Rothschild (1995: 732) points out that early political economists such as Adam Smith, Condorcet and Turgot 'were convinced that some sort of minimum income security was a condition for economic development … Turgot concluded that when the people were so poor as to be subject to periodic crises of their very subsistence, then conditions were unpropitious for enterprise, risk, and stable market institutions'. Contemporary economists sometimes express similar views about safety nets, which are needed 'both to mitigate the vulnerability (to droughts and floods, illnesses and twins) of the working poor, and to

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compensate those too old or ill to work; such security, indeed, can stimulate entrepreneurship and growth' (Lipton, 1997: 1004).

Notwithstanding this endorsement, 12 years after the 1990 *World Development Report* advocated transfers and safety nets as the third prong of the 'new poverty agenda', many policy-makers and academics remain unconvinced. Social safety nets are regarded by neo-liberal critics as fiscally unaffordable compensatory mechanisms that make no effective contribution to sustainable poverty reduction, and by left-wing critics as token handouts to make harsh neo-liberal reforms politically palatable, or to avoid taking real actions to redress the structural causes of poverty and vulnerability. According to the World Bank itself (1994: 163): 'It is likely that narrowly targeted interventions to reach specific groups of the poor will play only a small role in the poverty reduction strategies of most African countries.' This view is evident in the limited or non-existent role ascribed to safety nets or social protection in most national Poverty Reduction Strategy Papers (PRSPs).[1]

This article identifies several reasons to challenge this pessimism and residualism. One is the literature on 'linking relief and development', which argues that humanitarian interventions should aim to achieve sustainable post-crisis impacts. Another is the reality that many safety-net programmes are targeted at the working poor, and therefore have a direct impact on labour productivity in a way that 'social welfare' support to dependent groups (such as the elderly, or people with disabilities) does not. Finally, income transfers to poor households generate various income and employment multipliers, which are rarely considered in assessments of programme impacts.

The article presents empirical evidence from a research project that examined three safety-net programmes in southern Africa, and finds evidence for all of these positive effects. It argues that social protection interventions have sustainable developmental potential beyond transitory poverty alleviation, and that they should therefore be recognised as effective tools which can help policy-makers in their current preoccupation with the reduction of chronic poverty.

Poverty and anti-poverty interventions

Different groups of poor people are poor for different reasons, and each set of causal factors implies different remedial actions. Poverty and vulnerability are determined by interactions between personal (idiosyncratic) characteristics and external (exogenous) circumstances. Each individual's ability to convert their unique combination of physical strength plus intellectual skills into a viable livelihood is constrained or facilitated by the specific economic, sociocultural, natural, political and institutional environments that they face. The determinants of (involuntary) income or consumption poverty[2] can be disaggregated into three clusters:

1. See Moser and Antezana in this collection on the social protection content of the PRSP in Bolivia.
2. Chambers (1997: 45-6) argues against the reductionism of 'poverty-line thinking', and in favour of a broader understanding of 'deprivation' of which income-poverty is only one component (see also Baulch, 1996). While agreeing entirely with the spirit of this argument, this article uses a narrow definition of poverty, since its focus is on interventions that transfer cash or food to people facing income or consumption deficits.

- *low productivity* – inadequate returns to labour and other productive inputs;
- *vulnerability* – risks and consequences of collapses in income and consumption;
- *dependency* – inability to generate an independent livelihood due to inability to work.

The first two clusters are often related to factors beyond the immediate control of the individual concerned. Most people generate their livelihood by labouring to produce food or earn a regular income. It is often remarked (often inaccurately) that labour is 'the poor's most abundant asset'. Poverty for these people can be attributed simply to an inability to generate adequate returns to their labour.[3] Millions of people the world over are either unemployed or underemployed, being trapped in low-income livelihoods such as petty trading in the informal sector. Millions more are engaged in occupations, such as rainfed agriculture, that are vulnerable to dramatic variability in returns from one season to the next. Low productivity causes *chronic poverty* and is related to low returns to labour, land and capital, while vulnerability causes *transitory poverty*, following sudden collapses in returns to these inputs (precipitated, say, by drought or retrenchment). These 'external circumstances' can be affected only marginally by the expression of individual agency by the poor.[4]

The third cluster of factors, *dependency*, arises from personal characteristics which render an individual incapable of earning an independent living: s/he is unable to generate adequate returns to their own labour because of physical or mental disability, extreme youth or old age. All societies have both economically active members and people who are economically dependent on them. The latter survive by being cared for within their families or communities, by institutional redistribution from the state (funded by taxes paid by the economically active), or by charity and begging (which is a form of work). Although dependence on the state and other institutions for livelihood support is a clear indicator of poverty, dependants are found in both poor and non-poor households, so dependency and poverty are not synonymous. As one category of factors associated with poverty, dependency itself must be carefully deconstructed.

The distinctions drawn above help to clarify distinct clusters of causality factors, and by extension help policy-makers to design appropriate anti-poverty interventions for each. Some agencies draw a distinction between the 'non-productive' versus 'productive' poor, with the implication that welfarist interventions (such as state pensions or disability grants) should be targeted at the former group, whereas productivity-enhancing interventions (such as microcredit or fertiliser subsidies) should be targeted at the latter.

