

# Child Poverty and Cash Transfers

Armando Barrientos and Jocelyn DeJong

**CHIP**

---

Childhood Poverty Research and Policy Centre

# Preface

This paper is one of a series of working papers, reports and policy briefings on different aspects of childhood poverty published by the Childhood Poverty Research and Policy Centre (CHIP). CHIP is a collaborative research and policy initiative involving academic institutions and Save the Children in China, India, Kyrgyzstan, Mongolia and the UK. It aims to:

- deepen understanding of the main causes of childhood poverty and poverty cycles, and increase knowledge of effective strategies to tackle it in different contexts
- inform effective policy to end childhood poverty, ensuring that research findings are widely communicated to policy-makers, practitioners and advocates
- raise the profile of childhood poverty issues and increase the urgency of tackling them through anti-poverty policy and action
- work globally to tackle chronic and childhood poverty in developing and transition countries.

Financial support from the Chronic Poverty Research Centre, the UK Department for International Development – DFID – (grant no. R8005), Save the Children UK and the International Save the Children Alliance has made this publication possible and is gratefully acknowledged.

For further information and to download all our publications, visit [www.childhoodpoverty.org](http://www.childhoodpoverty.org).

# Acknowledgements

The authors are respectively Senior Lecturer in Public Economics and Development and Lecturer in Social Policy and Development at the Institute for Development Policy and Management, University of Manchester, Oxford Road, Manchester M13 9QH, UK.

The authors would like to thank Rachel Marcus, Colette Solomon, and Frances Lund for helpful comments and suggestions which have improved the paper. The remaining errors are ours.

The views in this paper are those of the authors and do not necessarily represent those of CHIP, CPRC, DFID or Save the Children.

# Contents

<b>Preface</b>	<b>i</b>
<b>Acknowledgements</b>	<b>ii</b>
<b>Executive summary</b>	<b>1</b>
<b>1 Child poverty in developing and transition countries</b>	<b>4</b>
1.1 Why is child poverty important?	4
1.2 Reducing child poverty involves targeting human development	6
<b>2 Social protection and child poverty</b>	<b>9</b>
2.1 A new agenda for social protection and child poverty	9
2.2 Cash or in-kind transfers?	10
2.3 How effective are different cash transfer programmes in reducing poverty?	12
2.4 Intra-household resource distribution	14
<b>3 Cash transfers to poor families with children in developing and transition countries.</b>	<b>17</b>
3.1 Child cash transfers in South Africa	17
3.2 Family allowances in transition economies	21
3.3 Targeted conditional cash transfer programmes in Latin America	22
3.3.1 <i>What do these programmes do?</i>	22
3.3.2 <i>Targeting, evaluation, and impact on poverty</i>	25
3.3.3 <i>Unresolved issues</i>	28
<b>4 Conclusions</b>	<b>30</b>
<i>Appendix I. Child poverty: concepts and measurement</i>	32
<i>Appendix II. Evaluating the poverty reduction efficiency of different types of cash transfers</i>	38
<i>Appendix III. Main features of targeted conditional cash transfer programmes</i>	40
<b>References</b>	<b>46</b>

# Executive summary

This report discusses the role of cash transfers in the reduction of child poverty in developing and transition countries. Recently, there has been an increasing emphasis on targeted cash transfers as a key instrument in reducing poverty, deprivation and vulnerability among children and their households. For example:

- In South Africa, a Child Support Grant introduced in 1998, has been relatively successful in reaching poor children.
- In transition countries, child and family allowances have proved to be effective in ameliorating the impact of structural change on households with children, and have been reformed to act as a safety net.
- In Latin America, a new generation of targeted cash transfers has been introduced in a number of countries, with the aim of interrupting the ‘vicious circle of poverty’ by focusing investment in the human development of children, especially in education and health.

Cash transfers, together with redistributive tax policies, have a strong record in reducing childhood poverty in northern countries. Lessons from this experience are also of increasing interest in policy to tackle childhood poverty.

## Importance of tackling childhood poverty

Childhood poverty requires urgent attention because:

- Children are disproportionately represented among the income-poor and many experience severe deprivation.
- Poverty and vulnerability impair both the quality and length of children’s lives.
- Childhood poverty is a significant factor in persistent and chronic poverty, and in the inter-generational transmission of poverty; preventing poverty in childhood can thus help prevent entrenchment of poverty.

## Effectiveness of different kinds of income transfers

Transfers to poor families are provided both in-kind and in-cash. Both have advantages and disadvantages. In-kind transfers can guarantee consumption of key goods and services and maximise political support for these programmes. However, they require a great deal of administration and, when offered on a large scale, can distort markets. Though cash transfers can be used for non-essential goods, they give recipients more flexibility, and are becoming increasingly common in developing and transition countries as a tool to tackle childhood poverty.

Three main types of cash transfers can be used to tackle childhood poverty: a uniform benefit, paid for every child in the household; an income supplement, paying a fraction of the difference between household income and the poverty line; and a minimum guaranteed income, which supplements income up to a given level. Though all three types of transfers have strengths and weaknesses, for benefit levels below the poverty line, an income supplement or a minimum guaranteed income transfer are likely to have a stronger impact on the poverty gap, ie, the depth of poverty, than uniform benefits, unless these are set at a very generous level.

Generally, the more that a cash transfer is targeted at the poorest, the more likely it is to be effective in reducing severe poverty, although it will be easier to reduce overall numbers below the poverty line by focusing on those close to it, through a uniform benefit for example. However, this needs to be weighed against the broader political support for uniform and universal benefits.

## Results of existing programmes

Most countries target poverty reduction with a mix of cash and in-kind transfers, but governments in developing and transition economies are increasingly relying on cash transfer programmes to tackle childhood poverty. Cash transfers can be effective in facilitating and strengthening the capacity of households to invest in their children's development, and 'crowd in' other forms of support. Because most cash transfer programmes targeted on families with children have not been operating for long in developing countries, there have been few evaluations of their impacts, and evidence of their long-term efficacy is not available. However, positive impacts include the following:

- Child and family allowances in transition countries have protected many households with children from the adverse effects of structural change. One study estimates that without family allowances child poverty in Hungary would have been 85 per cent higher, while in Poland it would have been a third higher.
- Mexico's Progresa programme, which provided a range of cash benefits to poor households, is estimated to have reduced the poverty gap by 36 per cent, to have reduced both child stunting and rates of adult and childhood illness in participating households, and increased school enrolments, particularly among girls and at secondary school.
- Brazil's child labour eradication programme (PETI), which provides cash supplements to households where former child workers attend school at least 85 per cent of the time, has achieved a significant reduction in the incidence of child labour and a rise in school enrolments and attainment.

## Enhancing the impact of cash transfer programmes

The poverty reduction impacts of cash transfers to poor families may be enhanced in the following ways:

- Cash transfer programmes in developing countries should be considered important elements of an integrated child poverty eradication policy. It is too early to say whether programmes conditional on particular behaviour, such as children's school attendance, or non-involvement in child labour are more effective than those that simply provide cash transfers to families. However, programmes that are based on a multi-dimensional understanding of poverty and provide other services as well as transfers (eg, *Chile Solidario*) are more likely to be effective.
- Cash transfer programmes which improve children's education and health must be accompanied with an extension of opportunity, such as employment and mobility, if significant and sustained poverty reduction is to be achieved.
- Households play an important role in ensuring the effectiveness of cash transfers in child poverty reduction; cash transfer programmes need to be designed taking into account how households allocate resources among different members in response to specific social and economic conditions.
- All programmes discussed here exclude adolescents and children living in households without an adult guardian; however, such children may be among the most vulnerable to poverty. Ensuring children have rights and entitlements independently of their living arrangements requires urgent attention and the development of effective practices.
- To date, cash transfer programmes targeting child poverty have mostly been financed by loans or grants from international organisations. Though some poorer countries eg, Bangladesh and Central Asian countries, finance cash transfers from national budgets, this is relatively rare. This implies the need for international organisations to consider medium-term support for cash transfers targeted at children's human development as an important part of poverty reduction strategies.

# I Child poverty in developing and transition countries

*‘UNICEF estimates that children represent at least half of the income poor. This means that at least 600 million children under the age of 18 struggle to survive on less than \$1 a day. They represent a staggering 40 per cent of all children in developing countries’ (UNICEF, 2000b: 9).*

## I.1 Why is child poverty important?

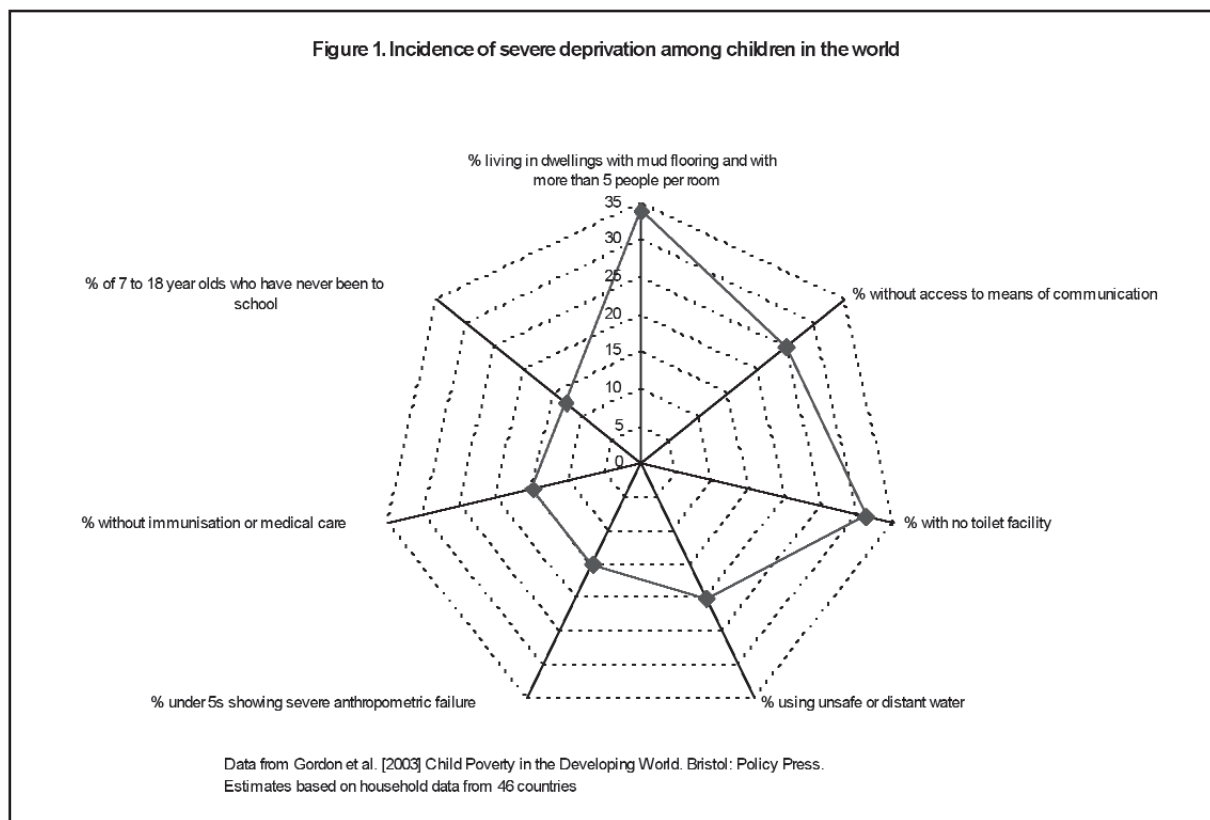
Children constitute a particularly vulnerable group in developing and transition countries. As the findings of UNICEF cited above indicate, the risk of income-poverty among children is high and children are the majority of the poor. They account for a large share of the population in developing countries and, if the risk of poverty is applied evenly across age groups, they would be expected to account for a large share of the poor. In fact, many studies show that the incidence of poverty among children is, in many countries, higher than the incidence of poverty for the population as a whole (Deaton and Paxson, 1997; Lanjouw et al, 1998).<sup>1</sup> Indeed, UNICEF suggests that children are disproportionately represented among the poor.

The vulnerability of children in developing countries is also apparent from non-income indicators. Gordon et al (2003) use household survey data from 46 developing countries to examine the incidence of severe deprivation among children. The study focuses on eight dimensions of wellbeing – food, water, sanitation, health, shelter, education, information, access to services – and identifies a severe deprivation threshold based on established criteria.<sup>2</sup> They find that one in two children in the sample suffers from severe deprivation in at least one dimension, and that one in three children suffer from two or more forms of severe deprivation. Children’s vulnerability extends beyond income-poverty to deprivation across a range of dimensions of wellbeing (see Figure 1). This paper adopts a multi-dimensional conceptualisation of poverty which is cognisant of the fact that poverty comprises not only the material dimensions of deprivation, but also the social, as deprivation in one area (eg, nutrition) can affect wellbeing in another (eg, health or ability to learn). In this report, we use poverty in its wider sense – to refer to a linked material and social deprivation, rather than simply a lack of income.

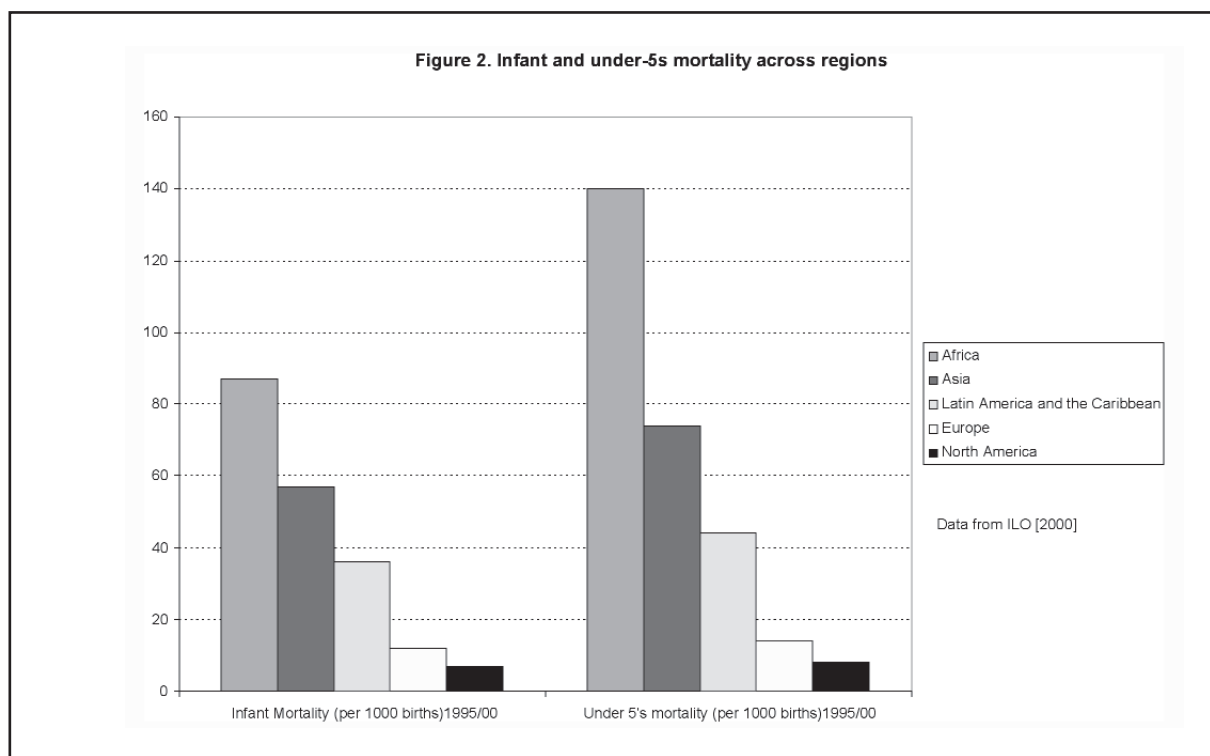
---

1 See Appendix I for a discussion of methodological issues in the measurement of child poverty.

2 For example, severe food deprivation applies to children with height and weight more than three standard deviations below the median of an international reference population; and severe education deprivation applies to children aged 7 – 18 who have never been to school (Gordon et al, 2003).



