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ONE PAGERS

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10
years

Policy International
Centre for Inclusive Growth

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ONE PAGERS

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United Nations Development Programme

The International Policy Centre for Inclusive Growth (IPC-IG) is a joint project between the United Nations and Brazil to promote South-South learning on social policies. It specialises in research-based policy recommendations on how to reduce poverty and inequality as well as boost inclusive development. The IPC-IG is linked to the UNDP Brazil Country Office, the Secretariat of Strategic Affairs (SAE) and the Institute for Applied Economic Research (IPEA) of the Government of Brazil.

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FOREWORD

In celebration of its tenth anniversary in 2014, the UNDP International Policy Centre for Inclusive Growth (IPC-IG) has produced a compilation of one of its most popular research publications. This second volume of IPC-IG One Pagers (numbered 100 to 199) follows the first volume, published in 2009. In the last ten years, people in over 180 countries have downloaded more than 700,000 copies of these highly successful publications. This current volume covers a number of social development issues, such as inclusive growth, social protection, sustainable agriculture and food security, climate change, social transfers, productive inclusion and the Millennium Development Goals.

Although short and succinct pieces, One Pagers help familiarise readers with policy discussions, based on analytical and comparative perspectives. Translated versions are available in English, Spanish, Portuguese, French, Arabic, Chinese, Turkish, Italian and Bahasa. The One Pager is an effective knowledge-sharing tool that brings together policymakers, researchers and development practitioners to rethink inclusive growth policies as well as poverty alleviation strategies, progress and impacts. Hundreds of authors have generously contributed to the IPC-IG in the analysis and discussion of innovative policies to reduce poverty and inequality, thus helping the Centre to make room for 'voices from the South' throughout the global economic crisis and ongoing development debates.

Beyond publications and policy-oriented research, the work of the IPC-IG reflects its mission of promoting policy dialogue and facilitating learning between developing countries around social policies. Since 2009 the mandate of the IPC-IG as a global forum for South–South dialogue on innovative development policies has been reaffirmed, as established in the partnership agreement between the UNDP and the Government of Brazil, represented by the Secretariat of Strategic Affairs of the Presidency of the Republic (SAE/PR). More recently, the Centre has benefited from operational support and guidance from the UNDP Brazil Country Office while being hosted by the Brazilian Institute of Applied Economic Research (IPEA) and receiving a substantive contribution through the participation of the Institute's body of researchers in the Centre's activities.

This collaboration has already proved fruitful. IPEA has been supporting the Brazilian government in discussions around the design and evaluation of public policies for 50 years and, as such, will also be celebrating its golden jubilee this year. For a long time the UNDP in Brazil has been partnering with IPEA and other Brazilian institutions to foster and document the progress Brazil has made in regards to human development. One example of this joint effort between the UNDP and IPEA is the Atlas of Human Development in Brazil 2013, in partnership with the *João Pinheiro Foundation* (FJP). This online consultation platform uses the UNDP's Human Development Index to map how human development in Brazil has drastically improved over the past two decades. The progress Brazil has achieved in improving the lives of poor people by investing in social protection programmes and strengthening minimum wage policy has attracted the attention of many low- and middle-income countries. World without Poverty (WWP) is another initiative that has emerged out of the relationship between the Government of Brazil (IPEA and the Ministry of Social Development and Fight against Hunger), the UNDP (IPC-IG) and the World Bank, which seeks to support continued innovation and learning from Brazil's considerable social policy experiences.

We are very pleased that the IPC-IG is publishing a second volume of its collection of One Pagers. We congratulate the team at the Centre for undertaking this valuable initiative and invite readers to reflect on the different angles of social development issues addressed herein.

Marcelo Neri
*Minister of the Secretariat for Strategic Affairs of the
Presidency of the Republic (SAE/PR)*

Jorge Chediek
*IPC-IG Director, UNDP Resident Representative in Brazil
and UN System Resident Coordinator*





ACKNOWLEDGEMENTS

The International Policy Centre for Inclusive Growth (IPC-IG) has built crucial partnerships during the last ten years for the promotion and exchange of innovative policies and programmes to foster inclusive growth worldwide. This collection of One Pagers not only celebrates the IPC-IG's achievements over the last decade, but it also recognises the invaluable support provided by a global network of thousands of collaborators, including institutional partners, experts, policymakers, academics and all of IPC-IG's friends.

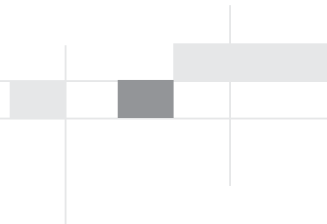
During the last ten years a number of debts have been incurred. The first is towards the United Nations Development Programme (UNDP)—both its headquarters and the country office in Brazil—for establishing a partnership with the Brazilian government which made it possible to create a global centre based in Brasilia, dedicated to policy dialogue and South–South learning on development innovations. Second, neither the evidence-based policy research carried out by the IPC-IG nor the effective South–South exchange with partner countries could possibly have been achieved without the guidance and contribution of two important Brazilian institutions: the Institute of Applied Economic Research (IPEA) and the Secretariat of Strategic Affairs of the Presidency of the Republic (SAE/PR).

Several other Brazilian stakeholders were key in providing access to knowledge in order to understand the country's recent trend of reducing poverty. On behalf of the Centre, I would like to thank the Ministry of Social Development and Fight against Hunger (MDS), the Ministry of External Relations (MRE), the Ministry of Agrarian Development (MDA), the Brazilian Cooperation Agency (ABC), the Secretariat for Women's Policies (SPM), the President's Office and the Brazilian Congress.

I owe special thanks to the remarkable and wide-ranging set of professionals that have contributed to the multiple IPC-IG teams and who have worked unstintingly, often under very difficult circumstances, to uphold the Centre's high quality standards: from coordinators to the main body of researchers and consultants, from project and operational managers to the publications department and our pool of translators, from the IT and communications units to the young but incredibly talented interns and visiting fellows. All past and current staff should be thanked for daring to believe in IPC-IG.

Further thanks are due to the numerous authors of the One Pagers, who generously contributed to expand IPC-IG's portfolio. And a debt of gratitude is owed to the vast network of UN agencies in Brazil and abroad, the local universities and research institutes and the various regional, multilateral and bilateral organisations for their exceptional collaboration and support in countless partnerships over these past ten years.

Diana Sawyer
*Senior Researcher and Coordinator at the
International Policy Centre for Inclusive Growth (IPC-IG)*



Water Privatisation and Renationalisation in Bolivia: Are the Poor Better off?¹

by Degol Hailu, Rafael Osorio and Raquel Tsukada
International Policy Centre for Inclusive Growth

The water sector in the Bolivian cities of La Paz and El Alto was privatised between 1997 and 2005. When the concession contracts were drawn up, the government and the private company agreed explicit coverage targets. The agreement was to install 71,752 new water connections by 2001—roughly universal access in La Paz and 82 per cent coverage in El Alto. However, by 2005 the private contracts were terminated and the sector was renationalised. What happened?

We compare access to water in the periods before and after privatisation in the cities that privatised water provision and those that did not. We use data from the national household surveys carried out by the Bolivia's Instituto Nacional de Estadística (INE). Access to water is considered from three perspectives: delivery (coverage rate), equity (concentration of access) and affordability (water expenditure).

The indicator for assessing delivery is the water coverage rate—a headcount of households with in-house access to piped water. We find that access expanded more than proportionally in cities with private provision. In Cochabamba, where the water sector was under public ownership, access deteriorated. Under cooperatively managed provision (in Santa Cruz), the coverage rate remained fairly constant (see Table). It is true that the cities had different coverage rates at the start of the period. The higher the initial coverage, the more difficult it might be to expand access further. A performance index accounts for the effort made by the utility to increase coverage.² Taking that into account, access to in-house piped water still seems to have increased substantially more in La Paz and El Alto with privatisation than in the other cities.

Equity refers to providing all households with the same level of access to utilities despite their income status. We also find that access to piped water became more equitable under the private concessions. In 2005, the difference in coverage rates between the poorest 20 per cent and the richest 20 per cent of the population fell from 30 to 4 percentage points in El Alto and from 15 to 4 percentage points in La Paz, compared to the period before privatisation. The pro-poor increase in water access in La Paz and El Alto stemmed mainly from enforcement of the targets in the concession contracts. The contracts demanded that the companies provide services to low-income areas and, as stated above, the target was to reach very high levels of coverage.

Piped Water Coverage Rate (%) in Four Bolivian Cities

	1996*			2001			2005**		
	Total	20% poorest	20% richest	Total	20% poorest	20% richest	Total	20% poorest	20% richest
La Paz	87.9	83.4	97.9	88.6	79.2	98.2	96.6	96.2	100
El Alto	76.2	55.6	85.6	69.4	78.1	87.4	87.8	86.0	90.8
Cochabamba	76.5	63.3	84.7	78.6	58.5	93.1	61.8	25.9	74.2
Santa Cruz	95.5	90.2	98.6	95.8	92.2	100	95.6	90.1	100

Source: Authors' calculations based on INE.