Safety nets differ from other anti-poverty interventions in their focus on the prior position of the target group. Specifically, safety nets are concerned with *vulnerability* rather than *chronic poverty*. While chronically poor individuals are unable to maintain a minimum living standard with the resources at their disposal, vulnerable individuals

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3. Lipton (1988:16, 22) argues that 'it is useful to analyse poverty as low *transformation capacity* of labour into food … Labour productivity is normally the main difference, as between large groups of households, in their effectiveness in converting a year's work into a year's income.'
4. Two caveats: (i) unionisation enables workers to campaign for higher wages and better conditions, but this requires mobilisation of individuals into groups; and (ii) education is often regarded as a trampoline out of poverty, but access to appropriate, quality education is usually highly constrained for the poor.

may be above the poverty line initially, but face livelihood risks that could drop them below the line without an intervening safety net to cushion their fall. Vulnerability is a composite concept having two dimensions – *exposure* and *susceptibility* – in which exposure refers to the likelihood that a shock or threat will affect a given individual or household, while susceptibility is the ability to cope with such shocks (an ability which is differentially distributed across individuals depending on their personal circumstances).[5]

Table 1 summarises this discussion. Poverty caused by low productivity or vulnerability can be redressed through interventions that raise or restore returns to effort. Low productivity is best addressed through productivity-enhancing interventions, while vulnerability is best addressed in the short term through social safety nets – cash or in-kind transfers, attempts to restore livelihood systems, or the creation of new livelihood opportunities. Conversely, dependency cannot be 'solved' by productivity-enhancing interventions, and instead requires welfarist transfers. As Herring (1998: 6) observes: 'For poverty resulting from individual infirmities – debilitating illness, mental incompetence, age, physical disabilities – public works or asset redistribution would be inappropriate but transfer payments certainly work'.

Table 1: Poverty determinants and anti-poverty interventions

Determinants of poverty	Anti-poverty interventions
Low productivity (chronically low returns to labour)	Income generation (productivity-enhancing interventions)
Vulnerability (transitorily low returns to labour, transitorily high irreducible expenditure)	Safety nets (direct transfers, productivity-restoring interventions, or consumption -smoothing microfinance)
Dependency (inability to work)	Social welfare (direct transfers)

Conceptualising social safety nets

In the circus, a safety net catches someone when they fall: its function is to prevent injury or death. If social safety nets are defined analogously, they should apply to contexts of sudden income or consumption collapse with potentially catastrophic consequences. Social safety nets gained prominence in development discourse following the 1990 *World Development Report* on poverty, which included social safety nets – defined as 'some form of income insurance to help people through short-term stress and calamities' (World Bank, 1990: 90) – as the third prong of the 'New Poverty Agenda'.

5. This formulation follows Chambers (1989: 1): 'Vulnerability here refers to exposure to contingencies and stress, and difficulty in coping with them. Vulnerability thus has two sides: an external side of risks, shocks, and stress to which an individual is subject; and an internal side which is defencelessness, meaning a lack of means to cope without damaging loss.'

During the 1990s, safety nets became more broadly conceived, and the term was often used interchangeably with generic social welfare programmes. The World Bank extended its own definition to include interventions against chronic as well as transient poverty.

> Safety nets are programs which protect a person or household against two adverse outcomes in welfare: chronic incapacity to work and earn (*chronic poverty*); and a decline in this capacity from a marginal situation that provides minimal livelihood for survival with few reserves (*transient poverty*) (Subbarao et al., 1996: 2).

Similarly, Lipton (1997: 1006) suggested that safety nets should target 'poor people whose health or age prevents work, or who are made unemployed by the vagaries of climate or market demand' – i.e., both the 'working poor' and labour-constrained 'vulnerable groups'. These definitions resonate more with current conceptions of 'social protection' than with the narrower category of 'social safety net' as originally conceived.

The late 1990s saw a growing disillusionment with social safety nets, which were criticised as welfarist mechanisms that reduced the poor to passive recipients of handouts and made little contribution to broader development goals or to sustainable poverty reduction.[6] This disillusionment fed into a number of new policy developments. Social funds, for example, which have been implemented in many Latin American and African countries since the 1980s, were intended to be demand-driven at local level, building on community initiatives and resources, and participatory in design and implementation (Owen and van Domelen, 1998): this definition was in large part a reaction to what were seen as common problems with safety nets. However, independent evaluations of social funds have been sceptical about their impacts and the extent to which they are genuinely participatory or empowering (Stewart and van der Geest, 1995; Tendler and Serrano, 1999).

The World Bank's participatory 'Consultations with the Poor' highlighted the importance of income variability and livelihood insecurity as a previously neglected feature of poverty (Narayan et al., 2000). Uncertainty encourages the poor, for whom the cost of downside risk is highest, to adopt risk-spreading strategies that reduce income fluctuations rather than maximising expected returns (Siegel and Alwang, 1999). This behaviour itself, though rational, helps to keep poor people poor. In response to these insights, more ambitious approaches have been proposed that would reduce risk and vulnerability *ex ante* rather than responding reactively to livelihood shocks *ex post*, and that would address the causes of poverty and vulnerability as well as their consequences.