Poverty and vulnerability among children have an impact not only on the quality of their lives, but also on the quantity of life. Developing countries show significantly higher infant mortality rates, which are a direct consequence of poverty (see Figure 2).





Childhood poverty also has a time dimension (Harper et al 2003). The duration of poverty and deprivation has been identified as an important factor explaining poverty traps. The cumulative adverse effects of prolonged or persistent poverty cause nutritional and health deficiencies which reduce the capacity of individuals to sustain a livelihood and cope with adversity. The timing of poverty spells within the life-course of individuals or households<sup>3</sup> is also important (Yaqub, 2002). Poverty spells early in life can produce long-term adverse effects on capabilities.<sup>4</sup> Moreover, childhood poverty has strong inter-generational effects which operate through a number of channels:

- Childhood poverty is strongly associated with less schooling and lower educational attainment, with long-term effects on future productive capacity and standard of living.
- Childhood poverty in developing countries often leads to malnutrition and stunting, with malnourished girls in particular, having a greater likelihood of giving birth to low birth-weight babies, which jeopardises their life chances.
- Nutritional deficiencies during childhood lead to lower learning outcomes, with inter-generational effects, because the education of mothers has been shown to be particularly important to children's wellbeing.

Childhood poverty is important because children are disproportionately represented among the income-poor, and many suffer from severe deprivation. Moreover, their poverty and vulnerability has cumulative and long-term consequences for their future and that of their children. According to UNICEF (2000b) 'poverty reduction begins with children'.

## **1.2 Reducing child poverty involves targeting human development**

The extent and depth of childhood poverty and deprivation in developing and transition countries requires appropriate policy responses. Policy should thus be directed at improving the conditions and opportunities for children and their households currently living in poverty. To the extent that poverty spells in childhood have long-term effects on children and their households, appropriate policies are those which facilitate investment in the capabilities of children and their parents and guardians. Policies that are effective in reducing poverty among children, and ensuring their human development, can have an impact on chronic or persistent poverty and also help in breaking the inter-generational transmission of poverty (Castañeda and Aldez-Carroll, 1999; Yaqub, 2002). The main lesson emerging from the experience of developed countries is that human development should be the overriding objective of policy (see Box 1 below).

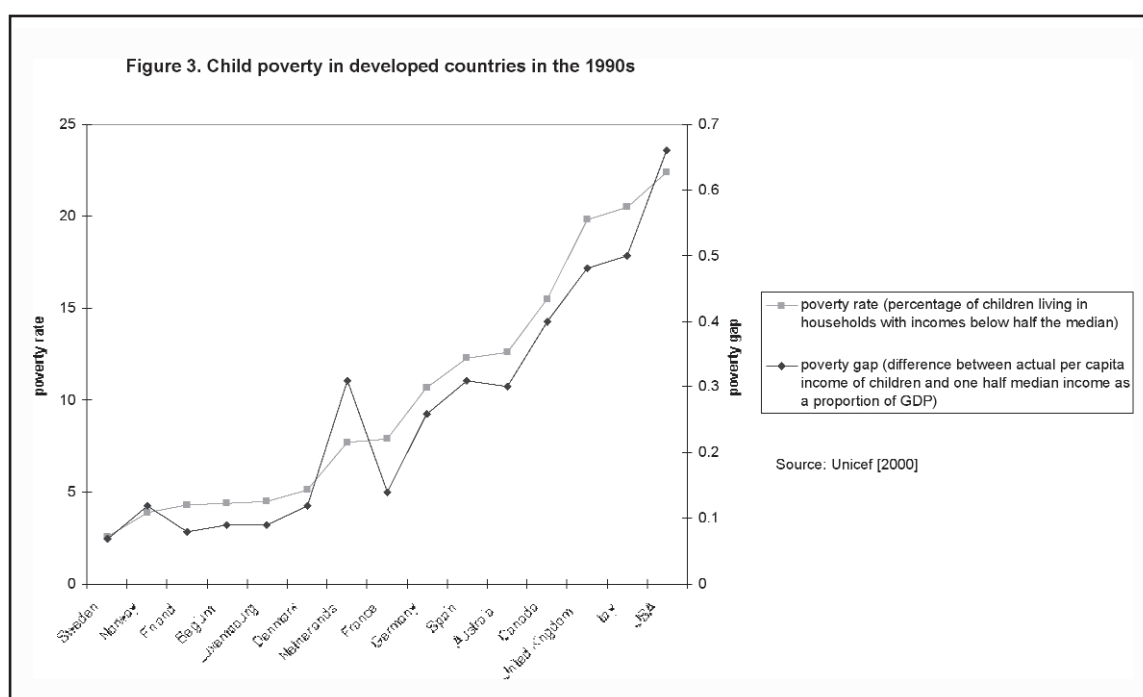
---

3 The term household is used throughout to indicate individuals living together and sharing their income or food. This term is used in preference to 'family' which describes households in which individuals of different generations are linked by kinship. In developing countries in particular, household is a more appropriate term. In Latin America, for example, it is common for households to include non-relatives or 'allegados'. In Africa, the incidence of HIV/AIDS, conflict and migration have led to a rise in the number of orphans living with non-kin and in child-headed households.

4 Case et al (2003a) present a study based on longitudinal data.

### Box 1 - Child poverty in developed nations: Why is child poverty low in some countries and high in others?

Despite their level of economic development, childhood poverty remains a problem in many developed nations. Figure 3 below shows the child poverty headcount (ie, the proportion of children in poverty) and the poverty gap (ie, the income needed to bring children to the poverty line) in selected developed nations (UNICEF, 2000a). In line with established OECD (Organisation for Economic Co-operation and development) practices, children were identified as poor if they lived in households with a per capita income below half the median. The poverty headcount ranges from 2.6 per cent in Sweden to 22.4 per cent in the USA, and the poverty gap ranges from 0.07 per cent of GDP to 0.66 per cent of GDP respectively.



Scandinavian countries, which are located to the left of Figure 3, show low levels of child poverty, while Anglo-Saxon countries, to the right of the figure, show high levels of child poverty. The differences in child poverty between these two groups of countries are not unique to the 1990s, but extend back in time, and have grown (UNICEF, 2000a).

What explains this difference? Esping-Andersen (1990; 1999) has identified structural differences in the way in which welfare provision is articulated in welfare regimes<sup>5</sup> in the two groups of countries. In Scandinavian countries, a social democratic welfare regime focuses on supporting human development through universal entitlements, defined as citizen rights. The welfare state is the dominant provider which ensures extensive redistribution of

*continued overleaf*

5 A welfare regime describes the articulation of welfare programmes and institutions (including the state, market and household) insuring households against various risks.

*continued from previous page*

opportunities. In Anglo-Saxon countries, on the other hand, in which a liberal welfare regime focuses on protecting households and individuals from market failure, markets are the key welfare providers while the welfare state has a residual function.

This distinction is also reflected in the policies which focus on children and their families (Kamerman and Kahn, 2003). Forssén (2000) found that Scandinavian countries took an early lead in introducing and developing universal child allowances, maternity leave and benefits, and service provision to households, including childcare. These, together with the high rates of labour force participation of mothers, account for the low levels of child poverty. Their early lead has been sustained because the ‘Nordic countries have remained in the forefront of children’s rights’ (Forssén, 2000: 13).

By contrast, Anglo-Saxon countries experienced a sharp rise in child poverty in the 1980s and 1990s. These remain stubbornly high despite extensive tax and benefit reforms aimed at strengthening work incentives for mothers. In the UK, child poverty doubled in the period from 1979 to the mid-1990s as a consequence of demographic change, a deterioration in labour market opportunities and changes to the benefit system. The Labour Party, which took power in 1997, promised to reverse this trend, cut child poverty by half by 2010 and eradicate it within 20 years. A reform of tax transfers for families with children introduced generous in work-related benefits, including childcare, in a bid to attract mothers into employment. Out-of-work benefits for mothers with children were also improved. While child poverty has fallen in recent years, the rate has been slower than expected. Dickens and Ellwood (2003) estimate that poverty in the UK and the USA fell by three percentage points following the reforms introduced by Blair and Clinton respectively. This falls some way short of targets, and leaves child poverty rates in these countries ten times higher than those in Sweden.

This report addresses the issue of breaking poverty cycles and investing in children by focusing on the role of cash transfers in reducing childhood poverty. The following section considers the potential role of cash transfers within social protection, while the third section discusses the main development in the provision of cash transfers to reduce poverty in developing and transition countries.

## 2 Social protection and child poverty

The extent of childhood poverty and vulnerability in developing countries and their role in chronic poverty calls for an urgent consideration of measures to prevent, reduce and ameliorate poverty among children and their households. This section addresses this issue by considering:

- the implications of the new social protection agenda for child poverty
- the comparative advantages of cash and in-kind transfers
- the poverty reduction effectiveness of different forms of cash transfers
- the key role of households in providing social protection, and ensuring that targeted social protection reaches poor children.

### 2.1 A new agenda for social protection and child poverty

In the 1990s, the concept of social protection underwent a fundamental transformation (World Bank, 2001; ILO, 2001; Shaffer, 2003; Barrientos, forthcoming). In the context of economic crises, structural adjustment and globalisation, social protection has increasingly been adopted as the appropriate framework for social policy in developing countries. Social protection is now 'broadly understood as a set of public and private policies and programmes undertaken by societies in response to various contingencies in order to offset the absence or substantial reduction of income from work; provide assistance to families with children; and provide people with health care and housing' (United Nations, 2000: 3).

While a number of factors explain the rise of social protection as the dominant approach for social policy, globalisation is perhaps the most important. The greater openness of developing economies has been associated with a greater exposure to changes in global markets and a greater concentration of social risks in the most vulnerable groups. On the one hand, globalisation strengthens the demand for social protection (Rodrik, 1997), while on the other hand, it undermines the capacity of governments, especially in developing countries, to strengthen social protection (Tanzi, 2000). As a result, a wider set of providers, instruments and programmes is needed to meet the increased demand for social protection. It is also important to learn lessons from the Former Soviet Union and East European countries which had a long history of social protection and a stronger focus on equity and the rights of the poorest.

There is an emerging consensus around the view that social protection provides the most appropriate framework for addressing rising poverty and vulnerability in the context of current conditions in

developing countries. The social protection agenda also has important implications for policy aimed at childhood poverty (Shaffer, 2003).

A social protection approach implies policy interventions which invest in the capacity of households to reduce the risk of poverty. Social protection emphasises the role of human capital in preventing poverty. However, investment in human capital is costly and uncertain, and it is therefore understandable that poorer households are less able to make such investments. In this context, social protection attaches great importance to the need to tackle chronic or persistent poverty and disadvantage, and policy directed at childhood poverty has a central role within this agenda. Human capital investment in education and health, for example, are concentrated in childhood and youth.

Concerns with widening the range of stakeholders involved in providing social protection, as well as coordinating their activities, are also of great importance. In the past, the particular role of households in social protection did not receive adequate attention. As the International Labour Organisation's (ILO) World Labour Report notes, households are 'the poor relation of public social policies' (ILO, 2000: 169). This is a significant shortcoming when considering the critical role of households in providing social protection in developing countries. Households also ensure the effectiveness of social protection aimed at children. This new agenda focuses attention on the household as a key stakeholder, and on the linkages between governments, households and non-governmental organisations in providing effective social protection for children and their households.

## 2.2 Cash or in-kind transfers?

Most policy interventions aimed at reducing poverty among children take the form of either a cash transfer or the direct provision of goods and services.<sup>6</sup> Family allowances paying a fixed sum of money per child per month to poor families are an example of the former, while the provision of school lunches or food supplements are an example of the latter. The advantages and disadvantages associated with both types of transfers are summarised in the table below (Tabor, 2002).

---

6 Basic services, such as education and primary healthcare, may not be directly targeted at poorer children, but are also an important element in any anti-poverty strategy and make a significant contribution to the development process (Anand and Ravallion, 1993). Other interventions, such as subsidised access to private insurance or saving plans, are rarely targeted at children in developing countries (Barrientos and Lloyd-Sherlock, 2002).

**Table I - Comparing cash and in-kind transfers**

	Advantages	Disadvantages
Cash transfers	<ul style="list-style-type: none"> <li>● beneficiaries are free to use transfers to meet their priorities</li> <li>● less demanding in terms of administration</li> </ul>	<ul style="list-style-type: none"> <li>● wasted if poor money management by poor people</li> <li>● may generate moral hazard<sup>7</sup></li> </ul>

	Advantages	Disadvantages
In-kind transfers	<ul style="list-style-type: none"> <li>● guarantee consumption of key goods and services</li> <li>● facilitate political support by the non-poor</li> </ul>	<ul style="list-style-type: none"> <li>● open to capture by producers</li> <li>● may introduce large price or output distortions in the economy</li> <li>● demanding in terms of administration</li> </ul>

In-kind benefits have the advantage of beneficiary households being guaranteed consumption of essential goods and services. They are appealing to the non-poor because they satisfy an observed need and minimise the potential misuse of the support by poor people. The disadvantages of in-kind benefits relate to the effectiveness and desirability of imposing a specific kind of consumption on the poor. Furthermore, in-kind benefits on a large scale will produce significant price and production distortions in the economy. In some cases, in-kind benefits may simply be resold, thereby, on the one hand, allowing households to purchase what they want but, on the other hand, allowing the possibility that essential goods are not purchased. Large programmes will also generate strong incentives for the providers of these goods or services to seek to influence decisions on programmes to their advantage, even when these are not beneficial to poor people. For example, in response to the 1997 crisis, Indonesia introduced an emergency programme providing subsidised rice to poorer households. The programme purchases rice from farmers and then distributes it at a lower price. In 2003, two million tons of rice were distributed to 8.59 million households. It is estimated that only 18 per cent of the net subsidy goes to the poor, while operating costs are about 1.6 times the amount of the subsidy (World Bank, 2003a).