* One year before privatisation. ** One year before renationalisation.

Water is unaffordable if households spend more than 3 per cent of their income on bills. Before the concessions in La Paz and El Alto, a 19 per cent increase in water prices was offered as an inducement to private providers. In 2001, the first revision of the targets allowed a further 12 per cent increase. The poorest quintile in La Paz spent an average of 4.7 of their income on water in 2001. By 2005, however, the poorest in La Paz could just afford water, spending on average 2.6 per cent of income. This, however, is mainly explained by increases in their income.

The explicit five-year expansion targets imposed by the concession contracts seem to have played a critical role in the growth of new connections in the poorest areas. But the private provider failed to meet the targets stipulated in the concession contract. Tariff increases also provoked public outrage. Eventually the unpopularity of cost recovery and the failure to meet legally binding targets compelled the government to terminate the contracts.

The lesson is that when privatisation contracts stipulate clear targets, concessionaires do attempt to reach them. But there is a limit to how far private providers can increase spending on infrastructure and expand services from the profits made through cost recovery. Ultimately, expanding access to the poor requires public efforts.

Notes:

1. A similar version of this article was published by the International Policy Centre for Inclusive Growth in *Poverty in Focus* 18 (2009) (IPC-IG). For a detailed discussion see Hailu et al. (2009).
2. We calculate a performance index based on Kakwani's achievement function. The index is a non-linear transformation of the original coverage indicator, taking the starting level into account and allowing specification of the appreciation of degree of effort (see Kakwani, 1993).

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Water Supply in Rural Ghana: Do Women Benefit?

by Joana Costa, Degol Hailu, Elydia Silva and Raquel Tsukada
International Policy Centre for Inclusive Growth

Women's income poverty in developing countries is usually associated with time poverty. The time that women spend on domestic chores represents significant forgone income. Infrastructure provision potentially reduces women's time burden. The saving includes time spent on collecting, loading and purifying water. That saving would enable women to engage in remunerated activities, dedicate more time to pursuing education, or have a little leisure. In this One Pager, we investigate the impact of water provision on women's time allocation in rural Ghana.

Thus far the literature has presented little empirical evidence on the subject. One example is Ilahi and Grimard (2000), who show that poor access to water in rural Pakistan reduces the time that women devote to market-oriented activities and increases women's total work burden. Coulombe and Wodon (2008) found that access to infrastructure does not significantly affect the total number of hours women work in Ghana. But they suggest that the time saved from domestic work as a result of infrastructure provision might be used for remunerated activities. To contribute to this debate, we use data from the Ghana Living Standards Survey, Round Four (1998–1999). We analyse a sample of 2,858 women between 25 and 59 years old living in 190 rural communities. Four models are estimated to identify the determinants of the time women allocate to fetching water, domestic work, market work and total work.

We observe both a gender-based division of labour and a heavier time burden on women. Unpaid activities (collecting water and domestic chores) are intensive in women's work time, while paid activities are intensive in men's. About 82.8 per cent of men do not fetch water at all, and only 14.5 per cent of them spend between 0 and 5 hours a week on that task. In contrast, 66 per cent of women fetch water, and most of them spend up to 15 hours a week doing so. The total work time (domestic plus market work) is much higher for women. For instance, 19.3 per cent of women work more than 112 hours a week, while for men a proportion 10 times smaller does the same.

This division of labour and specialisation may imply efficiency gains for the household and, therefore, optimal household behaviour. Nevertheless, women as individuals have less control over the household assets (less economic autonomy) and a higher workload. Moreover, we also find that lower educational attainments and having children increase women's time burden. Small children constrain women from engaging in market-oriented activities.

Impact of Infrastructure Provision on Women's Time Allocation

	Domestic work	Market work	Total work
Having community water provision	Decreases	Probability of participation: decreases	Decreases
Shorter community distance from the water source	Decreases	Probability of participation: not significant Working hours: decreases	Decreases

How does water provision change women's time use? According to our empirical results, as expected, community per capita income has a negative effect on the time spent fetching water. This means that living in a richer neighbourhood increases the probability of having piped water. If a woman's household has no access to the network, living in a community where more than half of her neighbours are connected to the utility means that there is a lower probability of fetching water from afar (it is likely that other households would resell water from their taps or simply let her fetch it from there). Because of this outcome, one would expect increases in labour market participation. But we find that living in a community with access to water does not increase the probability of women entering the labour market. This does imply, however, longer working hours for those women who are already engaged in income-generating activities.

Assessing the overall hours worked, water infrastructure seems to be associated with a lesser work burden for women (see Table). Women's total working hours are fewer in communities provided with water, and fewer for those living closer to the water source. Hence, having access to water infrastructure can reduce the time burden on women. It is not implicit, however, that the time women save on water collection would be devoted to paid activities. Additional public policies are needed to achieve that goal, especially policies related to building human capital and providing childcare facilities.

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1. A similar version of this article was published by the International Policy Centre for Inclusive Growth (IPC-IG) in *Poverty in Focus 18* (2009). For a detailed discussion see the accompanying paper by J. Costa et al. (2009). 'The Implication of Water and Electricity Supply in Ghana for the Time Allocation of Women', *IPC-IG Working Paper 59*. Brasilia, International Policy Centre for Inclusive Growth.

The Doha Round and Kenya: Good and not so Good Lessons

by Eduardo Zepeda,
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The global financial crisis and spiking unemployment figures have raised the threat of escalating barriers to trade. An early conclusion to the Doha Round might help avert some of the increase in protectionism, but no one knows by how much. And while Doha will help the world economy, it will also create winners and losers across countries and across sectors within countries (Polaski, 2006). How much developing countries can win or lose depends, to a large extent, on how the issue of agricultural subsidies in developed countries is resolved. But it also depends on the definition of sensitive commodities and the effects of further liberalising trade in manufacturing goods. Developing countries will have to look very carefully at the gains and losses from proposed Doha Round agreements, the so-called 'modalities'. For many developing countries, the nature of any agreed package will be more important than reaching any agreement by a specific deadline.

Consider Kenya, a low human development country with an annual GDP per capita of about USD700. Kenya vigorously exports agricultural goods to the European Union (EU) and textiles to the United States, as well as a few manufacturing goods to neighbouring countries, but it imports a broad range of manufactured goods. As will be the case for many other Sub-Saharan economies, Doha is likely to have significant effects throughout the Kenyan economy and many of those effects will be closely linked to the terms of the negotiations.

According to Zepeda et al. (2009), the annual output of sectors could change up to plus or minus 10 per cent.¹ Compared to a no-Doha scenario, the study finds that Kenya's average annual total production from the food processing and agriculture sectors would be 2.7 and 0.7 per cent higher, respectively (see table). Changes would result mainly from rising exports of agricultural goods and processed foods, as well as from rising imports of processed foods and declining imports of agricultural goods. Underscoring the importance of negotiations, the study suggests that the driving force behind most of these changes is the reduction of agricultural subsidies in developed countries, particularly the commitment to eliminate export subsidies by 2013. In the case of rising imports of processed food, the driving force is the reduction of Kenya's own tariffs.

The study also shows that Doha's effect on the manufacturing and extractive industries will be negative: exports of manufacturing goods will fall while imports increase, resulting in a -2.1 per cent drop in annual output. Output will fall in all but one of Kenya's non-food industries. The key factor here is the drop in world prices triggered by the implementation of the Doha agreements and, in some cases, Kenya's own tariff reductions.

Change in Exports, Imports, and Production by Commodity (%)*

Sector	Exports	Imports	Production
Agriculture	3.0	-2.1	0.7
Processed food	13.0	23.9	2.7
Non-food industries	-4.1	1.3	-2.1
Services	-4.1	4.0	0.2
Total	0.2	0.1	0.6

Source: Authors' computation using the country model.

* Figures represent the percentage change between the annual average figure of the Doha scenario for each of the variables and the average annual figure of the baseline.

For Kenya the overall balance is positive. Adding changes throughout the economy, the liberalisation of trade in goods under Doha would boost annual GDP by 0.2 per cent. The overall development impact would also be positive, since employment might increase, particularly among the unskilled, and poverty is likely to fall. Overall welfare would increase and consumption would rise. This is all good news for Kenya, which would probably be a winner in the Doha Round.

The overall positive balance for Kenya depends critically on how much developed countries reduce their support for agriculture and how much protection Kenya can retain for its manufacturing sector. Like many other developing countries, Kenya cannot afford to overlook details in the Doha negotiations; their priority should be to reach a good agreement rather than to meet deadlines. As Kenya reaps the benefits of Doha, it will increasingly specialise in agriculture rather than manufacturing. This will enable the country to make more intensive use of its most abundant resource: low-skilled rural workers. But the realisation of Kenya's development aspirations cannot rest on agriculture alone. Zepeda et al. (2009) posit that World Trade Organisation (WTO) rules and their implementation should allow developing countries like Kenya to acquire the necessary space to develop a competitive, high value-added manufacturing base. Locking countries like Kenya into the static comparative advantage economics of the present will not be a sustainable basis for a future global trade regime that works for developing countries.