The *World Development Report 2000/01* on *Attacking Poverty* focuses on three concepts – opportunity, security, and empowerment – which are taken to be necessary for sustainable poverty reduction (World Bank, 2000). The World Bank's Social Protection Sector Strategy incorporates many familiar instruments that relate to

6. In 1999 the donor community in Malawi designed a 'National Safety Net Programme' that would provide consumption support to 40% of the population – including drought-affected smallholders, the rural landless, female-headed households, and AIDS orphans. The Government of Malawi rejected this proposal, arguing that the resources allocated to these interventions would be better spent on more 'productive' development programmes.

'security' – for example, labour market interventions, social insurance and safety nets – but it goes further. Social protection is defined as 'public interventions to assist individuals, households, and communities better manage risk, and to provide support to the critically poor' (Holzmann and Jørgensen, 2000: 2).[7] The World Bank (1997: 55) divides social protection into *social insurance* programmes (such as unemployment benefits and pensions) which 'aim to support people who – for reasons of age, the business cycle, or other circumstances – are outside the wage economy for some part of their lives'; and *social assistance* programmes which 'aim to help the poorest in society, those who are barely able to support themselves'. Social protection can therefore be seen as a broader concept than social safety nets, since it moves beyond the residualist and reactive approach conventionally associated with safety nets, to reduce and mitigate the risk and insecurity that have recently been recognised as central to the experience of poverty and ill-being.

A common feature of all these strands of thinking is an implicit assumption that social safety nets *protect* minimum living standards and have no noticeable effect in terms of *promoting* living standards in the longer term. This article argues that, even if these effects are unintended, the potential of safety-net transfers to the poor to raise living standards is greater than is generally acknowledged. Recognising this fact should elevate the status of safety nets and social protection programmes in development policy above the low reputation and priority that they currently enjoy.

Social safety nets in practice

For policy-makers, livelihood-protecting and livelihood-promoting interventions are often seen as quite distinct. For example, while credit is supposed to be invested to generate incremental income, food rations on public works projects are supposed to be consumed by workers and their families. In reality, this distinction is often blurred. One reason is the behaviour of transfer recipients. All resources that come into a household are fungible, so they are not necessarily used in ways that programme designers intend or would prefer. Some food or income transfers may be squandered, but some might be productively invested.

Another reason for the blurring of boundaries is that programme designers may themselves be pursuing multiple objectives through a single intervention. The literature on linking relief and development (see Buchanan-Smith and Maxwell, 1994) argues that emergency interventions should maximise synergies between livelihood protection and livelihood promotion outcomes. The classic example is public works projects that simultaneously transfer food to the hungry and create collective physical assets (for example, micro-dams) that reduce the vulnerability of agriculturalists (and by extension the whole rural economy) to future droughts.

The remainder of this article explores the potential for social safety-net programmes to reduce chronic poverty through these two mechanisms of *asset creation* (by the project) and *investment behaviour* (by project beneficiaries or participants).

7. See also Norton, Conway and Foster (2000: 4 and in this collection): 'Social protection refers to the public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society'.

Asset creation

Safety-net transfers can contribute to capital formation in various ways. The most direct route is through the efficiency gains of reducing hunger. It is well known that a positive correlation exists between a country's economic performance (as measured by GDP per capita) and its population's average nutritional status. More succinctly: 'the correlation between income and nutrition is a well-established empirical regularity' (Arcand, 2000: 9). But in which direction does causality run?

The policy relevance of this question is significant and topical. In a September 2001 speech, the UK Secretary of State for International Development, Clare Short, argued that the eradication of hunger is best tackled indirectly, by attacking poverty. If the Millennium Development Goals on poverty are not successfully achieved, hunger and food insecurity will necessarily follow. Short's argument supports Easterly's (1999) cross-country empirical finding that a 1% increase in GDP per capita raises per capita calorie intake by 538 kcal/day. It also motivates a concentration of development assistance resources on income-generation programmes rather than on nutrition interventions.

However, using a methodology similar to that used by Easterly, Arcand (2000: 5) finds evidence of the reverse causality: 'there is a statistically significant, and quantitatively important impact of nutrition on growth [which] operates in part directly, probably through its impact on labour productivity, as well as indirectly, through improvements in life expectancy'. Specifically, Arcand finds that raising dietary energy supply in developing countries to 2,770 kcal/day – the level that would eliminate global food deficits, according to the Sixth World Food Survey (FAO, 1996) – would raise GDP per capita by 1.23% per annum. This finding supports a large body of microeconomic literature linking improvements in nutrition status to higher labour productivity (cf. Lipton, 1983; Scrimshaw, 1997). The policy implication is that feeding the poor is not just good social policy, it is also a sound economic investment. Sustainable poverty reduction is achievable through targeted food or income transfers, because the poor tend to: (a) have the lowest food intakes; (b) present the highest rates of undernutrition; (c) be most exposed and susceptible to debilitating diseases; and (d) expend most physical energy on work (e.g. farming and casual labouring).