Cash benefits have a number of advantages. Beneficiary households know best how to use their resources to improve their standard of living.<sup>8</sup> Furthermore, cash transfers are unlikely to generate large distortions in the economy, and will have multiplier effects on the local economy when the money is spent. Compared to in-kind benefits, cash transfer programmes are less demanding in terms of institutional capacity and are more predictable in budgeting terms (Tabor, 2002). The disadvantages of cash transfers relate to concerns regarding money management among poor people, and the extent to which transfers encourage households to change their behaviour in

7 Moral hazard describes situations in which the provision of insurance or cash transfers, leads to a dysfunctional change in the behaviour of beneficiaries or potential beneficiaries. For example, households might reduce their savings or take fewer risk-preventive measures, in the expectation of qualifying for a cash transfer.

8 Ardington and Lund (1995) and Devereux (2001) provide examples of how households in sub-Saharan Africa use part of cash transfers to finance small-scale trading.

order to access entitlements in ways which are not beneficial to them or to society at large. Furthermore, intra-household resource distribution patterns may not favour children directly, with resources skewed instead to more powerful household members (eg, male adults) (see 2.3 below).

Most countries have a mix of both cash and in-kind transfers, although governments in developing and transition economies are increasingly relying on cash transfers as a means to tackle childhood poverty. In the last decade, cash transfer programmes in transition economies have been reformed and in Latin America, new targeted cash transfer programmes have been introduced with the explicit aim of reducing and preventing childhood poverty. These will be reviewed in the next section.

### **2.3 How effective are different cash transfer programmes in reducing poverty?**

Typically, cash transfer programmes that support families with children incorporate a variety of objectives (Atkinson, 1995; ILO, 2000; Forster and Tóth, 2001). These include:

- ensuring a measure of parity between families with children and those without children, and among families with different numbers of children – ie, horizontal equity<sup>9</sup>
- reducing or preventing poverty among families with children, which is a vertical equity objective
- facilitating and encouraging the employment of mothers
- discouraging child labour and encouraging school attendance
- supporting and facilitating household investment in the human capital of children
- raising gender equality by supporting investment in the human capital of girls and the bargaining power of women within the household – eg, when benefits are paid to the mother
- encouraging fertility, to the extent that transfers rise with the number of children in a household

A variety of objectives makes the evaluation of programmes more complex. However, in this report we are primarily concerned with the poverty reduction effectiveness of cash transfers, to which many of the objectives noted above directly contribute. The literature on cash transfers identifies some general principles regarding the poverty reduction effectiveness of different

---

<sup>9</sup> The principle of horizontal equity argues that households that are the same, along a set of significant dimensions, ought to be treated similarly, while the principle of vertical equity argues that households that are different, along a set of significant dimensions, ought to be treated differently. Support for households with children reflects that they have higher consumption needs than those without children.

types of cash transfer programmes (Atkinson, 1995). (See Appendix II: Evaluating the poverty reduction efficiency of different types of cash transfers.) It is possible to identify three types of cash transfers: a *uniform benefit*, an *income supplement*, and a *minimum guaranteed income*.

- A *uniform benefit* pays a certain sum of money for every child in a household. The Child Benefit in the UK is a good example of a uniform benefit: it pays a fixed amount to the mother or guardian for every child below the age of 18 (Subbarao et al, 1997).
- An *income supplement* pays a proportion of the difference between the income of the household and a minimum income level or poverty line. For example, assuming that the poverty line for a household of a given composition is £100<sup>10</sup> per week, an income supplement of 30 per cent would pay an extra £20 to a household with an income of £40, and £10 to a household with an income of £70. The Family Income Supplement in place in the UK between 1971 and 1988 provides a good example. It was a means-tested benefit paid to families with children where the head was employed. It paid 50 per cent of the difference between the current income of the households and the qualifying level, which varied according to the number of children.
- A *minimum guaranteed income* pays a benefit equal to the difference between the income of a household of a given composition and the minimum income. With a minimum guaranteed income of £80 for a household with a given composition, a household with an income of £20 would receive £60, and another with an income of £70 would receive £10. Kyrgyzstan's Unified Monthly Benefit (UMB) is an example of this type of programme. It provides a per capita income supplement to recipient poor families with children, which makes up the difference between per capita income and the Minimum Guaranteed Level of Consumption, which in 2002 was 140 som per capita per month.<sup>11</sup> With an extreme poverty line per capita of 358.9 som in 2002, UMB clearly does not bring poor families even close to the poverty line. The average sum received was 96.3 som in 2002 (Foundation for Assistance International and CASE, 2003: 9-10). However, on average, this small amount constitutes 15 per cent of recipients' income (ibid: 79) and is thus highly valued by them. Current government policy, as stated in the National Poverty Reduction Strategy, is to increase the value of UMB by better targeting and increased social protection expenditure.

Different types of cash transfer programmes have different impacts on the poverty headcount and the poverty gap (Atkinson, 1995). A well-targeted income supplement programme would not reduce the poverty headcount, only the poverty gap. A minimum income guaranteed programme, with the guaranteed level set below the poverty line, would reduce the poverty gap, but not the poverty headcount.

---

10 £1 was equivalent to \$1.81 at the time of writing.

11 At the time of writing, \$1 was equivalent to 43 Kyrgyz som.



A uniform benefit paid to families with children will have a measurable impact on the poverty headcount, particularly among children who are close to the poverty line. A uniform benefit of £10 will lift above poverty all those who are below the poverty line by the same amount or less. The income supplement and the minimum guaranteed income, on the other hand, will have greater impacts on the poverty gap, and little or no impact on the poverty headcount. An income supplement that pays a proportion of households' income shortfall will have no impact on the poverty headcount. The impact of the minimum guaranteed income on the poverty headcount will depend on the level at which it is set. If the minimum guaranteed income is set at the poverty line and all those eligible for the benefit receive it, poverty would be eradicated. If, on the other hand, the minimum guaranteed income is set below the poverty line, it will have no impact on the poverty headcount.

To a great extent, the design of cash transfer programmes reflects the priorities of policy-makers and the political economy constraints they face. Unless the *uniform benefit* is set at a very generous level, the *income supplement* and the *minimum guaranteed income* are likely to have a greater impact on chronic poverty. They are also more specifically targeted at the poor and the poorest. Political economy factors usually favour a *uniform benefit* because it is more likely to reach the non-poor and therefore attracts wider support. Furthermore, it is preferred because of its impact on the poverty headcount, which is more observable. As a general rule, and depending on the level at which benefits are set, the more that a cash transfer is targeted at the poorest, the greater the impact on the poverty gap and the smaller the impact on the poverty headcount.

## 2.4 Intra-household resource distribution

In most cases, cash programmes cannot raise the income or consumption of children directly, but instead, supplement the incomes of families with children with the assumption that the standard of living of children in these households will also improve. The impact of cash transfers on poverty among children therefore depends on the response of the household (Alderman et al 1997).<sup>12</sup>

It is important to understand how households allocate resources internally. This is a complex issue because household arrangements are determined not only by individual preferences, but are strongly influenced by prevailing social and cultural norms. Because of the great variation in household arrangements, it is hard to make generalisations which are capable of informing effective policy. In this sense, our knowledge of intra-household resource allocation is very limited (Himmelweit et al, 2003).

---

12 A recent paper (Banks and Brewer, 2002) reviewing studies for the UK, underlines the dilemma facing policy-makers. The studies report that children in low-income households have 'broadly similar amounts of money spent on them as children in (slightly) higher-income households, but parents in low-income households are much more likely to go without essentials – even regularly skipping meals in some cases – than parents in higher-income households...If this is happening, then increasing the amount of money going to low-income families with children may help the parents more than the children' (ibid: 11). Raising cash benefits for children will benefit poor households, but will not necessarily make a significant improvement in the wellbeing of children in these households.

It may be helpful to simplify matters by focusing on two models of the household. In the unitary model, the household is assumed to make decisions as if it was a single unit, pursuing a common set of objectives.<sup>13</sup> If resources are equally distributed within the household, cash transfers aimed at children will benefit all household members equally. In unitary households, if the objective is poverty reduction, it matters little whether the cash transfer is targeted at the adults or children.

In the collective model, decision-making is taken to be the outcome of the interaction of individual household members who have different interests, preferences and power.<sup>14</sup> In a collective household in which decision-making about intra-household resource allocation is the outcome of a bargaining process, the strength of negotiating positions arises partly from the income which members contribute to the household. In this case, the impact of cash transfers will depend on who receives the benefit, because it will strengthen their individual bargaining position. There is a great deal of evidence that cash transfers targeted at women have a stronger impact on the living standards of their children, particularly girls (Haddad et al, 1997). Cash transfers directed at women may also have equalising impacts on bargaining power within the household.

### **Box 2 - Households and cash transfers – ‘younger girls are taller in households where there is a pension-eligible woman’ – lessons from South Africa and Brazil**

In unitary households (where the household is assumed to act as a single unit), household resources are assumed to be allocated independently of the identity of the source or the recipient. Thus, if a cash transfer programme is introduced into a unitary household, it should not matter whether the cash transfer is targeted at one household member or another, since all household members should benefit from the extra income.

However, a number of studies have concluded that the identity of the income source does matter. Duflo (2000) examined the impact of the old age pension on the height-for-age of co-resident children, and found that the ‘pension improves the nutritional status of children (girls in particular) if it was received by a woman, but not by a man’ (ibid.:9). This finding calls into question the model of the unitary household.

Along similar lines, Carvalho (2000) examined the impact of an extension in old age pension entitlement on school enrolments among 10-14 year-old children in rural Brazil. Since 1991, the rural old age pension in Brazil has doubled in value and has been paid to all

*continues overleaf*

13 There are different sub-types of unitary households: household members either share a single set of objectives and values, or follow the decisions of the head of household who might be altruistic or a benevolent dictator. In both types, the household acts as a single unit (Haddad et al, 1997).

14 There are different sub-types of collective households: in a cooperative household, the objectives that led to household-formation are maintained through sharing or bargaining (Sen, 1984). In a non-cooperative household, individuals are regarded as autonomous ‘sub-economies’ with reciprocal claims on resources (Haddad et al, 1997).

*continued from previous page*

household members eligible to entitlement, lifting the previous restriction of one recipient per household. School enrolments for children co-resident with pensioners increased, with the increase more striking for girls than boys. In households with male pensioners, child labour fell and school enrolments for boys rose, whereas in households with a female pensioner, child labour fell and school enrolments for girls rose.

There are important lessons from these studies:

- Cash transfers are beneficial for children even when they are targeted at other household members.
- At the same time, the gender of the beneficiary appears to matter, and has different outcomes for girls and boys. This implies that the design of the cash transfer programme, and the nominated beneficiary, does matter. However, the choice of beneficiary will vary depending on the main policy objective.
- As a result, ameliorating intra-household inequalities and empowering vulnerable household members, is an appropriate objective for cash transfer programmes.
- Research highlights the key role of household arrangements, social norms and opportunities in ensuring the effectiveness of cash transfer programmes aimed at reducing child poverty.

Despite our knowledge gaps concerning intra-household resource allocation, it is not possible to ignore the central role that households play in determining the impact of cash transfers aimed at children. In fact, the division of responsibilities for financing and providing for the raising of children is likely to be complex, and fall along a spectrum of arrangements – ie, from the unitary to the collective models described above. Moreover, household arrangements are strongly influenced by prevailing social and cultural norms, as well as short-term economic conditions. An understanding of these norms and arrangements is critical for informing policy which effectively targets households in appropriate ways which maximise the impacts on childhood poverty.

# 3 Cash transfers to poor families with children in developing and transition countries

Among developing and transition economies, it is possible to identify three main developments in the provision of cash transfers to tackle child poverty.

- The introduction of a means-tested child support grant in South Africa in 1998 provides a rare example of a cash transfer focused primarily on children themselves, and reflecting a commitment to universal rights for children. In transition economies, provision of universal allowances to families with children has been the norm.
- The rapid increase in childhood poverty in transition countries in the early 1990s led to the reform of the family allowance as a cash benefit targeted at poorer households with children.
- In Latin America, a number of targeted conditional cash transfer programmes have been implemented in the last decade. These programmes provide poor families with children of school-age with cash transfers which are conditional on households investing in the development of the children by ensuring their schooling and primary healthcare.

This section now considers each of these in turn.

## 3.1 Child cash transfers in South Africa

Among countries in sub-Saharan Africa, South Africa has made significant strides in developing a comprehensive social security system, particularly since the end of apartheid in 1994 (Committee of Inquiry into a Comprehensive System of Social Security for South Africa, 2002; Lund, 2002; van der Berg, 2002). While enjoying a more developed economic and social infrastructure than its neighbours, South Africa is also affected by widespread poverty, a high incidence of people living with HIV/AIDS, high unemployment and large-scale labour migration.

The main cash transfer supporting children living in poverty is the Child Support Grant, which was introduced in 1998. In 2003, it paid a monthly benefit of R160 (equivalent to US\$20) to single carers with a monthly income below R1,410 for every registered child below the age of 13. The number of beneficiaries had risen rapidly to 2.5 million in February 2003 (Department

of Social Development, 2003b). The South African government approved the extension of the Child Support Grant to children below the age of 13 in 2002. For reasons of administrative capacity, coverage of the grant has been expanded in stages: children aged seven and eight in 2003, nine and ten year-olds in 2004, and 11 – 13 year-olds in 2005. It is estimated that 3.6 million children will eventually receive the grant, about half of all children in these age groups.

In addition to the Child Support Grant, two other grants target childhood poverty. A Foster Care Grant is paid to guardians of children who are legally placed in the care of someone who is not their parent, and a Care Dependency Grant is paid to the carers of children who suffer from severe physical or mental disability and who are cared for at home.<sup>15</sup> These grants are means-tested and, in February 2003, covered 133,400 and 56,173 children respectively. Some of the conditions of entitlement, the completion of the legal fostering process and the evaluation of severe disability, all restrict the coverage of these two grants (Department of Social Development, 2003a).

As the Child Support Grant is relatively recent, and the expansion of its coverage is still underway, evaluations of its effectiveness are limited. Preliminary studies suggest that cash transfers for poor children in South Africa appear to be well-targeted at poorer households (Case et al 2003b).

### **Box 3 - Evaluating the reach of the Child Support Grant in the Hlabisa district in South Africa**

There are few evaluations of the impact of this programme on poverty. The means test helps to ensure that only poor households receive the grant. Case et al (2003b) used data collected as part of a demographic survey in the Hlabisa district of KwaZulu-Natal to investigate the coverage of the Child Support Grant. In this poor district, with high rates of migration and a high incidence of HIV/AIDS, they found that 36 per cent of children received the grant, just four years after the grant had been introduced.

Lacking income data, they analysed the correlation between asset and household variables and grant receipt. They found that the presence of assets in the household significantly reduced the probability of having grant beneficiaries in the household. For example, the presence of a hot water geyser was associated with a 15 per cent reduction in the probability of having a grant beneficiary. The parents of grant beneficiaries were also more likely to be unemployed and less educated than those of children not receiving the grant. According to the authors, 'the grant is targeting children in poorer households' (Case et al, 2003b: 11).