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Note:

1. The study uses two dynamic computable general equilibrium models to analyse the effects that the liberalisation of trade in goods would have on the Kenyan economy under a likely Doha scenario, based on the state of negotiations as of July 2008.

Trends in South-South Cooperation

by Michelle L. Chang,
University of California, Berkeley

South-South Cooperation (SSC) is being impacted by the emergence of economic behemoths—India, Brazil, China and South Africa. In 2006 alone, about USD3 billion in development assistance came from Southern contributors (Johnson, Versailles and Martin, 2008). What comes next? What are the trends and pressing demands in SSC?

Coordination is the prime issue. International coordination is a challenge. The United Nations Special Unit on SSC is the main body coordinating this global effort. Regional cooperation is indeed increasing across Asia and Africa. The East Asian crisis of 1997 underscored the interdependence of Southeast and East Asian countries, leading to SSC-oriented arrangements such as the Chiang Mai Initiative. The New Partnership for Africa's Development (NEPAD), a regional institution set up by the African Union, is another outcome of regional cooperation. It aims to maintain the flow of official development assistance (ODA) despite Africa's conflicts. Regional cooperation helps to leverage complementary technical, financial and joint development activities within neighbouring countries.

The emergence of China, India and Brazil. Given the scope of China's activities in developing countries and the debate that those activities have prompted, China's involvement in Sub-Saharan Africa cannot be overlooked. The Chinese government does not officially report on its ODA, but private estimates suggest that it spent USD4.5 billion on assistance for Africa alone through 2006 and plans to double that amount by 2009 (Davies, 2006). China's growing role as a donor in Africa has led to numerous infrastructure projects, though it remains to be seen who benefits and over what period (Kaplinsky, McCormick and Morris, 2006). In Zambia, China has run several agricultural and infrastructure projects, and has signed several contracts to provide economic and technical cooperation (Davies, 2006). Data on the impact of this aid on poverty alleviation are currently sparse. Africa needs to take ownership of its own pro-growth policies in order to ensure that it is not captured by a new form of colonialism. India has been playing a key role in technical cooperation initiatives on education and training, study tours and disaster relief assignments. The Indian government and the United Nations Industrial Development Organization (UNIDO) have also formed ties to promote capacity building in the distribution of new technologies (UNIDO, 2007). Brazil's role in sharing its successful social policy programmes with countries in Africa, as well as its efforts to enhance multilateral and inter-American collaboration, have provided learning space and collaboration across continents.

Triangular cooperation is growing and is here to stay. Countries of the North—such as the United States, the United Kingdom and Japan—have also entered the picture to form a cooperative donor triangle

with developing partners in the South. While this provides added financial and programme support to developing countries, SSC with this triangular approach can easily slide into a hegemonic, North-dominated relationship. Equally, triangular cooperation provides an opportunity for developing countries to share knowledge and experience if a careful balance of resources and administration of projects and funds is maintained between the donor and beneficiary countries. As this form of cooperation increases, approaches will have to be refined so that the provision of financial resources and the delegation of project implementation are balanced.

Capacity building remains a challenge. Most of the current training on SSC activities is undertaken within the UN and in institutions that focus on research. For example, the Training Centre for Regional Integration (CEFIR) serves as a hub of research and statistics specialising in capacity building for regional integration in South America. Its activities are geared to government officials, civil society, academia and the private sector. The International Poverty Reduction Centre in China (IPRCC) delivers training on policy analysis, poverty evaluation, and monitoring and evaluation tools. Apart from research and policy training between developing countries, there is also technical-oriented cooperation and training. Thus UNIDO coordinates multidisciplinary biosafety training among biotechnology workforces in Chile, Malaysia and Tanzania.

Research is needed on the impact of SSC on human development. Training and knowledge sharing on SSC should include practical tools and evaluation techniques such as poverty and social impact analyses, in order to answer the questions of who drives development policy and who exactly benefits. Notwithstanding the South's heterogeneity, an institution for knowledge exchange may prove beneficial in identifying best practices in technical cooperation and policy innovation. Since SSC is intended to broaden development cooperation in order to address human development, and not just growth or the removal of bottlenecks in finance, infrastructure or technology, there should be a greater focus on assistance unrelated to foreign direct investment, so that the South can more effectively achieve the Millennium Development Goals for sustainable development.

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Sustainable Agriculture: A way out of Food Poverty

by Tuya Altangerel, Poverty Practice, UNDP Bureau for Development Policy
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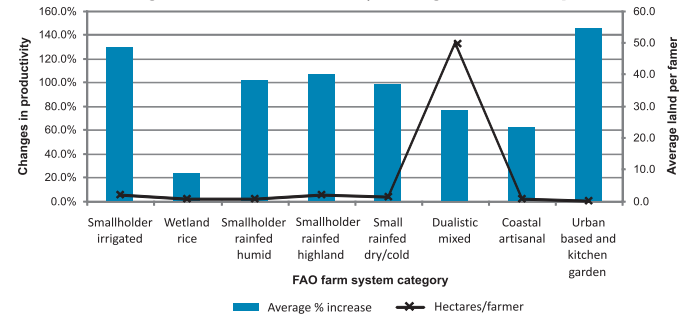
The most fundamental human right is the right to food (UN General Assembly, 2002). Proper nutritious food is the precondition for normal human development. Well-nourished children are more likely to succeed in learning and are less susceptible to diseases. But low-income, food-importing economies are facing increasing difficulties in accessing staple food items. Chronic food insecurity persists, especially in Sub-Saharan Africa. The recent economic crisis drove more than 100 million people into hunger in 2008 alone.¹ Is sustainable agriculture a solution?

Industrialised agricultural production and the global commoditisation of basic food staples have not helped improve domestic food consumption in many developing countries, especially among net food importers. Neither has higher production demonstrated long-term efficiency or sustainability: the short-term gains of increased productivity are often offset by the high costs of inputs and environmental degradation (World Resources Institute, 2005). Skewed food-trade patterns and the vulnerability of food exporters to growing threats of climate change further exacerbate the availability and accessibility of food, especially for the poor and vulnerable groups (UN Special Rapporteur, 2008).

The evidence from various developing countries reveals that sustainable agricultural practices, anchored in local knowledge, are the most effective in developing resilient food production systems (Pretty et al., 2006). Sustainable agriculture is driven by local knowledge and resource-conserving techniques, making the best use of nature's goods and services without damaging those assets. Investing in the capacities of small farmers to adopt sustainable practices will help secure higher yields and profits, and will promote local food consumption.

Methods such as integrated pest and nutrition management, water harvesting and minimum tillage boost yield and increase the nutritional value of food products. Such practices also preserve biomass and protect soil health. Over 12 million farmers in 57 developing countries experienced an average yield increase of 79 per cent after adopting sustainable practices (Pretty et al., 2006). These farmlands averaged three hectares, located in a variety of farming systems—irrigated, rain-fed, wetland, humid, highland, mixed and urban. The figure shows that the highest increase in yield, more than 120 per cent, was in smallholder irrigated farms, as well as in urban and kitchen gardens. Conservation methods, including organic agriculture, can achieve yields comparable to industrialised farming. Sustained over time they also generate higher profits from savings and drastically reduce conventional pesticide use (UNCTAD, UNEP 2008).

Sustainable Agriculture - Productivity Changes and Land per Farmer



Source: Prepared by the authors on the basis of Pretty et al. (2006).

The main lesson learned from the evidence is that adopting sustainable agriculture requires intense cooperation and knowledge building at the local level. While initially this may add to the transaction cost, the net medium-term payoff is still higher than industrialised farming, especially if the added benefits are taken into account—such as strengthened social dynamics, local natural-resource management and food self-sufficiency. As a group, women who engage in small-scale farming can be empowered by moving to sustainable practices, since this could give rise to longer-term land use and better household nutrition.

Development partners and national governments can leverage a policy shift in the right direction by prioritising investments that boost local food supply systems and markets on the basis of conservation methods. This may be an opportune moment to revise traditional 'green revolution' methods, such as subsidising fertilisers and pesticides, and to explore low-cost, sustainable alternatives that help conserve land and water resources. Investing in local research and development geared to crop diversification, resilient local seed supply, and biodiversity is essential for locally generated responses to reducing food poverty.

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Green Jobs for the Poor: Why a Public Employment Approach is Needed now

by Maikel Lieuw-Kie-Song, Former Chief Director in the EPWP Unit at the Department of Public Works in South Africa, and currently an independent researcher and consultant and Radhika Lal, International Policy Centre for Inclusive Growth

In the context of the economic and environmental challenges that the world is facing today, there have been calls for a Global Green New Deal (see, for example, UNEP/ILO/IOE/ITUC, 2008). Such calls have highlighted the employment-creation benefits of 'green' investments, mainly those aimed at accelerating the shift to low-carbon economies. Policy innovations by developing countries, such as South Africa and India in particular, also point to the value of employment-generating environmental activities relevant for reclaiming or enhancing access to public environmental goods and services, as well as for improving the productive livelihoods of the poor. This One Pager outlines the economic rationale for promoting these types of 'green jobs' and for adopting a 'public employment' approach in this regard.