Another mechanism for building human capital is to invest in education. Strong positive rates of return to education – especially primary and female education in poor countries – have been established in cross-country regressions (Psacharopoulos, 1994). Although school feeding programmes are unpopular with those who dislike project food aid on principle, school feeding does pursue two worthy objectives: higher food intake for poor children and improved education outcomes. Several evaluations have found that the introduction of school feeding is associated with significant improvements in education participation – enrolment and attendance, especially of poorer children – and in learners' performance, both in the classroom and in examinations (Dil, 1996; USAID, 1997).

Concerns that the nutritional impact of school feeding could be dissipated by the substitution of meals at school for meals at home have been allayed by studies such as that by Jacoby (1997), which found that 90% of calories consumed as school meals in the Philippines were 'additional', implying very little substitution and a significant nutritional impact. Nonetheless, in 1995 the World Food Programme elected to prioritise the 'developmental' rather than 'welfarist' objective of its school feeding programmes, and abandoned nutritional assessment as an indicator of success in favour of education indicators – enrolment and attendance rates (WFP, 1995).

A significant proportion of all safety-net transfers to people in poor countries is delivered in the form of public works projects, or 'employment-based safety nets' (Maxwell, 1993). Public works projects have two objectives: to transfer food or income in the short term, and to create permanent assets that have sustainable development benefits. Food-for-work is more common than alternatives such as cash-for-work or 'inputs-for-work', but all variants have some potential to reduce chronic poverty, a potential which has been strengthened by recent innovations in the way public works programmes are designed and implemented.

A key assumption in first-generation public works programmes was that the rural poor are either unemployed or underemployed (that they had 'surplus labour'), so that offering work opportunities would provide 100% additional income to participants. This approach failed to recognise the extreme seasonality of rural livelihoods in tropical countries, which results in labour bottlenecks at certain times of year and a slack season after the harvest. Contemporary rural public works programmes are usually scheduled for the dry season, specifically to reduce direct competition for participants' labour time with agricultural tasks.

In the past, public works projects were also criticised for creating nothing of value – the work requirement was primarily a self-targeting mechanism – or for producing assets that benefited elites rather than the poor (for example, airport buildings). Later, the recognition that public works offer an opportunity to mobilise community labour led to the construction or rehabilitation of millions of dollars worth of physical and social infrastructure (boreholes, feeder roads, school buildings). Such projects provided some benefits, at least indirectly, to the people who were employed on them. More recently still, the World Food Programme has adopted a project selection principle – 'food and assets for sustainable employment' (Tajman, 1997) – which states that participants should derive *direct* benefits from any food-for-work projects on which they are employed. This principle motivated a shift towards projects that generate income for individual participants, such as irrigated vegetable gardens, brick-making or community-based tourism.

On Ethiopia's Employment Generation Scheme, workers receive variable food rations according to the size of their household. As a rule of thumb, at least 80% of all food aid is channelled through this food-for-work programme and no more than 20% is transferred as 'gratuitous relief' to 'vulnerable groups' who cannot work. The assumption is that most categories of dependants live in households with relatives who can work and earn food for them (Sharp, 1997). The effect is to increase the proportion of food aid to Ethiopia that is channelled through 'developmental' rather than 'welfarist' modalities.

Indirect benefits of public works include income stabilisation and multiplier and insurance effects. The food or cash wages paid to workers helps to stabilise their income and food consumption after poor harvests or during the annual hungry season. 'Multiplier effects' refer to the boost to workers' purchasing power created by the injection of food or cash into the local economy, which attracts traders and increases the general level of economic activity. Insurance effects are achieved if poor households are confident that public works employment will be available to them when needed. For instance, the Employment Guarantee Scheme in Maharashtra, India, allows the poor to be more entrepreneurial: they can use resources which would otherwise be tied up in precautionary savings (for example, livestock) to invest in business or agriculture. The availability of alternative incomes also protects people against the need to adopt damaging coping strategies in times of stress, such as selling assets or becoming indebted to moneylenders.

On the negative side, it is often considered demeaning to work for food rather than cash. Where waged employment and food-for-work are both available, men tend to monopolise the former while women are channelled into the latter. Also, since infrastructure projects tend to involve physically demanding manual labour, anyone incapable of undertaking heavy labour is excluded. Even when gender quotas are introduced on public works schemes, women either remain excluded from certain activities or face implicit wage discrimination, because equal payment for piecework favours men who can complete arduous tasks faster. Moreover, women's domestic responsibilities are generally greater than men's, so that labouring on public works projects can simply exacerbate their 'time-poverty'.

Investment behaviour

Safety nets for the rural poor are rare, and even less commonly guaranteed.[8] However, where social insurance systems do exist, the evidence suggests that this encourages moderate risk-taking behaviour, by smoothing income streams against adverse entrepreneurial outcomes. In Maharashtra, where citizens are protected against livelihood shocks by the availability of work on the Employment Guarantee Scheme, farmers are more likely to plant high-yielding (rather than drought-tolerant) crop varieties than they are in neighbouring states. Also, if transfer income is diverted to non-consumption uses – for example, if it is invested in agriculture or petty trading – then food production or income increases and a second-round multiplier effect will be achieved. In this way, a livelihood-protecting transfer can have a livelihood-promoting outcome. The case studies in the following section elaborate in particular on this issue of investment behaviour by transfer recipients.