The programme scores well on vertical efficiency because there appears to be few non-poor

*continues opposite*

15 In 2000, the three grants targeted at children comprised 0.7 per cent of GDP. Expenditure projections, assuming the Child Support Grant is eventually extended to all children below 18 years of age, indicate that the grants will make up two per cent of GDP by 2015 (Committee of Inquiry into a Comprehensive System of Social Security for South Africa, 2002).

*continued from previous page*

children among beneficiaries. The programme's horizontal efficiency – ie, the proportion of the poor it reaches – is more difficult to score. The researchers were concerned that the absence of a mother (usually due to death) greatly reduced the probability of a child below the age of seven receiving the grant by 15 percentage points, because of the reduced likelihood of an enquiry about the grant being made on a child's behalf. Perhaps, carers do not access the grant because of a lack of information about their entitlements, or because of difficulties in acquiring the necessary documentation, or because the child moves among several carers.

The expansion in the coverage of the grant has stretched administrative capacity, but all the signs are that the rapid rise in the number of beneficiaries has been absorbed reasonably well. However, a number of issues remain under discussion. For instance, there are concerns about the transfers reaching all poor children. In common with other countries in the region, South Africa has a rapidly rising number of orphans, street children and child-headed households, in many cases a direct consequence of the spread of HIV/AIDS. The Child Support Grant recognises the rights of children and therefore targets poor children regardless of household arrangements. However, in practical terms, it requires an adult carer to apply for, and collect, the grant. There is thus some concern that these vulnerable groups, because of the absence of an adult, fall outside the conditions for entitlement to the grants. There are also concerns that the value of the grant is insufficient to cover the basic costs of childcare (Department of Social Development, 2003a).

#### **Box 4 - Orphans in sub-Saharan Africa**

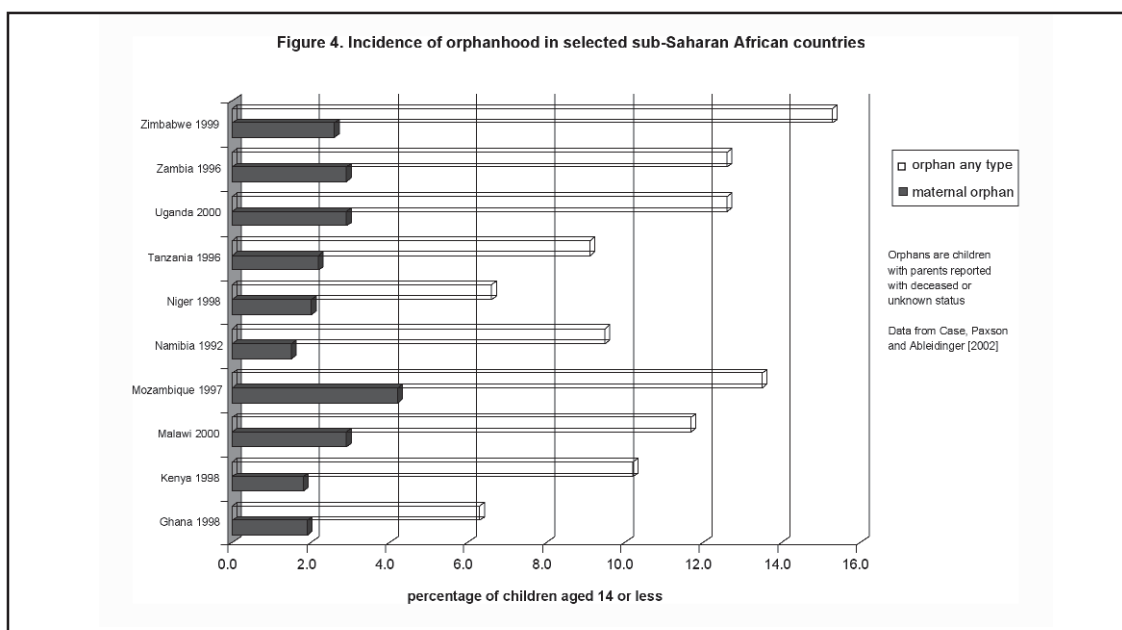
Using data from Demographic and Health Surveys, Case et al (2002) examined whether the living arrangements of orphans, compared to other children, can explain schooling outcomes. This is an important issue given the incidence of HIV/AIDS in sub-Saharan Africa. Figure 4 below shows the incidence of general and maternal orphanhood in selected sub-Saharan African countries. The study finds that orphans are significantly disadvantaged with respect to school enrolment, which has potential long-term consequences for their productivity and wellbeing.

Interestingly, the researchers find that 'the degree of relatedness between orphans and their adult caregivers' (ibid: 29) is more important in explaining their disadvantage than the socio-economic conditions of the household in which they live. Furthermore, their findings – that orphans are less likely to be in school than the non-orphans with whom they live, and that their enrolment does not increase with household wealth – suggest that policies must be specifically targeted to orphans. However, it is important that such support is provided in a way that does not stigmatise orphans or their carers, and does not discourage poor families from continuing to support their children, rather than fostering them out.

*continues overleaf*

*continued from previous page*

This is echoed in the conclusions of a World Bank/World Vision Conference on ‘Orphans and other vulnerable children’ (Levine, 2001). The conference participants stated that specific support is required for orphans to ameliorate their disadvantage, and that this can be extended to street children and other vulnerable children.



A key issue relates to the type and mode of support which is likely to be effective. Deininger et al (2003) discuss the evidence of the relative effectiveness of different interventions. Table 2 below summarises the main points relating to cash transfers.

**Table 2 - Relative effectiveness of cash transfers to orphans**

	Advantages	Disadvantages
Household transfers	<ul style="list-style-type: none"> <li>● facilitate fostering among poor households</li> </ul>	<ul style="list-style-type: none"> <li>● they may be captured by the household head or household members, other than the orphan</li> <li>● they may be shared among a large number of household members, diluting the support to the orphan</li> <li>● transfers going exclusively to orphans may stigmatise them</li> </ul>
Community transfers	<ul style="list-style-type: none"> <li>● good information on household poverty and vulnerability</li> <li>● if distributed through community and religious organisations, stigma may be reduced</li> </ul>	<ul style="list-style-type: none"> <li>● work less effectively in urban areas with weak communities</li> <li>● may not work in communities where ethnic tensions or discrimination exists</li> </ul>
School or health vouchers	<ul style="list-style-type: none"> <li>● beneficiary is easily monitored</li> <li>● most likely to prevent human capital deficits</li> </ul>	<ul style="list-style-type: none"> <li>● may exclude poor children living with parents</li> </ul>

Adapted from Deininger et al (2003)

### 3.2 Family allowances in transition economies

Before the transition, family benefits and child allowances were a key element of social assistance in socialist countries in Central and Eastern Europe and Eurasia (Subbarao et al, 1997).<sup>16</sup> The process of transition led to a reform of social assistance, and family and child support in particular. The main role of these benefits before the transition was to protect standards of living among expanding households, and to facilitate the labour force participation of mothers. Fiscal pressures, combined with rapidly rising poverty during the transition, led to child allowances and family benefits becoming a key instrument in poverty reduction and amelioration.

Despite some variation across countries, the transition marked a general shift in family benefits and child allowances from universal to targeted benefits (World Bank, 2000). In many cases, targeting involved excluding better-off households (Forster and Tóth, 2001). During the 1990s, inflation also led to benefits declining in value.

#### **Box 5 - The reform of family allowances in Hungary: from universal benefits to safety nets?**

Before the transition, Hungary had universal provision of maternity benefits and family allowances. The transition involved a radical reform of these programmes, switching to means-tested eligibility for maternity benefits and households with fewer than three children. The eligibility threshold was initially set at a high level, so that only wealthy households were excluded.

Poverty incidence is higher for children and their households than for the population as a whole. Children are 1.3 times more likely to be poor than the average person, and households with three or more children are almost twice as likely to be poor than the average household (Forster, 2001). The means-tested family allowance therefore became a safety net during the transition. Forster estimates that child poverty would have been 85 per cent higher without the family allowances (ibid: 338). More recently, the poverty reduction effectiveness of family allowances in Hungary has led to a re-thinking of the shift from universal provision.

Most studies conclude that family benefits and child allowances have played a key role in preventing and ameliorating poverty during a period of rapidly deteriorating conditions for vulnerable groups in transition economies. The strong correlation between families with children and poverty incidence strengthened the argument for the targeting of assistance at the most vulnerable groups (Lanjouw et al, 1998). A regional study by the World Bank (2000: 37)

<sup>16</sup> Although many developing countries have employment-related family allowances, few are outside public or formal employment. In a recent survey of family allowances, covering 57 non-OECD countries, only Costa Rica, Cyprus, Mauritius and Sri Lanka recorded support targeted at children in poor households (Roddis and Tzannatos, 1999).



notes that ‘family benefits and child allowances have been found to be strongly pro-poor in both European and Eurasian transition economies’ and that ‘the bulk of resources allocated to child allowances is received by poor families’. Covering the Czech Republic, Hungary and Poland, Forster and Tóth (2001) concluded that poverty among families with children would have been a third higher in Poland, and two thirds higher in the Czech Republic and Hungary, in the absence of cash transfers.

An important policy question is whether the poverty reduction effectiveness of cash transfers to families with children during the transition is sustainable over time. In the absence of further reform, inflation will gradually reduce the scope and generosity of these benefits.<sup>17</sup> In some countries, such as Kyrgyzstan, the targeting of cash transfers at poor families with children has been used as a means of increasing support to poor families, and improvements in targeting could therefore maintain the poverty reduction effectiveness of these cash transfers. Without existing social protection in Kyrgyzstan, it is estimated that there would be ten per cent more people living in poverty and 24 per cent more in extreme poverty (World Bank, 2003b). (This includes all social protection, not only cash transfers to poor households with children.)

### **3.3 Targeted conditional cash transfer programmes in Latin America**

A new generation of cash transfer programmes, specifically targeting children from poor households, has been introduced in Latin America during the last decade (Sedlacek et al, 2000; Coady, 2003; Rawlings and Rubio, 2003). These are conditional cash transfer programmes because the cash transfer is conditional on specific behaviour by the beneficiary households (eg, school enrolment and attendance of children, regular use of primary healthcare by mothers and infants). They are called targeted human development programmes because the main aim of the cash transfer is to enhance investment in human capital.

#### **3.3.1 What do these programmes do?**

Appendix III provides summary information of these programmes. Although there are few examples of these programmes outside Latin America and the Caribbean, the Food-for-Education (FFE) Programme in Bangladesh provides an early example, while Turkey is currently introducing a similar programme. While these are included in Appendix III, the focus of the discussion in this section will be on the Latin American programmes.

---

17 A report by the World Bank (2000) underlines the transitional nature of these benefits. Noting that universal child benefits may be appropriate in circumstances where income-distribution is flat, the report suggests that ‘governments that introduce universal programs should inform the public that child allowances are ...a transitional rather than a permanent benefit...{and that if} ... capped, economic growth will automatically reduce the percentage of families receiving allowances in the future, even if initially they are received by most of the population’ (ibid, 2000: 37).

The *Bolsa Escola* ('school bag') programme in Brazil provides a cash transfer of between US\$5 and US\$15 to households with children aged between 6 to 15 years of age which is conditional on the children enrolling in school and having an attendance record of at least 85 per cent. The programme was originally introduced by the municipality of Campinas, but later spread to other municipalities and became a federal programme in 2001 (Bourguignon et al, 2002). The cash transfer is targeted at households with a per capita income below US\$90 per month. (Brazil uses a single basic income-level for all benefits). The *Bolsa Escola* currently reaches 8.2 million children in 5 million households (Bolsa Escola, 2003).

Mexico's *Progresas*<sup>18</sup> was introduced in 1997 to support poor households with children in small rural communities (Morley and Coady, 2003). The programme pays a household consumption subsidy of US\$12.5 per household per month, plus a school subsidy of between US\$8 and US\$30.5 per child of school-going age per month, depending on the school grade, plus an annual subsidy of between US\$15.5 and US\$20.5 per child to cover school materials. The combined transfers are capped at US\$75 per household per month in order to reduce fertility incentives and preclude benefit dependency. The subsidies are conditional on children having a school attendance record of at least 85 per cent, and on mothers and infants attending regular primary healthcare examinations and parenting sessions. Targeting takes place in two stages: a first stage, in which poorer geographical areas and communities (less than 2,500 inhabitants), with existing health, education and transport infrastructure are selected; a second stage, in which poorer households (based on a proxy index)<sup>19</sup> are selected. The programme reached 2.6 million (or 40 per cent of) rural households in Mexico in 2002. In March 2002, the programme was renamed *Oportunidades* and was scaled-up to cover urban areas.

*Chile Solidario* is more comprehensive than either *Bolsa Escola* or *Progresas*, although it includes a conditional cash transfer as a key component. This programme is targeted at the 250,000 households living in extreme poverty in Chile (ie, with an income below the level needed to purchase a minimum subsistence basket). The programme is designed to provide comprehensive and sustained support to identified households striving to change their circumstances. These households are provided with a package of integrated services and cash transfers. During the first 24 months, households are assigned a social worker who arranges support in several key areas: health, education, household dynamics, work, income and housing. A contract is agreed with the household. A consumption subsidy is paid to the household, in addition to other benefit entitlements, and access to services is tailored to the specific needs of the household. These could include skills training, disability rehabilitation, drug prevention and rehabilitation, child protection, control of household violence, and school-based support. At present, the programme covers 113,116 households and will gradually expand to full coverage of more than 250,000 households by 2005.

---

18 It literally means 'progressing', and is also the acronym for Programa de Educación, Salud y Alimentación.

19 A proxy index involves scoring the socio-economic situation of households according to a number of available indicators, eg, quality of housing, health, education, and then using this index to identify poor households. Using a number of household attributes can better indicate the vulnerability of a household to poverty. The means tests are implemented by staff at the start of a programme.

These three programmes represent the spectrum of programme-design. Targeted conditional transfer programmes share a common aim of breaking the ‘vicious circle of poverty’ by concentrating resources on increasing human capital accumulation among the children of the poor, and through them, to directly tackle persistent or chronic poverty. At the same time, there is considerable variation in the scope, design and objectives across the range of programmes. Brazil’s Bolsa Escola and Child Labour Eradication Programme (PETI), and Bangladesh’s *Cash-for-Education*, focus on a single cause of poverty: deficient school enrolment and attendance. Mexico’s Oportunidades, Nicaragua’s *Red de Proteccion Social (RPS)*, Honduras’ *Programa de Asignacion Familiar (PRAF)*, Colombia’s *Familias en Acción*, and Turkey’s *Social Fund*, have a broader range of components which address specific dimensions and correlates of poverty: household consumption, early childhood interventions, schooling and healthcare. *Chile Solidario* has the widest range of interventions and addresses the multi-dimensional causes of poverty.