In many developing countries, areas critical to the continued functioning of larger ecosystems are in need of urgent attention. A number of the activities involved—e.g. planting native vegetation, removing invasive species, building structures that reduce erosion, protecting reserves and watershed management—are highly labour-intensive and have the potential to create employment for the poor. The benefits of these investments most often accrue to poor and local communities and the income yielded by such beneficial environmental activities also eases pressures to exploit the environment.

Until recently, however, these types of investments were underrecognised in mainstream poverty reduction and environmental policies. Lieuw-Kie-Song (2009) argues that, first, this is because the benefits of investing in the environment are still difficult to quantify accurately, even though they are often clear. As a result, it is difficult for such investments to compete for resources with others whose benefits can be quantified more easily. Second, the lack of 'functional markets' for most ecosystem services compounds this difficulty, since there is little recognition of the value of the services that ecosystems provide, and currently there appear to be no market mechanisms to drive investments in natural resources to the degree required.

Lieuw-Kie-Song proposes a framework for analysing investments in the environment based on who receives the benefits. The study argues that in many cases governments should take the lead in making these investments, using public employment programmes, because: (i) employment creation for the poor should be an integral part of poverty reduction strategies; (ii) when the benefits of these investments accrue directly to the poor, the government should act within its mandate of poverty reduction; (iii) governments have a role to play when markets are either failing or dysfunctional; (iv) it is increasingly clear that the risks of

not investing in natural resources are enormous, both in terms of the scale of the impact and of the long-term and often irreversible damage that can be done; and (v) even if the benefits cannot be quantified accurately, they often accrue to the government either directly or indirectly.

Lieuw-Kie-Song's study explores programmes such as South Africa's Working for Water initiative, which began in 1995 and had cleared 856,000 hectares of invasive alien vegetation by 2009. This resulted not only in increased stream-flows and water availability, but also in improvements to land productivity, the maintenance of biodiversity in ecologically sensitive areas where invasive plants often overtake native species, greater resilience to fires, and support for the conservation of many protected areas and reserves critical to South Africa's growing tourism industry. It spawned a number of other public employment programmes such as Working for Wetlands, Working on Fire, Working for the Coast, Working for Tourism and Working on Waste. Proposals are being prepared for other programmes such as Working for Energy. The latter focuses on activities to reduce greenhouse gas emissions, such as installing solar water heaters, improving the energy efficiency of government buildings, and generating energy from biomass waste.

Additionally, the study looks at examples from India's National Rural Employment Guarantee Scheme (NREGS), which has a strong natural-resource management component, particularly in the areas of water harvesting and micro watershed management. In a number of instances, the employment generation projects have helped raise agricultural productivity and improve the livelihoods of poor farmers, although the sustainability of the assets may emerge as an issue.

The current global economic crisis and concerns about climate change are spurring a thorough rethinking of the state's role in the economy. This reconsideration is being stimulated in part by emerging evidence of the importance of large-scale social assistance programmes in increasing economic and social resilience. There is also growing recognition of the need for increased investments in natural-resource management and the environment. Environment-centred public employment programmes represent a synergy of these two shifts, and they warrant our attention and consideration now—not only as crisis mitigation measures, but also as important policy interventions for inclusive and sustainable growth.

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Direct or Mediated Relationships?

Civic Involvement and Social Accountability in the *Bolsa Família* Programme

by Felipe Hevia, Centro de Investigaciones y Estudios Superiores en Antropología Social, Mexico

Conditional Cash Transfer (CCT) programmes are key to reducing the effects of the economic crisis among the poor in Latin America. Their implementation, however, entails two risks: an increase in political clientelism (exchange of votes for favours) and the widening of the power gap between the poor population and local authorities. In order to gain access to the programme and receive financial aid, families rely on the authorities in charge of registering beneficiaries and checking compliance with conditionalities. As a result, government actors enjoy a better power position at the local level and/or are able to ask for political support in return.

Brazil's *Bolsa Família* designed preventive procedures to reduce these risks: the eligibility criteria for beneficiary families are clear; beneficiary databases are public; municipalities are involved in identifying poor families and validating conditionalities; benefits are paid through banking institutions; and there are Social Accountability Boards to oversee and monitor the authorities responsible for these activities. Local authorities and civil society are equally represented on these boards, following the participatory management model that Brazil has applied to its social protection policy.

Apart from these measures, *Bolsa Família* strengthened direct relationships and inhibited the mediation of leaders and organisations in order to prevent political clientelism at the local level. Its designers sought to prevent the programme from being used for clientelistic purposes by eliminating any type of social intermediation (through social organisations) and political intermediation (through the participation of political parties or other political actors) in the process of selection into the programme, in the renewal of beneficiary status, in the payment of the benefit, and in the graduation processes. Information on how to register for *Bolsa Família* was disseminated through television and radio, as well as in schools. Communication with beneficiary families was established through letters and welfare services offices.

The decision to prevent intermediation had positive intended consequences. The most important outcome was the beneficiaries' awareness of the limited clientelistic use of *Bolsa Família* at the local level. A survey conducted among programme beneficiaries

in two low-income districts of São Paulo and Salvador showed that 84 per cent of respondents thought that local leaders were not trying to take advantage of the programme for political and electoral purposes. Only 2.4 per cent stated that they had heard threats about the programme being phased out if a particular candidate did not win the election. Nonetheless, this does not imply a lack of political intent in the use and distribution of *Bolsa Família* at the national level, particularly as regards the increase in the number of beneficiaries depending on the electoral calendar.

The avoidance of intermediation, however, had at least two unintended consequences. First, beneficiaries found it difficult to receive information, and to oversee and monitor the programme *from the bottom*. Because the beneficiaries lacked channels for communication and organisation, it was not possible to solve common problems collectively or to gain access to more information about other social programmes. Second, individual beneficiaries and public authorities continued to yield asymmetric power: to confront a family on its own with the governmental machinery of bureaucracy results in a growing power disparity that collective action tries to level out. Incorporating interests makes their representation more feasible and allows their voice to be heard, especially among the poor who lack other ways to access the public sphere. But *Bolsa Família*'s beneficiaries face problems in being 'represented' on the Social Accountability Boards because of the shortage of local groups and leaders that can perform that task.

This circumstance contributes to the depoliticisation of the organisations that formally exist for the purposes of social control and civic involvement: without effective representation and power resources, *Bolsa Família*'s social control organisations have become 'decorative' rather than participatory decision-making bodies.

Hence, for the positive effects of CCTs to reach the poorest population in Latin American countries, there is a need to strengthen and promote channels for civic involvement and social accountability, wherein the poor are no longer considered part of the problem but rather become engaged actors who are part of the solution.

What is the Impact of the *Bolsa Família* Programme on Education?

by Paul Glewwe, Department of Applied Economics, University of Minnesota and Ana Lúcia Kassouf, Department of Economics, Esalq-University of São Paulo

Many researchers have shown that Brazil's *Bolsa Família* programme had a large impact on reducing poverty and income inequality. But evidence for the programme's impact on educational outcomes is in short supply. Does *Bolsa Família* increase school enrolment? Does it reduce dropout rates? Does it improve grade promotions?

The main barriers to children's enrolment in school are the direct costs (school fees, books, uniforms and so on) and the opportunity cost of time in school. The latter refers to alternative paid and unpaid work that could have been performed. Several countries have ended fees or have provided free meals and uniforms. Conditional cash transfer (CCT) programmes such as *Bolsa Família* are in place to encourage families to send their children to school.

CCTs have two objectives: (i) alleviation of poverty today; and (ii) higher investment in the human capital of poor children so as to increase their well-being when they are adults. The first objective is met when poor families receive programme payments. The second is achieved by conditioning those payments on certain behaviours, mainly enrolling children in school.

Bolsa Família, which started in the 1990s and expanded rapidly in 2001 and 2002, provides monthly cash payments to poor households if their children (between the ages of 6 and 15) are enrolled in school. By 2007, more than 11 million families (about 46 million people, a quarter of Brazil's population) received payments. The government budget for the programme was more than 7.5 billion reais (about USD4 billion) in 2006, which was 0.35 per cent of GNP.

Glewwe and Kassouf (2008) examined the impact of *Bolsa Família* on children's progress in school. Eight years of school census data (1998–2005) were used to create a panel of public schools with grades 1–4 and 5–8. The estimation method used compared changes in enrolment, dropout and grade advancement rates across schools that adopted the programme at different times.