Safety nets and chronic poverty in Southern Africa: findings from three countries

This section reports on research that examined three social safety-net interventions in Southern Africa – cash transfers in Namibia (social pensions) and Mozambique (cash payments to urban destitutes), and public works in Zambia.[9] All three programmes

8. Not all social safety nets are 'guaranteed', which is important because the institutionalisation of social security might influence behaviour in ways that *ad hoc* safety nets will not. Social security debates in Western democracies revolve around such 'moral hazard' issues as dependency and benefit traps, but these incentive effects are less significant in poor countries, where the poor are unlikely to stop working or farming in the expectation that the state or donors will provide for them.
9. Fieldwork in Mozambique, Namibia and Zambia for this ESCOR-funded research project included a questionnaire survey covering a total of 1,000+ programme participants, community discussions, qualitative methods such as timelines and impact trees, price monitoring and interviews with programme staff (Devereux, 2000).

comprise social safety nets in that they protect poor citizens against income shocks associated with old age, destitution caused by war, and drought, respectively. Public works in Zambia were an *ad hoc* response to drought by a specific donor and were restricted in their geographical coverage, while GAPVU (the programme of cash transfers to destitutes in Mozambique) was discretionary in that certain eligibility criteria had to be met and local officials authorised registration.

Namibia's social pension is unusual in that, unlike conventional pensions, it is not linked to prior contributions or retirement from formal employment. As such, it is a form of *social assistance* – rather than social insurance – to a group which is seen as chronically poor, whose poverty and vulnerability are exacerbated by age. Mozambique's GAPVU is another social welfare programme which had purely consumption-enhancing objectives. The level of payment was lower than Namibia's social pension, and means testing ensured that most beneficiaries were very poor. Like many public works projects, the labour-intensive road project in western Zambia had both livelihood-protecting and livelihood-promoting objectives. Apart from providing immediate consumption support to drought-affected farmers in the form of wages to purchase food, the project aimed to stimulate local trade (by injecting cash incomes into poor communities) and to enhance market integration (by building feeder roads), thereby bringing down food prices and improving food security at the household and district levels.

The impact of transfer income on poverty is a function of the size of the transfer and its contribution to total income (see Table 2). In Mozambique, GAPVU income was so tiny that its impact on headcount poverty was negligible. One survey found that the number of beneficiary households living in absolute poverty had fallen from 71% to 65% as a result of GAPVU (Low et al., 1998). Conversely, the much higher value of the social pension in Namibia explains the finding from a national household income and expenditure survey that 'only' 42% of households whose principal source of income is the social pension are poor, which is not significantly higher than the national poverty headcount of 38%, and considerably lower than the incidence of 52% among 'subsistence farmers' – whose living standards actually rise if their household includes a person aged over 60.

Table 2: Value and proportionate contributions of safety-net transfers

Country	Programme	Monthly transfer (£)	Annual transfer (£)	Transfers as % of total income
Mozambique	GAPVU	1.78	21.36	24
Zambia	Cash-for-work	3.10	36.80	62
Namibia	Social pension	16.00	192.00	81

In western Zambia, where 86% of farming households survive below the poverty line, differential cash-for-work earnings by district resulted in differentiated poverty impacts. When the programme ended in 1997, the proportion of participating households still below the poverty line had fallen to 74% in Kalabo District, was approximately equal to the provincial average at 86% in Mongu District, but remained at an extremely high 97% in Lukulu District, indicating that higher income transfers made the greatest difference to economic well-being in Kalabo. In Mozambique, GAPVU made a greater contribution to total household income in the small, poor town of Chimoio (41%) than in the large, wealthier city of Maputo (9%), where incomes in our sample were four times higher, but living costs are correspondingly greater. Similarly, social pensions accounted for as much as 85% of household income in the rural Namibia sample.

The Zambian case provides evidence against the conventional wisdom that rural public works projects dampen agricultural production by competing for scarce labour. Many cash-for-work participants used their income to hire labour to plough or weed their fields. This behaviour had a number of positive features. Firstly, it provided income to a second group of workers – a significant multiplier effect. Secondly, since many hirers were women and many labourers were men, this freed women from the most demanding farming tasks. Thirdly, if investment in labour and other inputs increased as a direct result of cash-for-work income, agricultural output might have risen rather than fallen.

The Zambian cash-for-work programme is illuminating because different employment policies were applied in adjacent districts that were otherwise very similar, resulting in very different earnings levels. Table 3 clearly shows the higher earnings of participants in Kalabo compared with those in Mongu and (especially) Lukulu. One consequence was that Kalabo participants spent more of their cash-for-work income on investment items (mainly on agriculture and social capital – brideprice and providing assistance to other households), whereas participants from Lukulu had little cash to spare for such spending after they had purchased staple food and groceries.