Differences in the design and objectives of these programmes reflect different views of the nature and proximate causes of poverty. The first group of programmes is premised on the belief that the primary cause of persistent poverty is education deficits among the poor, arising from poor school attendance or from the competing pressures of child labour, (see Box 6 below). The programmes in the second group are based on the view that education deficits, together with deficits in parenting, primary healthcare, and nutrition in early childhood, are the main factors explaining persistent poverty. *Chile Solidario* maintains that poverty is intrinsically multi-dimensional, and regards the household as a whole, and not only the children, as the main agent of change.

### **Box 6 - Food-for-Education: schooling vs labour?**

Ravallion and Wodon (2000) examined the impact of Bangladesh’s Food-for-Education programme. The programme provided food to poorer households on condition that children had a school attendance record of at least 85 per cent. It is premised on the view that child labour displaces schooling, with long-term consequences for the prospects of children in poorer households. The food subsidy is intended to compensate households for the withdrawal of children from paid employment. In 1995/6, the programme covered 2.2 million children or 13 per cent of enrolments.

The study found that, although school enrolments rose in response to the food subsidy, the decline in incidence of child labour was less than proportionate. The authors estimate that ‘the reduction in the incidence of child labour by boys (girls) represents about one quarter (eighth) of the increase in school enrolment rates’ (Ravallion and Wodon, 2000: 173). It would appear that child labour does not fully displace schooling, but can displace the non-school and non-work activities of children. On average, children attend school for 17 hours a week in Bangladesh (three to four hours per day for 120 days per year). The Food-for-Education programme was later renamed Cash-for-Education.

*continued opposite*

*continued from previous page*

An earlier ILO study of programmes providing economic incentives to reduce child labour and support schooling concluded that a combination of school-based incentives, remedial education, income-generating activities, and awareness-training for parents, was likely to be more effective than any of these components on their own (Anker and Melkas, 1996).

### 3.3.2 Targeting, evaluation and impact on poverty

A key feature of the new generation of programmes in Latin America is the development of targeting tools and an incorporation of monitoring and evaluation processes from the outset.

Broadly, the programmes use geographic targeting to identify regions with a significant incidence of poverty. Within these regions, poor households are identified through a proxy index, supplemented in some cases, with the participation of the community. The two-stage targeting process necessitates detailed regional and household information to construct poverty profiles. In Mexico's *Progresas*, programme designers collected baseline data to enable targeting.

Collecting baseline data has proved useful in enabling detailed and accurate evaluation of the impact of the programme, a technique which has been replicated, with varying degrees of success, by other programmes which have been introduced subsequently. The attention paid to targeting and evaluation techniques has been critical for establishing the effectiveness of the programmes at an early stage. Observers of Mexico's *Progresas* suggest that monitoring and evaluation have also helped to ensure a measure of protection of the programme from changes in the ruling political parties, and thus facilitated the scaling-up of the programme. The evaluation experience of *Progresas* has encouraged the spread of the programmes to other countries in the region, and elsewhere.

As indicated above, the effectiveness of cash transfer programmes in poverty reduction can be assessed by at least two measures: the extent to which the programme reaches the poor (ie, vertical efficiency) and the proportion of the poor who are covered by the programme (ie, horizontal efficiency). In conditional cash transfer programmes, targeting mostly ensures that the programmes score well for vertical efficiency. Whereas 40 per cent of beneficiaries in Bangladesh's *Cash-for-Education* programme are among the non-poor, only 20 per cent of beneficiary households in Nicaragua's *RPS* and Mexico's *Progresas* can be classified as non-poor, which is largely a result of better targeting.

The situation is different if we consider horizontal efficiency. The programmes have lower scores for horizontal efficiency because they focus almost exclusively on families with children of school-age living in rural areas, and exclude households without children, as well as poor households, with or without children, living in better-off regions. In some programmes, the requirement of adequate education and health infrastructure may also exclude remote or dispersed communities. Targeted conditional cash transfer programmes clearly exclude a significant proportion of the poor.

Moreover, there is the question about whether focusing on the poorest leaves out a significant proportion of the poor. *Chile Solidario*, for example, aims to reach the 5.7 per cent of the population living in extreme poverty. However, this is only a quarter of the population living in poverty (20.6 per cent), and thus the majority of the poor is actually excluded.

It is also possible to measure the impact of a programme on the specific variables targeted – eg, enrolment rates, morbidity rates among children, household consumption and child labour. For those programmes which have been operating long enough to have been evaluated, the measured indicators point towards impressive improvements. *Progresa* evaluations show a rise in school enrolments and improvements in school attainment, a reduction in child labour, improvements in nutrition, a reduction in morbidity among children and adults, and an increase in infants' weight (Coady, 2003; Rawlings and Rubio, 2003).

### **Box 7 - Progresa outcomes**

The Mexican government introduced *Progresa* in 1997 as part of its poverty-alleviation programme, in response to the high and rising poverty levels observed in the mid-1990s. It explicitly aims to reach poorer rural households directly through bypassing state and local authorities.

It provides a range of cash benefits to targeted households, conditional on their investment in their children's human capital. It provides a monthly cash subsidy for children attending grades three to nine, which rises by school grade, and for girls in secondary school grades. In addition, there is an annual cash transfer to cover school materials. These subsidies are conditional on children having a school attendance record of at least 85 per cent. There is no supply-side subsidy to schools or health providers, and only localities with adequate health and education services are selected.

In addition, there is a consumption subsidy to the household, and nutritional supplements to pregnant and lactating mothers, as well as to children aged 4-24 months (which can be extended until the age of five for malnourished children), conditional on regular health checks. The total amount received in cash transfers by a household is capped in order to reduce fertility and benefit dependency incentives. The transfers are made to the mother, paid in advance, and upgraded according to price changes every six months.

The designers of *Progresa* made an effort to integrate programme evaluation from the start, making it possible to make fairly accurate estimates of the impact of the programme on a range of variables. Key findings (Coady 2003; Morley and Coady 2003) are:

- The programme is well-targeted, with 58 per cent of benefits going to households in the bottom quintile of the national income distribution; and 80 per cent going to households in the bottom two quintiles.

*continued opposite*

*continued from previous page*

- The programme provided mean benefits equivalent to 20 per cent of household income. *Progresa* is estimated to have reduced the poverty gap – ie, the extent to which income fell below the poverty line – by 36 per cent.
- Enrolments have risen in participating households, especially for secondary school and for girls. Improved school attendance is associated with an extra 0.66 years of schooling by the final grade, and an extra 0.72 years for girls.
- Participating households show reduced stunting for children aged 12-36 months, despite evidence that nutritional supplements are shared within the households.
- There is evidence of a decrease in the incidence of illness for both children and adults. Among new-born babies, the incidence of illness declined by 25 per cent, and by 19 per cent and 22 per cent among children aged below two and between three and five respectively. Adults report 18 per cent fewer days in bed due to illness.
- Women report having greater control over household resources.

Brazil's PETI evaluations show a significant drop in the incidence of child labour and a rise in school enrolments and attainment (Sedlacek et al, 2000).

### **Box 8 - Eradicating hazardous child labour in Brazil: PETI**

PETI is a programme aimed at eradicating child labour. It provides a conditional cash subsidy to poorer households with children aged between seven and 14 years who work in hazardous, unhealthy or degrading conditions. The transfer is targeted at households with per capita income lower than half the minimum wage, and is conditional on children having a school attendance record of at least 85 per cent and participating in a range of after-school activities. The extended school day prevents children from working, and also provides remedial education and training for future work. This feature distinguishes PETI from other schooling subsidy programmes, such as the larger *Bolsa Escola* programme in Brazil.

The programme began in 1996 in coal mining areas, and was later extended to sugar cane and sisal production areas. In 1999, it was extended to all other regions of Brazil. Initially, the funding from the federal government was only available to states and municipalities which had fully complied with social security contributions for their employees. This excluded 53 per cent of municipalities. In 2001, the transfer began to be made directly to beneficiary households which were issued with a magnetic card, bypassing municipalities. (In the past, beneficiaries collected their transfers from the municipalities.) From 145,564 registered children in 1999, the programme doubled to 394,969 in 2000, and doubled again to 749,353 in 2001.

An evaluation by the World Bank in 2000 found that the programme had been successful (Engel, 2003; Sedlacek, 2003). An audit of the implementation of the programme in 2003

*continued overleaf*

*continued from previous page*

concluded that it had been effective in reducing child labour. Remedial education and training increased school attainment among programme participants (Brazilian Court of Audit, 2003). (There is no accurate data on the extent of these improvements).

However, the audit did identify some areas for improvement:

- Some municipalities have included as beneficiaries, poor households with children who do not work.
- There is a need for greater uniformity in entitlement qualifications.
- There is also the issue of standardising and monitoring the extended school day, in terms of curriculum, teacher-pupil ratios and location.
- In some cases, it will be necessary to make extra resources available to poorer municipalities so that they are able to comply with minimum standards of after-school provision.
- It is necessary to extend coverage of the magnetic cards, to enable the direct payment of the subsidy to all beneficiaries.

With respect to these outcomes, it is, however, important to bear in mind that only sustained long-term improvements in human capital will be successful in reducing persistent poverty.

### 3.3.3 *Unresolved issues*

The longer-term financial sustainability of these programmes is an important issue. To date, transfers from multilateral institutions have made a significant contribution to the financing of these programmes. The programmes are relatively cost-effective and affordable when measured as a share of GDP (see Appendix III), but the costs of scaling-up the programmes to reach all the poor, could be considerable. It would be difficult to exaggerate the potential problems of securing the necessary political support to switch to domestic sources of financing. Moreover, it would not make sense to finance these demand-subsidies by cutting supply-side programmes which provide health, education, transport and infrastructure. In fact, increased expenditure in the latter may be needed for the scaled-up conditional cash transfer programmes to have optimal results.<sup>20</sup>

There has been some discussion among the agencies responsible for these programmes about the issue of conditionality (Ayala Consulting, 2003). The frequency, extent and mode of monitoring programme conditions all add to the costs of administering the programmes, which explains why these have not been implemented in full in several countries.<sup>21</sup> Conditionality may also create some perverse outcomes. Conditions may penalise the very households who are in most need of support but who are held back by social constraints or adverse outcomes. In theory, households

20 As noted above, most current targeted cash transfer programmes exclude poor regions which do not have the necessary infrastructure of service provision (Sedlacek et al, 2000).

21 For example, Jamaica's Programme of Advancement through Health and Education (PATH) involves monitoring nine different conditions (Ayala Consulting, 2003).

which do not meet the conditions have to be suspended, thereby further constraining their chances of overcoming poverty. In practice, however, the sympathetic application of conditionality means that suspension is rarely enforced. There is emerging evidence that non-compliance is rare when the programme has been in place for a while and beneficiaries are fully informed of their entitlements and responsibilities. This has prompted the suggestion that conditionality may therefore not always be necessary to guarantee the effectiveness of a programme (Ayala Consulting, 2003).<sup>22</sup>

There is also continued discussion about the value of the cash transfers provided. This arises, in part, as a result of the variety of objectives of the programmes. For example, in the context of school attendance, the transfer ought to be set at a level sufficient to compensate households for the additional costs (direct and indirect) of sending children to school. A similar rule would apply to setting an appropriate level of transfer to secure use of primary healthcare.<sup>23</sup> In the context of reducing child labour, the transfer level should be sufficient to compensate households for the income from foregone child labour. In a poverty reduction context, however, transfers should be set at a level sufficient to bring households up to the poverty line. There are a number of additional factors, related to the level of transfer, that are necessary to ensure specific objectives. For example, school attendance related transfers need to take account of the age of the child, or the school grade for which they are enrolled. A child labour reduction transfer must take account of local labour market conditions. There are also issues arising from the need to combine these objectives, as well as to prevent unintended outcomes, such as increased fertility or benefit dependency. In most cases, the level of cash transfers is set too low to bring poorer households above the poverty line (Sedlacek et al, 2000; Ayala Consulting, 2003). Setting an optimal level for cash transfers is complex because of funding constraints and the manifold objectives of these programmes.

This report has considered the incidence of childhood poverty in developing and transition countries, the relative effectiveness of cash transfers in childhood poverty reduction, and the main types of cash transfer programmes observed in these countries. We now draw some conclusions.

---

22 Interestingly, the paternalistic nature of some of these programmes does not come up often in the evaluation literature. Sen (1984) discusses the rationale for policy interventions targeting households.

23 To the extent that households' inability to invest in the human capital of their children is due to difficulties in accessing credit – eg, for households which are unable to borrow on the future earnings of their children to finance their education, a public credit scheme may be more flexible and, therefore, more effective than a cash transfer programme.



## 4 Conclusions

The central question which the report has addressed is whether cash transfer programmes that are targeted at children can be effective in reducing childhood poverty. The evidence reviewed here strongly suggests that *cash transfers are an effective tool in reducing child poverty*.

This does not mean that cash transfers can be effective on their own. They require a significant investment in the provision of basic services – water, education, housing, health, transport – to ensure that supply is able to respond to the increased demand arising from cash transfer programmes. *Cash transfers and the provision of basic services to the poor are complementary*.

The report considered the comparative effectiveness of different types of cash transfer programmes in reducing childhood poverty in developing and transition economies. Broadly speaking, targeted conditional cash transfer programmes are vertically efficient in reducing poverty (ie, there are insignificant leakages to the non-poor), but score less well on horizontal poverty reduction efficiency (ie, they do not reach all the poor). Family allowances, especially those in transition countries, score less well on vertical efficiency, but have almost perfect horizontal efficiency. Finally, the Child Support Grant in South Africa scores well on both vertical and horizontal efficiency. *In terms of poverty reduction effectiveness, the Child Support Grant in South Africa is the most effective because it is well-targeted at the poor and, when fully implemented, will reach most poor children*.

*There is some evidence of convergence* across the three main types of programmes. The scaling-up of targeted conditional cash transfer programmes – eg, *Progresa* growing into *Oportunidades* in Mexico – will improve their horizontal efficiency, while the improved targeting of family allowances, as in the case of Kyrgyzstan, will improve vertical efficiency. Further research will be needed to track these developments.

An important issue is the age range targeted by these programmes. While the Child Support Grant in South Africa will gradually cover children up to the age of 13, adolescents will be excluded. In the United Kingdom, the Child Benefit covers children up to the age of 18. *Targeted conditional cash transfer programmes have patchy coverage* – eg, some only cover school children with supplementary components for infants – although the literature underlines that *early childhood is a key time for intervention*.

Targeted conditional cash transfer programmes aim to interrupt the vicious circle of poverty by targeting interventions at children in poor households. Are these programmes the answer to persistent poverty? It is difficult to provide a definitive answer at this stage, particularly because these programmes have only been introduced recently, and a longer run of data will be needed to assess longitudinal and inter-generational effects. Available evaluations suggest that *Progresa*

*and PETI are having positive impacts on the targeted variables.* However, it is too early to be confident about the long-term impacts of these programmes. A number of studies show, for example, that investments in education, without an extension of opportunity (for jobs, mobility, etc) may not be sufficient to deliver significant and sustained poverty reduction (Case, 2001).