Glewwe and Kassouf estimate that, after accounting for cumulative effects, *Bolsa Família* has increased enrolment rates by about 5.5 percentage points in grades 1–4 and by about 6.5 percentage points in grades 5–8. They also found that the programme has lowered dropout rates by about 0.5 percentage points for children in grades 1–4 and by about 0.4 percentage points for children in grades 5–8. The programme

raised grade promotion rates by about 0.9 percentage points for children in grades 1–4 and by 0.3 percentage points for those in grades 5–8.

Only about a third of Brazil's children participate in *Bolsa Família*. It is reasonable to assume that these programme impacts are due only to the effect of *Bolsa Família* on participants, with no effect on non-participants. This implies that the impact of participating in the programme is about three times higher than these estimates. Hence the long-run effect of the programme seems to be to increase participants' enrolment rates by about 18 percentage points, to reduce dropout rates by 1.5 percentage points, and to raise grade promotion rates by 2 percentage points.

Brazil's ethnic groups differ in many ways, including education outcomes. The 2004 National Household Sample Survey (PNAD) reports that white children aged 7–15 have a school enrolment rate of 97.3 per cent. The rates for blacks, mulattos and indigenous children of that age group are lower: 93.6 per cent, 95.2 per cent and 89.6 per cent, respectively. The rate for Asian children, 97.6 per cent, is slightly above that for white children. The results show that *Bolsa Família* is more effective at increasing the enrolment of blacks, mulattos and indigenous children than it is for whites, and thus it appears to be equalising enrolment by race.

While these impacts cast a favourable light on *Bolsa Família*, simple calculations based on the enrolment impacts suggest that the likely benefits in terms of increased wages may not exceed the programme's costs. Its long-run effect seems to be increasing participants' enrolment rates by about 18 percentage points, which implies that 82 per cent of beneficiaries would have enrolled in school even without *Bolsa Família*. The income transfer, however, could be viewed as a benefit solely on distributional grounds. This raises the question of whether *Bolsa Família* can be targeted towards those households that would not enrol their children in the absence of the programme. Answering this question is an important task for further research.

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Unintended Effects of Microfinance: An Increase in Child Labour in Some Contexts?

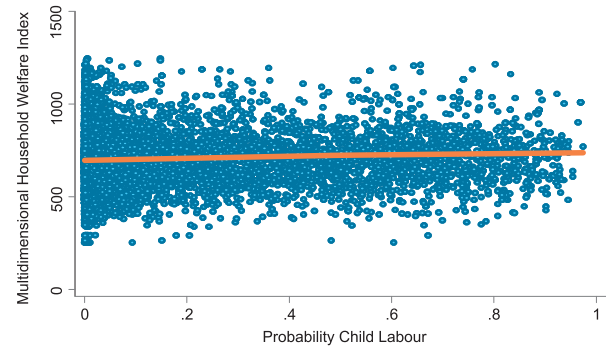
by Christian Lehmann, Paris School of Economics and Guilherme Hirata, International Policy Centre for Inclusive Growth

An increasing number of policies in developing countries seek to empower women through female entrepreneurship. Many microfinance institutions (MFIs), for example, lend exclusively to women. Loans are usually combined with capacity building workshops on entrepreneurial activities such as the production of handicrafts, clothes or food to be sold in local markets. While there is evidence that these strategies have been successful in empowering women (Panjaitan-Drioadisuryo and Cloud, 1999), less is known about how such an increase in mothers' non-domestic labour affects the working hours of their children. In the few available studies, the results are ambiguous: see, for example, Hazarika et al. (2007) and Dehejia and Gatti (2002). Drawing on a study of Mexico (Lehman, 2010), this One Pager points out that policies which encourage the small business activities of women may lead to an increase in child labour. It hypothesises that the provision of family and/or social support infrastructure (full-day schools and childcare facilities), and/or policies that encourage investment in the children's future, may help mitigate these unintended impacts.

Most child labor is associated with family work: see, for example, Basu and Tzannatos (2003). Households affected by poverty often rely on their children's contribution in order to attain a subsistence level of household income. This suggests that an increase in household income, and thus a reduction in the level of household poverty, would probably lead to a decline in the incidence of child labour. Nevertheless, it seems that reducing the level of household poverty is a necessary but not a sufficient condition for reducing child labour, since other factors, such as parental preferences, determine children's working status. The figure illustrates this fact: an analysis of data for rural areas in Mexico reveals that children from 'better-off' households have, on average, the same chance of working as those from poorer households. Moreover, the probability of a child working increases by 43 per cent if the mother works, independently of the level of household poverty.

Why do we observe a strong relationship between maternal and child labour? It should be noted that, among other factors, a lack of childcare institutions (adequate schools and so on) often obliges mothers to take their children to work with them. Without monitoring by either their mother or an institution, children may be exposed to a number of risks, such as playing in dangerous sites (streets, dumps and so forth) or getting involved with 'the wrong type of people or activities' (in extreme cases such activities include drug trafficking, as happens in many Brazilian shanties). Because of the lack of adequate institutions, the only feasible monitoring option for a mother is to bring the child to work.

Multidimensional Household Welfare X Probability Child Labour



Hence policies that encourage women's entrepreneurial activity, and that by extension increase female labour supply, may have the unintended negative externality of increasing child labour as well.

Such unintended negative side effects may be a consequence of segregated social policies. The above example shows that programmes encouraging female entrepreneurship may need an integrated policy framework, one that addresses all household members as well as the community, in order to avert an increase in child labour. In the present case, for example, the combination of female entrepreneurship policies with conditional cash transfer (CCT) programmes seems to be a promising, integrated strategy. This is because such programmes often require children's regular attendance at school as a condition for receipt of the grant. That in turn exerts supply-side pressure for the building of new schools or for improving the capacity of existing schools in the community (Perez Ribas et al., 2008).

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How Should MDG Implementation be Measured: Faster Progress or Meeting Targets?¹

by Sakiko Fukuda-Parr and Joshua Greenstein, New School

A **critically important** aspect of the Millennium Development Goals (MDGs) is that they provide concrete, time-bound and quantitative objectives against which poverty reduction can be measured. Governments can be held accountable by their people. The international community can hold governments accountable, and be held accountable by, national governments. If this newfound accountability is to be worthwhile, however, the method of determining progress or lack thereof must be the correct one. We argue that the correct measure is whether faster progress is being made, not whether the targets are to be met. The MDGs are not hard planning targets; they are aspirational norms and they offer benchmarks in an evaluative framework.

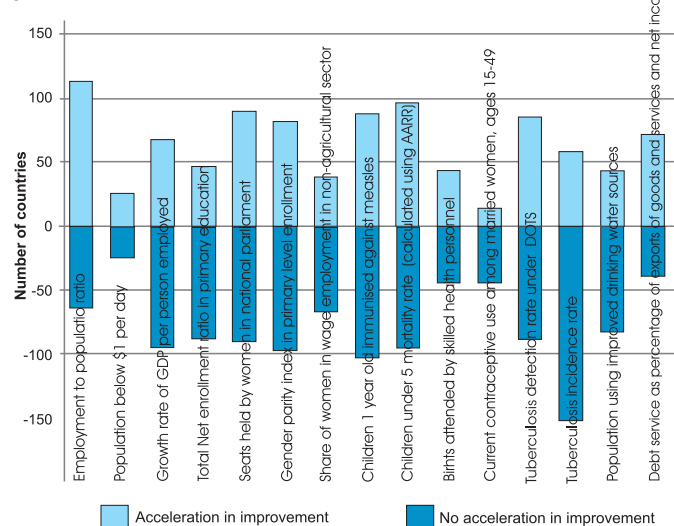
Global Goals. Norms, Not Planning Targets – The MDGs are drawn from the Millennium Declaration adopted by world leaders to set priorities for the twenty-first century. The leaders pledged to do their utmost to end extreme poverty and to secure three other challenges for humanity: democracy and human rights, peace, and environmental sustainability. The Declaration draws on the agendas of UN conferences in the 1990s. The MDGs are politically negotiated commitments, not technocratically defined targets based on careful analysis. They provide a normative framework—the desired outcomes or ends of a development strategy, not the means to reach those ends. Many of the 1990s conferences set goals, clearly explaining that these were global objectives and encouraging national governments to set their own strategies and targets.

It is unsurprising that the MDG targets do not hold up well to scrutiny as planning targets. Numerous economists have pointed out conceptual inconsistencies, including the choice of indicator, the seemingly arbitrary manner in which success is defined (for some indicators, absolute levels; for others, a certain percentage improvement) and the modelling of a development process that would simultaneously achieve this set of now 60 targets (Saith, 2006).

Similarly, as planning targets the MDGs do not always hold up well politically for advocacy purposes. Many civil society groups do not find the MDGs to be consistent with their own agendas and priorities. Targets are either too weak (for example, where targets such as universal primary education have already been achieved), over-ambitious (for example, where income poverty rates must be halved regardless of whether the starting level is 70 per cent or 10 per cent) or missing. National governments have been sceptical of MDGs as another weapon of conditionality, fearing that the Goals would lead to their being labelled as ‘failures’. The one-size-fits-all 2015 targets are most difficult to reach for the countries with the lowest starting point.