Table 3: Cash-for-work earnings and spending by district, western Zambia

	Kalabo	Mongu	Lukulu
Duration of employment	10 months	7 months	<1 month
Cash-for-work income 1996	K 146,722	K 60,000	K 11,750
Maize equivalent (90kg bags)	7.4 bags	3.0 bags	0.6 bags
Bought food & groceries	100%	100%	100%
Bought items for house	78%	79%	21%
Helped other households	59%	54%	12%
Invested in farming	19%	3%	0%
Paid brideprice	5%	2%	0%
Purchased ox-cart	1%	0%	0%

Note: K2,000 = £1. A 90kg bag of maize (household needs for one month) cost K20,000 (£10)

This finding confirms 'Engels' law' – that the marginal propensity to consume incremental income falls as income rises. However, a related point that emerged is that larger incomes facilitate purchases of 'lumpy' assets. Lukulu participants bought mainly low-cost consumer goods (e.g. kitchen utensils), but Kalabo participants were able to acquire productive assets (farm tools and fertiliser, livestock, even an ox-cart) with high long-term returns. Higher transfers facilitate more investment. Rather than a continuum, this pattern of expenditure might be better described as a series of 'steps'. Participants 'graduated' to higher steps as their earnings increased, from consumption spending towards investment purchases, and from small, regular outlays to large, costly acquisitions.

Table 4 reveals clear differences between urban and rural livelihood systems, in terms of spending priorities and market dependence. In a drought year, spending by rural transfer recipients is closer to spending patterns in urban areas, with market dependence for food dictating that the bulk of transfer income is allocated to meeting staple needs (76% in drought-affected Zambia, 61% in urban Mozambique). Rural spending patterns were concentrated on a few categories during the drought, but were more dispersed afterwards. The dominance of food and clothing in Mozambique reflects the low value of the transfer, while the high proportion of social pension income allocated to medicines in Namibia reflects the higher value of this transfer and the age profile of pensioners.

Table 4: Spending of transfer income in rural and urban study areas (%)

	Rural (Zambia)			Urban	
	Non-drought year	Drought year		Namibia	Mozambique
Livestock	34	0	Food	38	61
Brideprice	20	0	Medicine	23	1
Medicine	14	0	Schooling	16	3
Food	8	76	Clothing	11	15
Agriculture	8	8	House-related	4	8
House-related	7	4	Water/electricity	2	7
Schooling	5	2	Livestock	2	2
Clothing	5	10	Transport	0	2

Higher transfers result in higher investment and higher savings, as does greater prior wealth. The 'poorest of the poor' have a lower propensity to invest or save incremental income than the less poor or non-poor, because their livelihoods are dominated by strategies to meet immediate consumption needs. The direct relationship between the value of resources transferred and the propensity to invest or save this incremental income is clear from a simple cross-country comparison:

- in Mozambique, where GAPVU was equivalent to £21 per annum, only 10% of respondents invested, and 5% saved, out of this income;
- in Zambia, where total cash-for-work earnings averaged £37 per participant, 28% invested and 14% saved some of their earnings;

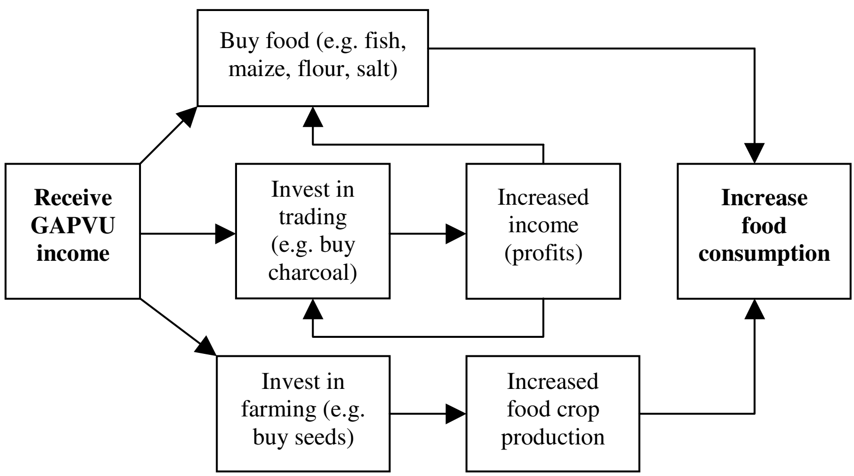
- in Namibia, social pensions were worth £192 per pensioner, and 53% invested, while 47% saved some of this cash.

Cash transfers generate significant income multipliers: every Mozambican metical, Namibian dollar or Zambian kwacha spent by one person is a unit of income earned by someone else. This fact alone creates a strong case for transferring cash rather than food to the poor, provided market conditions allow. Cash-for-work earnings, GAPVU and social pensions all provided a major stimulus to trade. Street traders congregated at social pension paypoints and outside GAPVU offices on pay-days, while retailers set up businesses alongside the road projects in Zambia. In Kalabo District three permanent shops and two temporary roadside stalls opened, selling food and groceries, secondhand clothes and cooked snacks. Shop-owners reported that their turnover doubled on pay-days. Savings from cash-for-work income provided capital for new business ventures; two of three new shops in Kalabo were owned by people who worked on the road project. However, the long-term sustainability of this economic stimulation was limited, with most of these new enterprises closing down soon after the road projects stopped in 1997.