There are also a number of important issues regarding coverage gaps, the effectiveness of conditionality, affordability and sustainability, and household responses. However, the key question is whether we know enough about childhood poverty to confidently rely on one or a few specific interventions to break the vicious circle of poverty. In this context, *Chile Solidario has a stronger chance of success because it is premised on a multi-dimensional view of poverty.*

The review of programmes in this report suggests that *developing countries should consider developing cash transfer programmes within integrated childhood poverty eradication programmes.* It also draws attention to the importance of international organisations in securing the necessary financial support for such programmes in the medium-term. There has been an argument for an international children's investment fund (Gordon et al, 2003) which, with the ILO's Global Social Trust,<sup>24</sup> are examples of routes to international financing.

In the design and implementation of these programmes, countries should seek to involve a range of stakeholders and seek community involvement, but above all, they *should pay due attention to the key role households will need to play to ensure that cash transfer programmes are effective in reducing child poverty.* One implication of this is that poor households should be regarded less as clients and more as the main agents of change.

Groups of children at greater risk, such as orphans, street children and child-headed households, who are detached from adult-headed households, constitute a significant omission in existing programmes. All three types of programmes reviewed have in common *a failure to cater for children living outside households with adults.* At a practical level, there are issues of administration and delivery, which makes it difficult to reach these children. Only the Child Support Grant in South Africa aspires to establish rights and entitlements for children irrespective of whether or not they reside with adults. At a more fundamental level, *this raises issues of children's rights and entitlements independent of their households.*<sup>25</sup> This is an issue which requires more attention.

---

24 The Global Social Trust Initiative collects contributions from individuals, corporations and institutions in developed countries, and supports programmes addressing social security needs in developing countries ([www.ilo.org/public/english/protection/socfas/research/global/global.htm](http://www.ilo.org/public/english/protection/socfas/research/global/global.htm)).

25 Conticini and Hulme (2003) raise this issue in the context of a study of street children in Bangladesh. They find that '...children move on to the street not simply because of economic (income, consumption or material) poverty as is commonly assumed. Rather, it is the abuse of human rights, particularly of protection from violence, and the breakdown of trust within households that leads children to move to the street' (ibid: 3).

# Appendix I - *Child Poverty: concepts and measurement*

Poverty is conventionally used to describe a situation in which individuals or households are unable to secure a minimum standard of living as defined by a particular society. Income or expenditure are commonly adopted as indicators of the standard of living.

Studies of income-poverty adopt a poverty line, an income-level below which an individual or household is considered to be poor, and then compare individual or household income against this standard. The poverty line is an intrinsic reflection of the values and living standards of each society, but for the purposes of making valid comparisons across societies, we need to rely on an arbitrary poverty line (Deaton, 2001). Some studies make use of an international poverty line of US\$1 a day, or adopt the 40th percentile of income, or use a formula such as ‘one half of median income’ to fix the poverty line. These are workable solutions, but poverty lines are ‘fuzzy’ and, as a result, the identification of the poor is difficult.

Two commonly used measures of poverty are the *poverty headcount*, which measures the proportion of the population living in poverty, and the *poverty gap*, which measures the extent to which incomes fall below the poverty line.

There is little comprehensive and reliable estimates of child poverty in developing countries. Table I.1 below includes estimates of child poverty for a range of developing and transition economies. These show that the child poverty headcount is greater than for the population as a whole.

**Table I.1 - Estimates of child poverty in developing and transition countries**

Country	Child poverty headcount rate	Ratio of poverty headcount rate among children and the population as a whole
South Africa <sup>1</sup>	38	1.18
Ghana <sup>1</sup>	68	1.08
Pakistan <sup>1</sup>	14	1.18
Taiwan <sup>1</sup>	9	1.50
Thailand <sup>1</sup>	36	1.24
Ukraine <sup>1</sup>	23	1.09
Bulgaria <sup>2</sup>	25	1.25
Russia <sup>2</sup>	25	1.25
Hungary <sup>2</sup>	29	1.45
Kyrgyzstan <sup>2</sup>	43	2.15
Poland <sup>2</sup>	31	1.55
Estonia <sup>2</sup>	28	1.40
Kazakhstan <sup>2</sup>	25	1.25

<sup>1</sup> From Deaton and Paxson (1997), using household data collected in the 1990s (South Africa, 1993; Taiwan, 1990; Thailand, 1992; Pakistan, 1991; Ukraine, 1995; Ghana, 1998); and national poverty lines (South Africa is R105 per month; Ghana, Pakistan and Thailand is US\$1 per day; Taiwan is half median expenditure; and Ukraine is 20th percentile of expenditure).

<sup>2</sup> From Lanjouw et al (1998), using household data from 1992-3, the poverty line is 20th percentile of expenditure.

A number of methodological issues relating to these poverty measures have been raised in the literature (Ravallion, 1996), but three are especially relevant to child poverty and will be briefly discussed here.

***Measures of child poverty are sensitive to the assumptions researchers rely on in extracting a measure of individual income from household income.***<sup>1</sup> The standard of living of individuals is fixed by allocating total household income among household members according to a specific formula. The objective is to treat different households in a similar way (Deaton, 1997). Equivalence scales are used to translate household income into individual income.

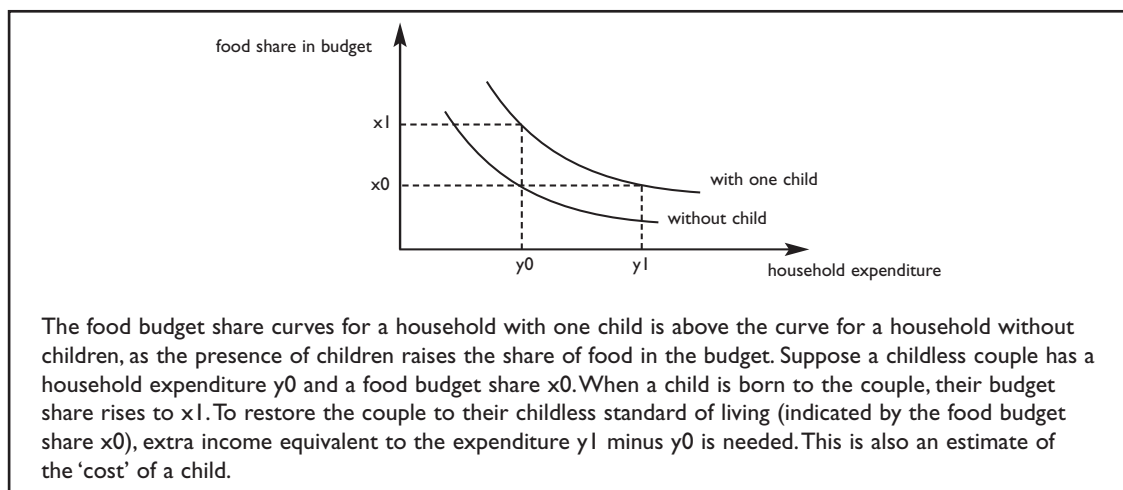
1 This is necessary because most household surveys collect information on household income, but even where individual data is collected, adjustments are needed because households share (some) income.

### Box A1 - Equivalence scales

Child or family allowances, especially in developed countries, reflect society's preference for equity, in that the standard of living of households should be independent of household size and composition. In policy terms, this involves working out the appropriate compensation required to equalise standards of living across households. Equivalence scales are used for this purpose (Himmelweit et al, 2003). These measure the extra income needed for a specific household to achieve the same standard of living as a 'benchmark' household. For example, in a classic study in 1901, Rowntree estimated that a household with two adults and two children would need 1.61 times the income of a household with only two adults to achieve the same standard of living.

How can we identify these equivalence scales? Engel curves focus on the share of food in households budgets. Food shares are an indicator of wellbeing, with poorer households spending most of their income on food, and rich households spending only a fraction of theirs on food (see Figure 6 below). The presence of children in a household will raise the budget share of food, and this observation makes it possible to identify the extra income needed to restore the household to the budget food share of the 'benchmark' household.

**Figure 6 - Engel curves and equivalence scales**



It is also possible to draw equivalence scales from basic nutritional requirements of individuals of different ages, costed at local market prices, and then to construct scales for households of different composition (Klasen, 2000).

Equivalence scales are very important in policy terms. Not only do they provide the basis for calculating the appropriate level of child and family allowances, but by extension, they also provide an estimate of the 'cost' of children (Deaton and Paxson, 1998). In poverty analysis, equivalence scales, together with assumptions about intra-household resource allocation, provide a basis for translating household income and expenditure into individual income and expenditure for households of different sizes and composition, thus enabling the identification of the poor.

Two adjustments are important here. First, comparison of the standard of living of households of different sizes needs to adjust for the fact that a proportion of the goods and services consumed by the household can be consumed jointly by household members. Consumer durables, such as stoves and televisions, can support all the members of the household at the same time. The implication is that a household of four does not require four times the income of a household of one to achieve the same standard of living. In the language of economics, there are said to be economies of size in household production. A second adjustment is needed to account for the different ages of members of a household. Broadly, to achieve the same standard of living, a household with four adults will need more income on average than a household of two adults and two children. Children normally count as a fraction of an adult with regards to the income needed to achieve the same standard of living (Deaton and Paxson, 1997).<sup>2</sup>

**Box A2 - Poverty among adults and children: The sensitivity of children poverty estimates to alternative assumptions about economies of size and relative costs of children**

Because children live in larger households, child poverty estimates are sensitive to the assumptions made when inferring individual income or expenditure from household income. Simply dividing household income by the number of household members, tends to raise the incidence of poverty among children compared to that among adults or older people (Barrientos, Gorman and Heslop, 2003). This is because this calculation makes no adjustment for economies of size benefiting larger households, or the relative costs of children and adults. Two studies have investigated this issue for transition economies (Lanjouw, Milanovic and Paternostro, 1998), and developing countries (Deaton and Paxson, 1997), and they are able to provide reliable measures of child poverty.

Lanjouw et al (1998) defined the poor as those in the lowest 20 per cent of individual income, so the poverty rate for the population as a whole is 20 per cent. In Table 3 below, the first column shows poverty rates among children if total household income is simply divided by the number of household members. The numbers in the first row suggest that children had significantly higher poverty rates than the population as a whole. The second column shows child poverty rates if we assume that economies of scale and lower 'cost' of children mean that the second and subsequent household members need only 0.7 times the income of the first household member to achieve the same standard of living. Thus, child poverty rates fall. If we then use a factor of 0.5 instead, child poverty rates fall even more, to the extent that in only two countries, Kyrgyzstan and Kazakhstan, do child poverty rates remain above those for the population as a whole.

*continues overleaf*

<sup>2</sup> It is customary to use the term 'adult equivalent per capita household income' to describe the individual income which results from these adjustments.

*continued from previous page*

What adjustment factors are appropriate? Adjusting for household economies of size involves determining what share of consumption is made up by goods or services which can be consumed jointly (usually referred to as ‘public’ goods to distinguish them from ‘private’ goods or services which can only be consumed by one person). Poor households, in which the majority of consumption is food, have little scope for economies of size. Adjusting for the relative ‘cost’ of children requires consideration of the relative consumption of ‘public’ and ‘private’ goods and services by children. Lanjouw et al (1988) point out that the transition raised the ‘cost’ of children by withdrawing subsidies from ‘children’s’ goods such as pre-school care, education and health.

**Table I.2 - Sensitivity of child poverty rates to different assumptions about household size economies and the relative ‘cost’ of children. Selected transition economies**

Country	Child poverty rates when the number of household members are adjusted by a factor of		
	<b>1</b>	<b>0.7</b>	<b>0.5</b>
Bulgaria	25	21	18
Russia	25	22	20
Hungary	29	25	20
Kyrgyzstan	43	42	40
Poland	31	27	23
Estonia	28	21	17
Kazakhstan	25	23	21

The data was reported in Lanjouw et al (1988), and estimated from household survey data from 1992-3.

At least two important implications for policy arise from studies of this kind.

- child poverty rates are high for most plausible assumptions regarding households economies of size and the relative ‘cost’ of children; and
- it is important to focus attention on the effects of structural adjustment on different groups, particularly children.

***Measures of child poverty are sensitive to assumptions on intrahousehold allocation.***

The translation of household income into individual income also requires that we account for inequalities in the allocation of resources within the household (Sen, 1984). The literature on gender and development that has emerged over the last decades has illustrated, for example, that the assumption that household resources are pooled, is often empirically unsubstantiated (Dwyer and Bruce, 1988). In different cultural contexts, men and women, may be responsible for different types of expenditure and have varying responsibility for ‘paying for the kids’ (Folbre, 1993).

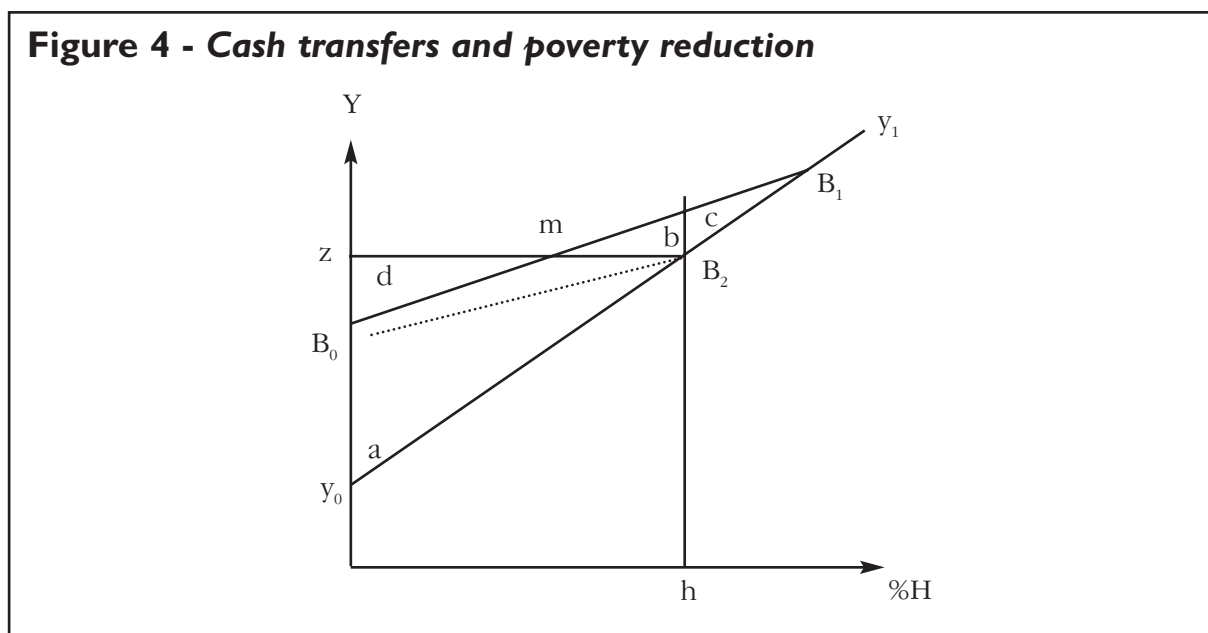
***Child poverty is multi-dimensional.*** The focus on income or expenditure in much of the poverty literature is widely regarded as being one dimensional (Sen, 1983). Monetary measures of income or expenditure provide only partial insights into standards of living or wellbeing. They may not tell us very much about individual’s or households’ access to public services and other public goods. They assume that households will be in a position to use their income to achieve a basic level of wellbeing, but this is unlikely to happen where appropriate markets are absent or work imperfectly. They also ignore the heterogeneity in people’s ability to transform money into living standards. A case has been made, and is widely accepted, that poverty is multi-dimensional, reflecting a range of deprivations (Bourguignon, 2003). Lack of income is an important source of poverty, but poor health and education, powerlessness, uncertainty, risk, and lack of respect, are all also important. This is especially relevant in the context of child poverty, especially as many of the constituents of well being and human development for children, such as a caring and supportive environment, are only provided by markets under exceptional circumstance.