Operationalising MDGs. Evaluative Benchmarks – If the MDGs should not be used as hard planning targets, can they be used in development strategies and policies? Yes. First, they can set a normative framework for the definition of policy objectives and resource allocation. Second, they

Number of Countries Showing Accelerated Improvement per Indicator



can provide benchmarks for evaluating progress. We hold governments to account for doing more, and going beyond ‘business as usual’ with new priorities and approaches. To assess progress, the key question is whether more is being achieved. The appropriate way to measure this is to assess whether faster progress is made towards meeting the MDG targets.

Methodology and Findings – In a recent IPC-IG Working Paper (Fukuda-Parr and Greenstein, 2010) we present a methodology and analysis, and our assessment of “progress” differs considerably from assessments using the conventional methodology. For example, while access to safe water is touted as an MDG success, in only a third of the countries has progress been faster. Overall, for most indicators and in most countries, progress has not been faster (see the figure).

More importantly, asking whether progress has accelerated provides more meaningful information that can be used to design more effective policies and to advocate that greater attention should be paid to poverty.

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Note:

1. David Stewart contributed to this analysis.

Supporting Food Production and Food Access through Local Public Procurement Schemes: Lessons from Brazil

by Darana Souza and Danuta Chmielewska,
International Policy Centre for Inclusive Growth

Approaches that combine giving vulnerable segments of the population access to food with support to smallholder farmers for food production can offer significant benefits in tackling poverty and hunger. Public procurement can play an important role in these approaches, ensuring supplies for food aid schemes and market opportunities for farmers who otherwise would face great difficulties in establishing advantageous commercial relations. The benefits of such approaches can be very substantial when procurement strategies are implemented in line with local food production and consumption patterns.

Brazil's Food Acquisition Programme (*Programa de Aquisição de Alimentos*, PAA) can offer important lessons for debate in this context. PAA is a strategic part of the country's food security policy framework known as Zero Hunger (*Fome Zero*). It aims to ensure that populations suffering from food and nutritional insecurity have access to food, and to promote social inclusion in rural areas. Two components of the programme, known by their Portuguese abbreviations CDLAF and CPR *Doação*, facilitate the government's purchase and distribution of various agricultural goods. Between 2003 (when the programme was created) and 2008, the federal government spent more than USD1 billion through PAA to buy nearly 2 million tons of food. In 2008, about 120,000 farmers were selling products through the scheme, and those products were donated to 16.8 million people (CONSEA, 2009).

Goods are bought without a bidding process, guaranteeing that the targeted 'family farmers' have access to what would otherwise be a highly competitive market. The programme can supply a wide range of food items to local institutions, such as community associations, day-care centres and hospitals. Local populations thus might have access to the food free of charge.

A case study in the northeast of Brazil shows that these two programme components offer farmers a crucial commercial opportunity, support relevant changes in the farmers' production practices and organisational capacity, and serve as an important strategy to ensure the proper provision of food items (Chmielewska and Souza, 2010).

That case study argues that for family farmers, the availability of secure markets with guaranteed prices encourages them to re-invest in their production and to optimise existing resources. This has led to benefits

in the areas of inputs and labour, diversification of produce and greater quality control. The improved product quality can be attributed to the control imposed by the programme and to farmers' commitment to deliver good food products to the local beneficiaries. Farmers' organisations have also been strengthened by the PAA, as evidenced by the regularisation of their legal status, increased memberships and greater project management capacity.

Critically, the PAA approach has made available a diverse range of good quality and locally relevant foods for beneficiaries of the programme's 'food access component'. Moreover, the PAA has been found to encourage the production and consumption of foodstuffs that were being abandoned, such as various kinds of cassava.

Like any programme of this size and complexity, it is not without challenges. The study reveals that farmers still need access to complementary support actions, such as technical assistance for production planning. This is justified by the limited capacity to deliver the types and quantities of products specified by producers in the PAA projects. Additionally, the intervals between projects have caused substantial difficulties for some farmers, affecting their income from sales and the flow of goods to beneficiaries.

In view of the above, we find that public procurement can be a relevant approach and tool in supporting the larger macro strategy for food production and access to food. The Brazilian experience has demonstrated the potential for this approach to confer significant benefits on producers and consumers, a circumstance accentuated by the promotion of diversified products that can be consumed locally. In this context, purchase and distribution linkages, combined with support programmes, provide an important opportunity to improve farmers' capabilities and to deliver benefits to the community as a whole.

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How Much do Non-cash Components and Externalities Affect the Impact of Cash Transfers?

by Rafael Perez Ribas, University of Illinois at Urbana-Champaign; Fábio Veras Soares and Clarissa Teixeira, International Policy Centre for Inclusive Growth; Elydia Silva, Brazilian Development Bank (BNDES); and Guilherme Hirata, Pontifical Catholic University of Rio de Janeiro

Much of the debate about conditional cash transfer (CCT) programmes revolves around the issues of targeting and conditionalities. Despite the many impact evaluations of CCT programmes, mostly in Latin America, there is little evidence on either the effect of the cash alone or the value added by the conditionality.

The cash component has an *income effect* that allows families to consume more goods and services, including healthcare and schooling. Depending on the families' preferences, this rise in income may also lead to a change in the consumption share of goods and services. Because of non-cash components, however, there might be a *substitution effect* that changes the way in which households spend their income, aside from the expected changes due to the increased income. Thus the question is how these other components change household behaviour in terms of the consumption pattern.

If the impacts on outcomes of interest were explained mostly by the looser budget constraint, then the other components would add an unnecessary cost to a cash transfer programme. But if monetary transfers were not enough to induce the desired changes, then non-cash components would be relevant. In this case, the cash transfer would serve basically to encourage families to comply with the conditionalities and to engage in complementary programmes.

Another concern in measuring the impact of a CCT programme arises from the fact that both beneficiary and non-beneficiary households can be affected by the mere existence of a social programme and the presence of other beneficiaries in their community. The two most convincing examples of externalities are the effects of general equilibrium, which changes prices and opportunity costs in the economy, and social interaction, which affects households' preferences.

As both beneficiaries and non-beneficiaries are subject to externalities, this effect can heighten (lessen) the programme's potential impact when the externality is in the same direction as (opposite direction to) the intended effect. In the presence of household interactions, therefore, a wider coverage could either increase or reduce the expected impact. If this effect is not taken into account in the evaluation design, impact estimates may be biased.

Ribas et al. (2010) evaluated the impact of *Tekoporã*, a CCT programme in Paraguay, on consumption and savings. They put forward a methodology that makes it possible to separate the programme's impact into participation (direct) effect and externality (indirect) effect. These effects were further decomposed into income effect and substitution effect, the latter representing the role of programme components other than cash.

The authors claim that in addition to the programme's individual direct effects, its impact is also externalised across households. If the programme had no externality effect, it would increase the level of consumption by 21 per cent, food consumption by 15 per cent, and the share of adult clothing by 0.7 percentage points among treated households. However,

the externality effects of the programme on these outcomes are sufficiently negative to cancel out the participation effect. Hence the programme's total effect on these outcomes is null or even negative.

An externality effect that boosts the participation effect is on savings. Half of the programme's total impact on the savings rate, which stands at 31 per cent, comes from each component—that is, participation and externality. Indeed, *Tekoporã*'s design includes visits by social workers to help households plan their budgets. In a seasonal-agriculture economy, precautionary savings play a critical role in budget planning. Thus the 'saving message' transmitted by the social worker may have spilled over onto other poor households, leading to a reduction in their consumption.

The second decomposition shows that the participation effect on the consumption level is mainly due to the income effect. The cash component of the programme, however, has no effect on the consumption share of treated households. Thus an unconditional transfer might be effective in increasing household consumption, but might not be effective in changing the consumption choices.

The externality effect, on the other hand, is not related to income changes. Whenever externality effects are significant, they are entirely due to behavioural change brought about by non-cash components (*substitution effect*). The cash transferred by *Tekoporã* thus has no multiplicative effect on aggregate demand that would affect the beneficiary households, apart from the direct effect of the transfer.

The results show that non-cash components directly encourage participating households to reduce relative expenditure on food and increase the share of child and adult clothing. Nonetheless, the only effect that remains after taking externality into account is on the share of child clothing. The non-cash incentive to spend money in the best interests of children is behind this result. Furthermore, the lack of an externality effect on child clothing means that the change in consumption preferences toward children, promoted by conditionalities,¹ is not emulated by other households.

All the components of CCT programmes may have some effect on the desired outcomes, but programme managers should know which of them are more effective and efficient for the purposes of meeting programme goals, and through which channels they work. Understanding the impact of the conditionalities and the existence of externalities is an important step in reaching a better assessment of the black-box results of standard impact evaluations, as well as in providing policymakers with better information on the adequacy of their CCT programmes.

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Note:

1. Programme managers have argued that the effect on child clothing is strictly related to the increase in school attendance.