In Namibia, by contrast, the delivery of social pension income over several decades to isolated rural communities has provided a permanent stimulus to local trade, with many grocery stores being established even in the smallest villages that would not survive without the business that pensioners bring every month. Social pensioners account for between one-third and two-thirds of turnover at retail stores in southern Namibia. More than half these pensioners were granted credit facilities at these stores because of their guaranteed monthly transfer income.

In Mozambique, beneficiaries identified three distinct routes from GAPVU income to increased household food consumption: food purchases, investment in backyard farming for increased food production, and using GAPVU income as working capital to increase profits from informal sector activities such as petty trading (see Figure 1).

Figure 1: GAPVU's impacts on household food security in Mozambique



These three routes provide further evidence for the multiple impacts of social safety nets, especially those involving cash transfers to the poor.

Informal redistribution of formal transfers can result in significant numbers of secondary beneficiaries, mainly members of the recipient's immediate and extended family, but also other poor households (Table 5). The regularity and reliability of social pension income in Namibia make it an important source of informal support at times of crisis, notably in drought years, when calls on pensioners from relatives and friends for assistance with food purchases intensify. Most of the extended family spending (13.5%) recorded by Namibia's social pensioners is on their grandchildren, and goes towards various school-related expenses and clothing. The contribution of the social pension to human capital formation in Namibia is incalculable. More generally, the social pension sustains entire extended families throughout the country, confers status on family members who are otherwise perceived as economic burdens, and reinforces the social role of grandparents in caring for young children, including AIDS orphans.

Table 5: Beneficiaries of spending of transfer income (% of spending)

Beneficiaries	Namibia (all pensioners)	Zambia (male participants)	Zambia (female participants)
Whole household	43.3	20.9	14.1
Participant (self)	27.9	31.6	22.5
Spouse	2.4	7.4	6.2
Children	7.1	13.8	11.0
Extended family	18.8	7.1	16.1
Non-relatives	0.2	19.4	30.2

There is some evidence that the receipt of formal income transfers resulted in a reduction of informal transfers to programme participants – a 'crowding out' effect. In most cases, though, programme participants continued both to give and receive gifts and assistance among their social networks, reflecting the fact that such transactions serve important social as well as economic functions. In addition, the displacement of some informal transfers with formal transfers typically amounted to a reduced burden of support given to the *severely* poor by the *moderately* poor, so this remains a positive poverty-reducing effect. Most informal transfers in Africa occur 'horizontally' (among the poor themselves) rather than 'vertically' (from rich to poor), following norms of reciprocity and mutual insurance rather than inequality-reducing redistribution. All three of these safety-net programmes removed some of the burden of responsibility for dependent relatives and impoverished neighbours from families that are often themselves financially stressed.

Zambia's cash-for-work programme significantly altered patterns of reciprocity and dependence among participants and their social networks. Receipt of cash-for-work income caused 32% of participants to lose the informal support that they had previously received, while 42% began providing support to others – especially in the high-paying districts of Kalabo and Mongu, but less so in low-paying Lukulu (see Table 2). Termination of the programme was associated with an immediate contraction in economic activity in all three districts, including the level of informal transfers; 74% of donors either cut back on their provision of informal transfers or stopped assisting others altogether.

All three safety-net programmes were gender-neutral in their allocation of benefits. GAPVU was paid to male and female 'destitutes' in urban Mozambique (some categories, such as malnourished mothers, being female by definition); social pensions are paid to every Namibian man and woman over 60 years of age; and gender quotas (50:50 employment of men and women) were introduced on Zambia's cash-for-work programme.

The impacts of these programmes were not always gender-neutral, however. Transferring resources to women is intended to empower them, but can lead to sub-optimal or even perverse outcomes, such as the appropriation of women's incomes by men, or abrogation by men of their responsibilities for household provisioning. The introduction of gender quotas on Zambia's public works programme – to ensure that women benefited directly from employment opportunities – provides a case in point. Excessively onerous work norms compelled women to hire men with ox-carts to help complete their tasks, in exchange for half their income. Women participants also lost control over much of their earnings, because wives had to show their income to their husband and take his 'advice' on how best to spend it. Several others were prevented from working on the road at all by their husband or father, thus denying them the opportunity to accumulate independent cash income. The cash-for-work programme was also held responsible for intensified domestic strife and several incidents of marital breakdown, either because of conflicts over the use of earnings or because of extra-marital relationships at roadside work camps.

In all three case-study programmes, transfer payments made a larger contribution to total income in female-headed than male-headed households – the figures for GAPVU were 31% and 18% respectively – because female incomes are substantially lower than male incomes. In Mozambique and Namibia, decisions over the use of GAPVU or social pension income were often taken jointly in couple-headed households. In southern Namibia, women and men independently questioned whether both sexes should receive an equivalent pension payment, given the 'cultural norm' that husbands provide cash for food to their wives. Many female pensioners resolved the 'confusion' that they felt by voluntarily handing over their social pension to their husbands.