## Appendix II - Evaluating the poverty reduction efficiency of different types of cash transfers

The three main types of cash transfer programmes identified in the text can be evaluated in terms of their relative efficiency in reducing poverty, as measured by the poverty headcount and the poverty gap. Atkinson (1995) defines two measures of poverty reduction efficiency: vertical poverty reduction efficiency measures the extent to which a cash transfer programme leads to the non-poor, while horizontal poverty reduction efficiency measures the extent to which a programme reaches all the poor. Targeting programmes at the poor reflects a concern with vertical poverty reduction efficiency, while concerns about the coverage of programmes focus on horizontal poverty reduction efficiency.

**Figure 4 - Cash transfers and poverty reduction**



The relative poverty reduction efficiency of cash transfers can be investigated with a simple model described in Figure 4. In the figure, households with children are ranked according to their per capita household income. It is assumed that the proportion of households which is poor is evenly distributed across the income levels (or more precisely stated, that the proportion of poor households is linearly related to income levels).

In the Figure,  $Y$  measures income and  $\%H$  the proportion of households with children. Pre-transfer income is described by  $y_0y_1$ . With a poverty line at  $z$ ,  $b$  indicates the proportion of households that are poor. Let us now assume a cash transfer benefit, denoted by  $B_0B_1$ , is introduced, so that the post-transfer income is now described by  $B_0B_1y_1$

This is an income supplement cash transfer programme. The area denoted by  $y_0B_1B_0$  indicates the size of the subsidy, which is proportionately greater for poorer households.

The description of the income supplement in the figure is consistent with the situation in transition countries with child allowances. It is a common finding that the incidence of poverty rises with the number of children in the household. Households with more children would therefore be on the left side of the figure. If allowances are paid per child, they would receive higher levels of cash transfers, as described by  $B_0B_1$ .

The cash transfer programme reduces the poverty headcount by the distance  $mB_2$ .

Focusing now on the poverty gap, and ignoring the dotted line for the time initially, the area indicated by the letter 'a' captures the poverty reduction of the cash transfer, while 'b' captures excess transfers to the poor, and 'c' captures transfers to the non-poor. The area indicated by the letter 'd' is the poverty gap remaining after the introduction of the cash transfer.

The vertical poverty reduction efficiency VE of this transfer can be measured by

$$VE = a / (a + b + c)$$

as the ratio of the reduction in the income shortfall of the poor to the total income transferred by the programme. The horizontal poverty reduction efficiency HE of this transfer can be measured by

$$HE = a / (a + d)$$

as the reduction in the income shortfall of the poor compared to the total income shortfall of the poor before the transfer.

Note that a well targeted income supplement programme, such as the one indicated by the dotted line  $B_0B_2$  would not reduce poverty headcount, but only the poverty gap. A minimum income guaranteed programme with the guaranteed level set below the poverty line would also reduce the poverty gap, but not the poverty headcount.

# Appendix III - Main features of targeted programmes

Country	Title	Start date	Type	Coverage	Targeting	Objectives	Benefits
Bangladesh	Food for Education	July 1993, later changed to cash transfer Cash for Education	initially targeted in kind transfer conditional on schooling, later cash transfer - demand subsidy	2.4m children (2000)	geographic targeting, then community targeting	(i) improve school attendance; and (ii) reduce child labour	mean transfer US\$ 2.4 a month or 4% poor's consumption
Honduras	Programa de Asignacion Familiar PRAF	1990, later re-launched as PRAF II in 2000	targeted conditional cash transfer - demand subsidy and supply side support	4.7 percent of population. Poor households with children aged 0-3 & 6-12 who have not completed 4th grade	geographic targeting: municipalities with lowest mean height for age z-scores and with school and health centers are selected for participation; all households within that municipality are covered	(i) improve school attendance; (ii) improve nutrition of children; (iii) improve use of health care	US\$3 a month for children under 3, disabled children under 12, plus pregnant mothers and poor elderly; and four monthly benefits to children at school in grades 1-4 (for 10 months only);
Mexico	Progresa (Programa de Educacion, Salud y Alimentacion), then in March 2002 changed to Oportunidades extended to urban areas in 2003	1997	targeted conditional cash transfer - demand subsidy and supply side support	initially rural households with children 7-14 in school, 3.2 m. households (2001); 40% of rural households, 3.38 % of population	geographic targeting, small rural communities with a high marginality score and access to education and health providers, then proxy means test	(i) improve school attendance; (ii) improve nutrition of children and their households; (iii) improve use of health care	US\$12.5 per family consumption supplement; US\$ 8-16.5 per child in primary school per month and US\$15.5 school materials per year; US\$ 24-30.5 per child in secondary school per month plus US\$20.5 school materials per year; up to a maximum of US\$75 per household per month; average household benefit is 21% of household consumption
Nicaragua	Red de Proteccion Social	2000, as extension of Social Fund	targeted conditional cash transfer - demand subsidy and supply side support	poor households and poor households with children 7-13 who have not completed 4th grade; 10,000 households 60,000 individuals; 1.21% of population	geographic targeting selects poorest departments, then poorest municipalities within them with access to health and education and transport infrastructure; and then proxy means test to identify poor households	(i) increase rates of school enrollment and attendance for children in grades 1-14; (ii) improve care for children aged 0-4 (nutrition, hygiene, health, and early childhood development); (iii) supplement the income of households in extreme poverty	US\$ 9.2 per household per month and US\$ 21 school materials per year to help with schooling; US\$ 18.7 per household per month to support health; and US\$4.6 per year subsidy to school per child covered; maximum transfer is 17% of household consumption

# ed conditional cash transfer

Conditionality	Evaluation	Poverty reduction efficiency	Finance	Budget as % of GDP	Poverty assumptions
minimum school attendance (85%)	9-17pp rise in school enrollment (from 55%) but US\$ 1.6 to deliver US\$1	40% to non-poor; and low horizontal efficiency as covers only 2-3 households per thana	Government of Bangladesh	US\$ 77m in 2000	school attendance will reduce child labour, and reduce poverty
school enrollment and absences less than 7 days in one term and not to repeat grade more than once; plus regular visits to health care providers		includes non-poor in selected municipalities	IADB (US\$45.2m), Honduras Government (US\$5.1m)	0.019% of GDP	poverty is a consequence of low human capital investment by the poor
enrollment of 6-17 year olds in grades 3-9 and 85% school attendance; attendance to health providers and information sessions	US\$1.1 to deliver US\$1 impact on progression rates; enrollments 7.2-9.3pp for girls (from 67%) and 3.5-5.8pp for boys (from 73%); stronger impact on secondary enrollments; 70% of households show improved nutrition; reduction in incidence of illness among children below 5; increase in child weight; and improved adult health status, 16% fewer days with difficulty from illness	58% of benefits to lowest quintile, and 80% to lowest 40% of income	Mexican Government	US\$ 1.8bor 0.32% of GDP in 2000	poverty is a consequence of low human capital investment by the poor
school enrollment; no more than 6 days absent in 2 months; school grade promotion; monthly or bimonthly visits to health centre for children 0-5; up to date vaccination programmes; mothers attendance to seminars on nutrition and hygiene	US\$1.1-US\$1.5 to deliver US\$1; enrollments 22pp (from 69%);reduction in child labour 8.8pp from 27% for 10-13 year olds; reduction in working hours of children	20.5% of beneficiary households are non-poor;	IADB and FISE Fondo de Inversion Social de Emergencia	US\$5m (2002) or 0.021% of GDP	poverty is a consequence of low human capital investment by the poor

*continues overleaf*

continued from previous page

Country	Title	Start date	Type	Coverage	Targeting	Objectives	Benefits
Brazil	PETI Child Labour Eradication Programme	piloted in 1996, then extended to all other areas in 1999	targeted schooling subsidy and supply side provision of extended school day	poor households with children aged 7-14 working in hazardous or degrading conditions, 866,000 beneficiary children in 2002	geographic targeting of municipalities with high incidence of hazardous child labour; then poor households with per capita income below one half the minimum wage	(i) eradicate the worst forms of child labour (e.g. those involving health risk); (ii) reduce child labour; (iii) provide remedial education and training	school subsidy US\$11-17 per child per month
Brazil	<i>Bolsa Escola</i>	up scaled to federal programme in 2001, previously localised in Campinas	targeted conditional schooling demand subsidy - conditional cash transfer	poor households with children aged 6-15; 5m households and 8.2m children; 4.7% of population	participation of municipalities in demand drive; then geographic targeting within municipalities; then poor households with per capita income less than one half the minimum wage	(i) raise school enrollment	US\$ 5 - US\$ 15 per household
Colombia	Familias en Accion	2001	targeted conditional cash transfer - schooling and health demand subsidy	poor households with children 0-17; 362,403 households (2002)	622 municipalities with fewer than 100,000 inhabitants, with a bank and health and education infrastructure, then households with children 0-17 identified as poor by proxy means test	(i) reduce poverty among households with children; (ii) raise school enrollments; (iii) provide a safety net	US\$6 schooling subsidy for children in primary school, and US\$12 for children in secondary school; US\$20 to households with children below 7 years of age; benefits paid to the mother
Jamaica	Programme of Advancement through Health and Education PATH	2002	targeted conditional cash transfer	poor households; 236,000 individuals are the target beneficiary population	poor households by proxy index	(i) poverty reduction; (ii) raise school attainment; (iii) reduce child labour; (iv) serve as safety net	US\$ 6.2 (2002) fixed level benefit
Turkey	Social Fund	2002	targeted conditional cash transfer - schooling demand and health subsidy	poor households with children below 7 years of age, or attending school; 22,000 beneficiaries in pilot programme (April 2003)	proxy index based on household data with community appeals committee	(i) improve educational attainment; (ii) improve use of health care	school subsidy paid for 9 months of the school year US\$9.5 a month for first child; US\$8 for second child; and US\$8 for third plus; health subsidy is US\$8 per month per child for children below 7 years of age

Conditionality	Evaluation	Poverty reduction efficiency	Finance	Budget as % of GDP	Poverty assumptions
school attendance (80%) in a three month period; participation in after school sessions; participation by parents in educational and income generating sessions	fall in the incidence of child labour from 19.6% in 1992 to 12.7% in 2001; rise in completed schooling; rise in school enrollments	90% of the target population covered; some municipalities include poor households with children not working	ILO, World Bank, USAID, UNICEF	472.4m Reais in 2002 or 0.04% of GDP	school attendance will child labour and therefore reduce poverty; child labour is associated with extreme poverty, family size; parents schooling, and environmental and cultural factors
school enrollment and 85% school attendance		good vertical poverty efficiency due to targeting, but 43% of target households not reached	Brazilian Government	US\$ 800m or 0.13% of GDP	poverty is a consequence of poor school attendance
80% school attendance in a two months cycle; regular visits to health providers for monitoring of children's growth and development	raised school attendance by 13% in urban sector and 5% in rural sector; reduced incidence of undernourished children; raised vaccination incidence			US\$100m (2004) or 0.12% of GDP	poverty is a consequence of low human capital investment by the poor
visits to health centres; school enrollment of children aged 6-17, minimum attendance 85% of term			World Bank and Government of Jamaica	US\$22m (2003) or 0.29% GDP	poverty is associated with groups at vulnerable stages in their life course
school attendance for children of school age and health care visits for children below school age			Government of Turkey and World Bank	US\$120m (2004) or 0.06% GDP	poverty is a consequence of low human capital investment by the poor

*continues overleaf*

*continued from previous page*

Country	Title	Start date	Type	Coverage	Targeting	Objectives	Benefits
Chile	Chile Solidario	2002	targeted integrated support gateway with cash transfers	households in extreme poverty (indigentes) 113,116 (target 2003) eventually covering 209,398 households in 2005	proxy index (Ficha CAS)	(i) eradicate extreme poverty; (ii) integration of the poor into social protection networks	Gateway benefit for 24 month: US\$18 for first six month, falling to US\$13 in second six months; and then to US\$9 and US\$5 in the next year; and psychosocial support on key dimensions (Identification, health, education, household dynamics, work, income, housing, and quality of life; gateway benefits in addition guaranteed access to existing child benefit, assistential pension, and water subsidy programmes; and a range of other programmes covering skills training, disability rehabilitation, drug rehabilitation and prevention, child protection, control of household violence, and school based support

This Table was constructed with information from a variety of sources including: Ahmed and del Ninno (2002); Attanasio (2003); Ayala Consulting (2003); Braithwaite (2003); Engel (2003); IADB (2002); MIDEPLAN (2003); Rawlings and Rubio (2003); Republica de Colombia (2003); Sedlacek, Ilahi et al. (2000); Sedlacek (2002); Sedlacek (2003); World Bank (2002).