Rethinking Public Employment Programmes: Moving beyond Safety Nets?

by Radhika Lal, International Policy Centre for Inclusive Growth

Public works and public employment programmes (PEPs) have long been considered a staple of social assistance. For the most part, though, they have been designed as 'safety nets' in the context of counter-cyclical programme interventions and responses to shocks where the objective has been to provide income support for the unemployed in the form of cash or food in exchange for work effort (See del Ninno et al., 2009). While, in some cases, there has also been a focus on reducing poverty or long-term unemployment, until recently, neither the design of the programmes nor the scale of implementation has been such as to make a significant dent in poverty reduction.

A recent study (IPC Working Paper No. 66 by Lal and Miller et. al.) draws on new conceptual approaches and innovations in designing and implementing such programmes to argue that when PEPs are framed within a long term development approach they have the potential to mitigate the impact of crises on employment—which as recent crises have shown can take between 5-7 years to recover—as well as ensure more inclusive growth. The fact that a rights-based approach to PEPs, such as India's Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), that was initiated prior to the crisis could be effective in mitigating the effects of the crisis on the poor and in reviving demand has elicited interest in policies that have the potential to contribute to the social and economic resilience of local and national economies. Interest in 'affordable' and scalable programmes to strengthen domestic-demand is only likely to increase in global fora given the emerging focus on realizing a more balanced pattern of global growth in the post-crisis period.

In the context of a long-term development framework for PEP, the paper assesses the desirability and feasibility of adopting a universal or a partial Employment Guarantee (EG) to make PEPs a more stable complement to market-driven employment creation particularly in situations where levels of working poverty and under-employment are significant. It points out that this involves a shift to a demand-driven approach, where the objective is to respond to unmet demand for employment opportunities while addressing 'deficits' in infrastructure and service provision. The paper argues that framing PEPs in the context of an EG allows for integrating planning and accountability mechanisms critical for results in direct job creation as well as useful asset creation and service provision.

It indicates that when there is an understanding that PEPs will continue as needed, synergies and 'convergence' opportunities with other programmes can be identified more readily than if they were designed as a short term safety net. In exploring complementarities and interactions with various social assistance programmes and active labour market policy interventions, the paper finds that PEPs can contribute to directly and indirectly realizing social protection and job creation for the poor across their life-course. For example, infrastructure and productivity improvements facilitated through PEPs can contribute to the sustainability of community based development initiatives and livelihood opportunities; PEP-based child services can facilitate women's participation in the labour force and enhance the impact of conditional cash transfer programmes which seek to promote a social

investment in the next generation. The paper also highlights the innovative design objective of newer PEPs (e.g MGNREGA) to explicitly 'crowd-in' financial and digital inclusion in the under-served areas where they are implemented through the financial and information delivery platforms that are put in place for the programmes but which also have wider impacts. (Also see ILO course on innovations and design options for PEPs)

Although the paper makes a case for framing PEPs within the framework of an employment guarantee, it does not put forward a 'model' EG framework or programme. It suggests that the scope of PEPs will vary according to the nature of the unemployment problem, the amount of fiscal space available, and the types of 'deficits' that exist with regard to infrastructure and service provision that can be addressed by the programme. Programme priorities and trade-offs will likely also vary across countries and over time. While a strong case for supporting direct employment creation can be made even without a formal reference to a rights-based framework, the paper points out that a rights-based approach has powerful ramifications for financing and planning frameworks, for transparency, accountability and redressal mechanisms, for participatory engagement and a results orientation. (See Sharma, 2010). These contribute to ensuring that programme priorities are demand-driven and that planning and capacity development necessary for the implementation of scalable employment programmes can be undertaken.

Given that there are few full-fledged employment guarantees in place, the paper draws on the experience of significant forward-looking and/or innovative approaches to designing PEPs. This includes: India's 100-day guarantee for rural households under MGNREGA; Argentina's Plan *Jefes y Jefas de Hogar Deocupados*, initially formulated with a right to social inclusion rationale and central to mitigating impact of and contributing to recovery from the economic crisis of 2001; Ethiopia's Productive Safety Net Programme (PSNP), which demonstrates the benefits of promoting a productive safety net system resourced over a multi-year framework and points to how a programme can be designed to cater to the needs of 'labour surplus' households as well facilitate transfers to those that are labour constrained; and South Africa's Expanded Public Works Program (EPWP) which highlights the potential to go beyond traditional areas of focus for public works to address, for example, social and environment services. South Africa's Community Work Program which shows how regular and predictable work income can be provided based on prioritisation and organisation by local communities themselves may also be of interest.

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Sustaining Development and Resilience in SIDS: Beyond Crisis Management

by Leisa Perch and Rathin Roy,
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Human development in small island development states (SIDS) has been steady and measured as high. The Caribbean, on average, ranks higher than the Pacific on the Human Development Index (HDI): Barbados is ranked at 37, and St. Kitts and Nevis at 50, compared to Samoa at 94 and Fiji at 108 (UNDP, 2009). In general, the SIDS invest more than other countries in education and health; on average, government spending accounts for more than 60 per cent of all spending in the health sector (Perch and Roy, 2010).

Paradoxically, given this record, the SIDS have struggled to address some of the ills of underdevelopment, namely poverty, vulnerability and inequality. The table highlights the contrast between GDP, poverty rates and the Gini coefficient, and the challenges of translating growth into sustained development outcomes.

Why is this? Poverty in SIDS has usually been defined more in relative than in absolute terms, and these countries have been marked by persistent inequality as measured by relatively high food insecurity (over 40 per cent of poor households' income is spent on food), dependence on public transfers to facilitate access to basic services, and dependence on remittances to supplement household incomes (Perch and Roy, 2010).

Cascade effects compound the poverty challenge. For example, the recent global economic crisis impacted the SIDS additively: declines in the incomes of the poor were affected by the limited fiscal capacity of governments to compensate for income losses, high youth employment, reduced working hours, falling remittances and the negative effect of price volatility on poor and vulnerable households. Gender segmentation in the market has also determined the fortunes of many poor households and their capacity to cope with the shocks of the crisis. The global crisis served to underscore these factors of structural vulnerability at the household level and called into question the capacity of governments to be the main facilitator of social and economic transfers, particularly in times of crisis, including as the employer of last resort.

To address the above, Perch and Roy (2010) suggest, *inter alia*, the following policy actions:

Endogenous policy actions

- **Move from welfarist frameworks to targeted actions to reduce social vulnerability**, including the adjustment of existing social policy interventions to address uncertainty.
- **Integrate risk reduction into development planning**: move from 'crisis management or response' to 'risk reduction and resilience-building'.

Socioeconomic Indicators for Selected SIDS

Country	Population	HDI rank	GDP per capita	Poverty rate (headcount index) (%)	Gini coefficient
Antigua and Barbuda	85,362	47	17,966	18.3	0.49
Dominica	71,898	73	7,893	39.0	0.35
St. Kitts and Nevis	45,000	62	14,481	21.8	0.45
Samoa	187,000	94	4,467	20.2	0.47 (2008)
Kiribati	92,533	...	1,295	21.8	0.39 (2006)
Vanuatu	124,737 (2009)	126	3,666	27.2 (2006)	0.41

Source: Perch and Roy (2010), adapted from various sources.

- **Address labour market issues and take advantage of opportunities such as 'green jobs'**, promoting more inclusive labour markets, and quality education and training programmes.

Actions requiring regional, multi-country or global initiatives

- **Socialisation of risk or risk-sharing**, building on the Caribbean Catastrophe Risk Insurance Facility (CCRIF)¹ model.
- **Advocate global action to create a Heavily Indebted Poor Countries (HIPC) initiative for the SIDS**. Resources matter. Such an initiative would be designed to allow space to address the structural challenges facing SIDS economically.
- A stability and social investment facility for the SIDS: providing a steady and predictable source of funds to address structural change without having to forgo vital pro-poor social expenditures and growth programmes.
- **Explore new sources of finance**: SIDS should take full advantage of the global attention to food security and climate change in order to address systemic vulnerabilities.

While fiscal space limits the options available to SIDS governments to rebound from exogenous shocks, the above policy actions can make a significant difference to the SIDS' resilience and capacity to thrive, even in the face of significant risk and uncertainty. Since many of these actions require concerted international initiative, multilateral organisations can play a key role in enhancing the SIDS' resilience by facilitating coordinated policy interventions and initiatives.

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Note:

1. CCRIF is the world's first regional insurance fund, giving Caribbean governments the unique opportunity to purchase earthquake and hurricane catastrophe coverage not available elsewhere and at the lowest possible price. See <http://www.ccrif.org>.

What are the Implications of the Global Crisis and its Aftermath for Poverty Reduction, 2010–2020?

by Andy Sumner, Institute of Development Studies;
Joe Ballantyne and Andrew Curry, The Futures Company

Some major 'game changers' beyond the recent economic crisis and food/fuel crisis will have an impact on the Millennium Development Goals (MDGs) to 2015 and beyond, such as climate change, technological change and urbanization. Scenarios—multiple coherent and plausible futures—serve as a vehicle to act on possible future(s) and to interpret their implications (such as those developed in the box) for the prospects of reducing poverty in developing countries.