Spending patterns were not markedly differentiated by programme beneficiaries' sex. Women spent a marginally higher proportion of transfer income on goods and services for the 'whole household', while men spent slightly more on themselves. In all three countries, local norms dictate which assets can be owned by men and which by women. In southern Namibia, for instance, it was stated that 'What is inside the house belongs to the wife and whatever is outside the house belongs to the husband'. This implies that men control all livestock and farm implements, while women control the household furniture and kitchen utensils, but even this exaggerates the assets that are customarily owned by women. In our surveys, the acquisition of assets with transfer income was highly gendered, with men more likely to buy livestock, radios and other consumer goods, and women restricted to low-value kitchen utensils and poultry.

These findings present dilemmas for any interventions that seek to empower women economically. If women are not permitted or encouraged to own livestock, other than poultry, or key productive assets (such as ploughs or land), then cash transferred to women will not lead to independent wealth accumulation by those women. Even when women are permitted to own assets in their own right, they may lack incentives to acquire assets in contexts where they know that these assets will revert to their husbands on separation, or to their husband's family on his death. In such cases the bulk of transfers made to women will be used for domestic reproduction rather than productive investment or wealth accumulation, reinforcing the predicted behaviour that women have a higher propensity to spend resources under their control on feeding their children than do men.

Conclusions

The conceptual distinction between livelihood protection and livelihood promotion is neat in theory but artificial in reality. Any transfer to individuals or households – whatever the donor's intent – enters the household's basket of resources and can be used for either direct consumption or economically 'productive' purposes, or more typically in varying proportions (across individuals and over time) of consumption and production. Even if all transfers are immediately consumed, this can have both direct and indirect production consequences, either directly enhancing productivity – in cases where the food or cash enhances individual labour power – or indirectly, by releasing resources from consumption needs for productive investment.

Engels' curve logic predicts that people spend proportionately more of their incomes on food as incomes fall. The research reported here finds that poor people are surprisingly entrepreneurial, being inclined to invest even tiny amounts of income transfers in petty trading and other income-generating activities to increase the value of the transfer. This finding does not refute the Engels' curve prediction, since any profits generated are used mainly for food and other basic needs, but it does suggest that a more complex process is at work. Empirical studies of famine coping strategies found comparable evidence that the poor 'choose' to ration consumption severely rather than sell key productive assets for food (de Waal, 1989), so it is hardly surprising that transfers intended for consumption-smoothing are often allocated to income-generating activities or asset purchases. Since households are simultaneously production *and* consumption centres, these categories of behaviour cannot be neatly separated, and anti-poverty interventions should not manipulate or interfere with the interlocking nature of investment and consumption decision-making processes by applying explicit or implicit conditionality to resource transfers.

Clearly, cash or in-kind transfers have enormous and multiple impacts (both intended and unintended) on the livelihoods of the poor, and on the local economies in which they are situated. In terms of maximising the anti-poverty impacts of social safety nets or social protection programmes, we conclude with four observations.

- **Tiny transfers equal tiny impacts, but moderate transfers can have major impacts.** The poor use incremental income to satisfy basic consumption needs first, then to invest in human capital (education, health) and in social capital (supporting others, but also building up the basis for reciprocal claims), and finally to invest in directly productive (income-generating) assets and livelihood activities. Income transfers will impact on productive investment only if they are large enough also to cover immediate consumption needs.

- **Consumption-smoothing interventions can have mean-shifting outcomes.** As one cash-for-work enthusiast in Zambia told us: 'Cash is like oil: it gets stuck things moving.' For the ultra-poor, small amounts of cash can make an enormous difference. Mozambican women make their tiny GAPVU income go further by trading with it for increased profits. In sufficient volumes, transfer income can stimulate local trade, creating income multipliers, bringing down commodity prices and raising the purchasing power of all local residents.
- **The importance of understanding the socio-cultural context cannot be over-emphasised.** A safety-net programme is more than a transfer of resources from 'haves' to 'have-nots'; it is a relationship of power that has an impact, often in multiple and unforeseen ways, on the society in which it operates. Interventions that seek to do more than transfer resources to targeted 'vulnerable groups' – such as attempting to empower women – will produce sub-optimal or even perverse outcomes if they are not sensitive to the real needs and constraints of their intended beneficiaries. There is no substitute for effective participation of the poor in designing and implementing safety-net programmes if the intended positive effects are to be achieved and the unintended negative consequences minimised.
- **Cash injections without structural transformation mean unsustainable outcomes.** The poor are poor because they lack assets and incomes – but this is a description of a symptom, not a theory of causation. Weak institutions and bad policies cause poverty: dysfunctional markets, radical liberalisation measures that undermine access to agricultural inputs or introduce charges for basic services, are the ultimate sources of poverty. Sustainable, broad-based poverty reduction requires strengthening markets and guaranteeing access to productive inputs and essential services (i.e. productivity-enhancing safety nets), rather than narrowly-targeted income transfers. While safety nets do have greater potential to contribute to poverty reduction than is commonly realised, what the working poor really need is trampolines.

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