Conditionality	Evaluation	Poverty reduction efficiency	Finance	Budget as % of GDP	Poverty assumptions
gateway participation is conditional on a household contract		includes the extreme poor, but excludes the rest of the poor; aims to include all the extreme poor willing to participate	World Bank and Government of Chile		(i) poverty is multidimensional; (ii) the household is unit of decision making, and therefore the unit of intervention; (iii) lack of access by the poor to social protection is due to demand deficits; (iv) fragmented programmes do not empower poor households, only integrated support can achieve this



# References

- Ahmed, A. U. and del Ninno, C., 2002, 'Food for Education Programme in Bangladesh: An evaluation of the impact on educational attainment and food security', *Discussion Paper 138*, Washington DC: International Food Policy Research Institute
- Alderman, H., Haddad L., and Hoddinott, J., 1997, 'Policy issues and intrahousehold resource allocation: Conclusions', in L. Haddad, J. Hoddinott and H. Alderman (eds), *Intrahousehold Resource Allocation in Developing Countries*, London: John Hopkins University Press
- Anand, S. and Ravallion, M., 1993, 'Human development in poor countries: On the role of private and public services', *Journal of Economic Perspectives*, vol. 7, no. 1, 133-150
- Anker, R. and Melkas, H., 1996, *Economic Incentives for Children and Families to Eliminate or Reduce Child Labour*, Report, Geneva: ILO
- Ardington, E. and Lund, F., 1995, 'How the social security system can complement programmes of reconstruction and development', *Development Paper 61*, Development Bank of Southern Africa
- Atkinson, A. B., 1995, 'On targeting and family benefits', in A. B. Atkinson (ed.), *Incomes and the Welfare State. Essays in Britain and Europe*, Cambridge: CUP
- Attanasio, O., 2003, *Baseline Report on the Evaluation of 'Familias en Acción'*, Report, London: Institute for Fiscal Studies
- Ayala Consulting, 2003, 'Workshop on conditional cash transfer programmes (CCTs): Operational experiences', *Report*, Quito: Ayala Consulting
- Banks, J. and Brewer. M., 2002, 'Understanding the relative generosity of government financial support to families with children', *Working Paper WP02/02*, London: Institute for Fiscal Studies
- Barrientos, A., (forthcoming), 'Regulation and social protection', in P. Cook, C. Kirkpatrick, M. Minogue and D. Parker (eds), *Leading Issues in Competition, Regulation and Development*, London: Edward Elgar
- Barrientos, A., Gorman, M. and Heslop, A., 2003, 'Old age poverty in developing countries: Contributions and dependence in later life', *World Development*, vol. 3, no. 3, 555-570

Barrientos, A. and Lloyd-Sherlock, P., 2002, 'Health insurance reforms in Latin America: Cream skimming, equity and cost containment', in L. Haagh and C. T. Helgo (eds), *Social Policy Reform and Market Governance in Latin America*, London: Palgrave

Bolsa Escola, 2003, *Resultados alcançados*, [www.mec.gov.br/bolsaescola](http://www.mec.gov.br/bolsaescola), Bolsa Escola Programme

Bourguignon, F., 2003, 'From income to endowments: The difficult task of expanding the income poverty paradigm', *Working Paper* 2003-03, Paris: DELTA, Ecole Normale Supérieure

Bourguignon, F., Ferreira, F. H. G. and Leite, P. G., 2002, *Conditional Cash Transfers, Schooling and Child Labour: Microsimulating Bolsa Escola*, mimeo, Washington DC: The World Bank

Braithwaite, J., 2003, *Conditional Cash Transfers*, mimeo, Washington DC: The World Bank

Brazilian Court of Audit, 2003, *TCU Evaluation of the Child Labor Eradication Programme*, Brasilia: SEPROG

Carvalho, I., 2000, *Household Income as a Determinant of Child Labour and School Enrolment in Brazil: Evidence from a Social Security Reform*, mimeo, Boston: MIT

Case, A., 2001, *The Primacy of Education*, mimeo, Princeton: Research Programme in Development Studies, Princeton University

Case, A., Fertig, A. and Paxson, C., 2003a, *From Cradle to Grave? The Lasting Impact of Childhood Health and Circumstance*, mimeo, Princeton: Centre for Health and Wellbeing, Princeton University

Case, A., Hosegood, V. and Lund, F., 2003b, 'The reach of the South African Child Support Grant: Evidence from KwaZulu-Natal', *Working Paper* 38, Durban: Centre for Social and Development Studies, University of Natal

Case, A., Paxson, C. and Ableidinger, J., 2002, *Orphans in Africa*, mimeo, Princeton: Centre for Health and Wellbeing, Princeton University

Castañeda, T. and Aldez-Carroll, E., 1999, 'The intergenerational transmission of poverty: Some causes and policy implications', *Discussion Paper*, Washington DC: Inter-American Development Bank

Coady, D., 2003, *Alleviating Structural Poverty in Developing Countries: The Approach of Progresa in Mexico*, mimeo, Washington DC: International Food Policy Research Institute

- Committee of Inquiry into a Comprehensive System of Social Security for South Africa, 2002, 'Transforming the present. Protecting the future', *Draft Consolidated Report*, Pretoria: Committee of Inquiry into a Comprehensive System of Social Security for South Africa
- Conticini, A. and Hulme, D., 2003, *Seeking Freedom, Escaping Oppression: Why Children in Bangladesh Migrate to the Streets?*, mimeo, Manchester: IDPM
- Currie, J., 1993, 'Welfare and the well-being of children: The relative effectiveness of cash and in-kind transfers', *Working Paper* 4539, Cambridge: National Bureau of Economic Research
- Deaton, A., 1997, *The Analysis of Household Surveys*, London: The John Hopkins University Press
- Deaton, A., 2001, 'Counting the world's poor: Problems and possible solutions', *World Bank Research Observer*, vol. 16, no. 2, 125-147
- Deaton, A. and Paxson, C., 1997, *Poverty Among Children and the Elderly in Developing Countries*, mimeo, Princeton: Research Program in Development Studies, Princeton University
- Deaton, A. and Paxson, C., 1998, 'Economies of scale, household size, and the demand for food', *Journal of Political Economy*, vol. 106, no. 5, 897-930
- Deininger, K., Garcia, M. and Subbarao, K., 2003, 'AIDS-induced orphanhood as a systemic shock: Magnitude, impact, and program interventions in Africa', *World Development*, vol. 31, no. 7, 1201-1220
- Department of Social Development, R. o. S. A., 2003a, *Child Monitor Series 1*, [www.welfare.gov.za](http://www.welfare.gov.za)
- Department of Social Development, R. o. S. A., 2003b, *Social Grant Beneficiaries*, [www.welfare.gov.za](http://www.welfare.gov.za)
- Devereux, S., 2001, *Can Social Safety Nets Reduce Chronic Poverty?*, mimeo, Brighton: Institute of Development Studies, University of Sussex
- Dickens, R. and Ellwood, D.T., 2003, 'Child poverty in Britain and the United States', *Economic Journal*, vol. 113, no. 488, F219-F239
- Duflo, E., 2000, 'Grandmothers and granddaughters: Old age pension and intra-household allocation in South Africa', *Working Paper* 8061, Cambridge MA: National Bureau of Economic Research
- Dwyer, D. and Bruce, J., 1988, *A Home Divided: Women and Income in the Third World*, Stanford: Stanford University Press

- Engel, W., 2003, 'Cómo reducir los niveles de trabajo infantil en la región. El caso de PETI', Powerpoint presentation, Washington DC: IADB
- Esping-Andersen, G., 1990, *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press
- Esping-Andersen, G., 1999, *Social Foundations of Postindustrial Economies*, Oxford: Oxford University Press
- Folbre, N., 1993, *Who Pays for the Kids? Gender and the Structures of Constraint*, New York: Routledge
- Forssén, K., 2000, 'Child poverty in the Nordic countries', *Working Paper B:22*: Department of Social Policy, University of Turku
- Forster, M. E. and Tóth, I.G., 2001, 'Child poverty and family transfers in the Czech Republic, Hungary and Poland', *Journal of European Social Policy*, vol. 11, no. 4, 324-341
- Foundation for Assistance International and CASE Kyrgyzstan, 2003, 'Beneficiary Assessment of Unified Monthly Benefits, Socially Protected Prices and Payment System of Housing Allowances', Final Report on the project for Technical Assistance, Credit 3389-KG, July 4, Bishkek
- Gordon, D., Nandy, S., Pantazis, C., Pemberton, S. and Townsend, P., 2003, *Child Poverty in the Developing World*, Bristol: Policy Press
- Haddad, L., Hoddinott, J. and Alderman, H. (eds), 1997, *Intrahousehold Resource Allocation in Developing Countries*, London: John Hopkins University Press
- Harper, C., Marcus, R. and Moore, K., 2003, 'Enduring poverty and the conditions of childhood: Lifecourse and intergenerational poverty transmissions', *World Development*, vol. 31, no. 3, 535-554
- Himmelweit, S., Simonetti, R. and Trigg, A., 2003, *Microeconomics. Neoclassical and Institutional Perspectives on Economic Behaviour*, London: Thomson Learning
- IADB, 2002, *Social Development Sector*, [www.iadb.org/sds/](http://www.iadb.org/sds/), Inter-American Development Bank
- ILO, 2000, *World Labour Report 2000*, Geneva: International Labour Office
- ILO, 2001, *Social Security. A New Consensus*, Geneva: International Labour Office
- Kamerman, S. B. and Kahn, A.J., 2003, 'Child and family policies in an era of retrenchment and restructuring', in K. Vleminckx and T. M. Smeeding (eds), *Child Well-being, Child Poverty and Child Policy in Modern Nations*, Bristol: Policy Press

- Klasen, S., 2000, 'Measuring poverty and deprivation in South Africa', *Review of Income and Wealth*, vol. 46, no. 1, 33-58
- Lanjouw, P., Milanovic, B. and Paternostro, S., 1998, 'Poverty and economic transition: How do changes in economies of scale affect poverty rates of different households?', *Working Paper*, Washington DC: The World Bank
- Levine, A., 2001, 'Orphans and other vulnerable children: What role for social protection?', *Social Protection Discussion Paper* 0126, Washington DC: The World Bank
- Lund, F., 2002, 'Crowding in' care, security, and macro-enterprise formation – revisiting the role of the state in poverty reduction, and in development', *Journal of International Development*, vol. 14, no. 6, 681-694
- MIDEPLAN, 2003, 'Chile Solidario: El desafío de crear un sistema de protección y promoción social', Powerpoint presentation, Santiago: MIDEPLAN
- Morley, S. and Coady, D., 2003, 'From social assistance to social development: A review of targeted education programmes in developing countries', *Report*, Washington DC: International Food Policy Research Institute
- Ravallion, M., 1996, 'Issues in measuring and modelling poverty', *Economic Journal*, vol. 106, no. 438, 1328-1343
- Ravallion, M. and Wodon, Q., 2000, 'Does child labour displace schooling? Evidence on behavioural responses to enrolment subsidy', *Economic Journal*, vol. 110, no. 462, C158-C175
- Rawlings, L. B. and Rubio, G.M., 2003, *Evaluating the Impact of Conditional Transfer Programs: Lessons from Latin America*, mimeo, Washington DC: The World Bank
- República de Colombia, 2003, 'Efectos tempranos del programa 'Familias en Acción'', *Reportes de Evaluación 1*, Bogotá: Departamento Nacional de Planeación
- Roddis, S. and Tzannatos, Z., 1999, 'Family allowances', *Social Protection Discussion Paper* 9814, Washington DC: The World Bank
- Rodrik, D., 1997, *Has Globalization Gone Too Far?*, Washington DC: Institute for International Economics
- Sedlacek, G., 2002, 'Programa de Asignación Familiar (PRAF) – Honduras', Powerpoint presentation, Washington DC: IADB

- Sedlacek, G., 2003, 'Child labor policies. Are conditional cash grants programs a solution?', Powerpoint presentation, Washington DC: World Bank
- Sedlacek, G., Ilahi, N. and Gustafsson-Wright, E., 2000, *Targeted Conditional Transfer Programs in Latin America: An Early Survey*, mimeo, Washington DC: The World Bank
- Sen, A., 1983, 'Poverty, relatively speaking', *Oxford Economic Papers*, vol. 35, 153-169
- Sen, A., 1984, 'Economics and the family', in A. Sen (ed.) *Resources, Values and Development*, London: Harvard University Press
- Shaffer, P., 2003, *Social Protection: Lessons from a Save the Children Research Project*, Report, London: Save the Children
- Subbarao, K., Bonnerjee, A., Carvalho, S., Ezemenari, K., Graham, C. and Thompson, A., 1997, *Safety Net Programmes and Poverty Reduction. Lessons from Cross-Country Experience*, Washington DC: The World Bank
- Tabor, S. R., 2002, 'Assisting the poor with cash: Design and implementation of social transfer programs', *Social Protection Discussion Paper 0223*, Washington DC: The World Bank
- Tanzi, V., 2000, 'Globalization and the future of social protection', *IMF Working Paper WP/00/12*, Washington DC: IMF
- UNICEF, 2000a, 'A league table of child poverty in rich nations', *Innocenti Report Card 1*, Florence: UNICEF
- UNICEF, 2000b, *Poverty Reduction Begins with Children*, Report, New York: UNICEF
- United Nations, 2000, 'Enhancing social protection and reducing vulnerability in a globalizing world', *Report of the Secretary General to the Thirty-ninth Session E/CN.5/2001/2*, Washington DC: United Nations Economic and Social Council
- Van der Berg, S., 2002, 'Devising social security interventions for maximum poverty impact', *Social Dynamics*, vol. 28, no. 2, 39-68
- World Bank, 2000, *Balancing Protection and Opportunity: A Strategy for Social Protection in Transition Economies*, Report, Washington DC: The World Bank
- World Bank, 2001, 'Social protection sector strategy: From safety net to springboard', *Sector Strategy Paper*, Washington DC: The World Bank

World Bank, 2002, *Conditional Cash Transfers*, [www.worldbank.org/sp/safetynets/cct/](http://www.worldbank.org/sp/safetynets/cct/), Social Protection Unit

World Bank, 2003a, 'Indonesia: Beyond macro-economic stability', Brief for the Consultative Group on Indonesia, Jakarta: The World Bank

World Bank, 2003b, 'Kyrgyz Republic. Enhancing Pro-poor Growth', *Report No. 24638-KG*, PREM, ECA Region, Washington, DC: The World Bank

Yaqub, S., 2002, 'Chronic poverty: scrutinizing estimates, patterns, correlates, and explanations', *CPRC Working Paper 21*, Manchester: IDPM, University of Manchester

The Childhood Poverty Research and Policy Centre (CHIP) is a collaborative venture between Save the Children and the Chronic Poverty Research Centre (CPRC). CHIP is working with both researchers and advocates, north and south, to produce research, and influence policy and practice on childhood poverty in the wider context of chronic poverty.

CHIP is funded by DFID, Save the Children and the CPRC.

*Directors: Dr Caroline Harper and Professor David Hulme*

This report examines the role of cash transfers in the reduction of child poverty in developing and transition countries. Recent evidence from transition and developing countries suggests that different kinds of targeted cash transfers can make a significant contribution in reducing poverty and vulnerability among children and their households. In countries with growing numbers of orphans and child-headed households, ensuring that vulnerable children without adult support receive cash transfers is an urgent policy challenge.

The report reviews different types of cash transfers and concludes that income supplements and minimum guaranteed incomes are likely to have the greatest poverty reduction impacts. Furthermore, programmes that integrate cash transfers with other key services are likely to have the strongest impacts on child wellbeing. To be most effective, cash transfers need to be part of wider anti-poverty policy that enhances poor people's economic opportunities. Though some poor countries have fully financed cash transfer programmes, in many, medium-term international support will be needed.

Published by Childhood Poverty Research and Policy Centre (CHIP)

**For information contact:**

CHIP, c/o Save the Children, 1 St. John's Lane, London EC1M 4AR

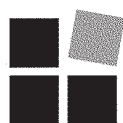
**Telephone:** 44 (0)207 012 6796

**Email:** [info@childhoodpoverty.org](mailto:info@childhoodpoverty.org) **Web:** [www.childhoodpoverty.org](http://www.childhoodpoverty.org)

ISBN 1-904922-02-3

First published: 2004

All rights reserved. This publication is copyright, but maybe reproduced by any method without fee or prior permission for teaching purposes, though not for resale, providing the usual acknowledgement of source is recognised in terms of citation. For copying in other circumstances, prior written permission must be obtained from the publisher and a fee may be payable.



**Chronic Poverty**  
Research Centre

[www.chronicpoverty.org](http://www.chronicpoverty.org)



**Save the Children**