Scenarios and Key Drivers

The Odd Couple: key drivers

- Development of minilateralism and protectionism in trade flows
- Steady increase in energy prices
- A common regulatory framework for emission reductions
- Continued internal polarisation of wealthy/poor

Big Dipper: key drivers

- Collapse of the US dollar
- Bilateralism
- Increased volatility in energy prices
- Piecemeal/regionalised environmental regulation mechanisms

Western (re)invention: key drivers

- Development of western multilateralism
- Rejuvenation of western economies and maintenance of their share of GDP
- Steady increases in energy price
- Framework for emission reductions and asset transfer from rich to poor countries via carbon credits

South-by-southeast: key drivers

- Minilateralism
- Rapid shift in wealth from west to east
- Sharp rise in energy prices
- Low-income countries excluded from emissions until thresholds reached

Summary of Implications for Poverty Reduction, 2010–2020

Scenarios	Odd Couple	Big Dipper	Western Reinvention	South by Southeast
<i>Likely Trends in Key Transmissions Variables</i>				
Fuel prices	↑	↑	↑	↑
Non-fuel commodity prices	↓	↓	↑	↑
Size of aid flows	↓	↓	↑	↓
Size of private capital flows	↓	↓	↑	↓
<i>Prospects for MDGs and Medium-Term Poverty Reduction</i>				
Fuel exporters	Green/Orange	Green/Orange	Green	Green
Fuel importers (non-dependent)	Orange	Red	Green	Green
Fuel importers that are non-fuel commodity export-dependent	Red	Red	Green	Green
Fuel importers that are non-fuel commodity export- and aid-dependent	Red	Red	Green	Orange/Red

Code: ↑ rising; ↓ stagnating or declining.

Green = positive prospects; Orange = mixed; Red = negative prospects.

At a macro level, future outcomes for oil-exporting countries are positive in all scenarios except Big Dipper, where they could be unstable. Fuel-exporting countries generally produce good outcomes at the level of the MDGs in the model, although there are risks in the distribution of benefits and governance becomes even more important for these countries. In sharp contrast, outcomes for net fuel importers are much more negative. Outcomes are particularly poor for countries that are net fuel importers and also dependent on primary commodity exports and aid. For these countries, concentration on delivery of essential aid to the poorest will continue to be important, as will institutional capacity building.

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"What are the Implications of the Global Crisis and Its Aftermath for Developing Countries?", *IPC-IG Working Paper*. Brasilia, International Policy Institute for Inclusive Growth.

Empowering or Reinforcing Traditional Roles: Can CCTs Address Gender Vulnerabilities?

by Fábio Veras Soares, International Policy Centre for Inclusive Growth and Elydia Silva, National Bank for Social and Economic Development (BNDES), Brazil

Most conditional cash transfer (CCT) programmes in Latin America select a woman as the primary recipient of the transfer. In most cases she is the mother of children in the household or the woman responsible for those children. The rationale behind this is that the money spent by women tends to be concentrated more on goods and services that are more likely to have a positive effect on the children's well-being.

Some CCT programmes also try to address some gender-specific vulnerabilities by means of a variety of mechanisms. These include the provision of higher transfers for school-age girls who might be more likely to drop out of school, particularly when they reach secondary education; the provision of free healthcare for pregnant women and breastfeeding mothers; and the attempt to create new forms of sociability for beneficiary women, especially in rural areas, whereby they are offered some options of community interaction through training sessions and/or community/beneficiary events.

Some quantitative evaluations have looked at women's bargaining power through an index based on a combination of variables related to the decision making process within the household. The evaluation of *Bolsa Família* in Brazil, for instance, showed that beneficiaries of the programme were more likely to have a higher female bargaining-power index than non-beneficiary households. But a similar evaluation of *Familias en Acción* in Colombia found no impact on female bargaining power (Soares and Silva, 2010).

As for qualitative studies, there is some evidence from research on Brazil and Chile that CCT programmes have had a significant effect on beneficiary women's identity. In Brazil, this outcome seems to stem from women's new power as 'consumers'. They no longer depend on their husbands for some of the family's expenditures, and they even feel strong enough to negotiate with their husbands in the decision making process within the household. In Chile, this sense of identity seems to arise from the family-support component of *Chile Solidario*. Beneficiaries are confident enough to perceive themselves as individuals, not only as wives and/or mothers. The fact that the women feel more confident and empowered, however, does not mean that their husbands are now sharing some of the domestic chores with them.

Despite these positive evaluations, some authors dispute the 'gendered empowerment effect'. Maline Molyneux (2009) and J. Jenson (2009), for instance, claim that CCT programmes tend to reinforce the traditional role of women within the household, since they are 'empowered' only under the label of guardian of the children. In the view of these authors, the 'social investment perspective' within which most Latin American CCT programmes are embedded is based on a set of child-centred policies.

It must be acknowledged that CCTs are not meant primarily to address women's needs. In some contexts, therefore, the programmes can entail a trade-off between the needs of women and children's well-being (as perceived by the CCT programme's rationale), and can reinforce traditional gender roles.

To avoid these unintended effects, the language used in CCT initiatives could be revised and the programmes could create an opportunity to trigger discussion within the household on the traditional roles of men and women with regard to their responsibility for children's health and education. Moreover, the social protection frameworks of which these programmes are (or should be) just a component should also provide economic opportunities and childcare facilities for beneficiary women/mothers, so that economic autonomy and increased sociability can also be achieved through a greater participation in the labour market and higher wage potential if the women so desire.

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This project is funded by the UK Department for International Development (DFID) and the Australian Government, AusAID (Australian Development Research Awards 2008), looking at gender and social protection effectiveness in Latin America, SubSaharan Africa, South Asia and Southeast Asia. The research was carried out by ODI in collaboration with country partners.

For more information:
<<http://www.odi.org.uk/work/projects/details.asp?id=1020&title=gender-vulnerability-social-protection>>.

Employment Policies in Brazil: History, Scope and Limitations

by Roberto Henrique Gonzalez,
Institute of Applied Economic Research (IPEA)

Although Brazil has had consolidated labour-market institutions since the 1940s, policies to help unemployed workers find a job only began in the 1970s. This was made possible by the creation of the National Employment System (*Sistema Nacional de Emprego*, SINE). Before that there was only one compensation mechanism for workers who lost their jobs, the Severance Pay Indemnity Fund (*Fundo de Garantia por Tempo de Serviço*, FGTS), as well as some assistance of very limited scope for the unemployed.

The establishment of SINE sought to conform to the principles of Convention 88 of the International Labour Organisation (ILO) and to provide a wide range of services such as job placement, vocational guidance, vocational training and a database of labour-market indicators. SINE agencies, however, have basically become job placement centres, and until 1993 the number of workers placed through them was quite small. Unemployment insurance was introduced in 1986 as a benefit for workers who had been dismissed from their jobs without due cause. Its coverage was to be much wider than the previous assistance to the unemployed.

Unemployment insurance and SINE, however, both lacked the funds necessary to deal with the scale of unemployment, thereby limiting the scope of the potential beneficiaries—the involuntarily unemployed. Moreover, there was no coordination between unemployment insurance, the placement services offered by SINE, and vocational/professional training services. Hence it cannot be said that Brazil had a public employment system in the late 1980s, despite the existence of a number of services and benefits.

Since 1990, two important changes have favoured the consolidation of a public employment system in Brazil: the creation of a financing scheme through the Fund for Workers' Assistance (*Fundo de Amparo ao Trabalhador*, FAT) and the consequent expansion of the coverage of benefits and services.

FAT created a primary source of revenue: tax contributions from the Social Integration Programme (*Programa de Integração Social*, PIS) and from the Public Servants' Social Integration Programme (*Programa de Formação do Patrimônio do Servidor Público*, PASEP). It also created a secondary source: the interest on invested equity loans. Although part of the revenue was untied from 1994 onwards in an effort to reduce the government's nominal deficit, these sources not only allowed the coverage of unemployment insurance to expand, but also financed the expansion of the SINE and the supply of vocational training and skill-development courses.

In 2009, the Ministry of Labour reported 7.39 million individuals covered by unemployment insurance and about 6 million workers registered in SINE. But only a little more than 1 million people found a job through

this system. As for training courses, the FAT financed 3.6 million courses for trainees in 2001, but the courses were too short and there was no quality control of their content. This led to a reformulation of the programme, which resumed in 2007 with far fewer resources and which had only 118,000 graduates by the end of the year.

The Employment and Income Generation Programme (*Programa de Geração de Emprego e Renda*, PROGER) was a new approach created by FAT that aimed to support microenterprises through special credits. It was expected that PROGER would simultaneously allow new jobs to be created in small enterprises and boost the income of small-scale entrepreneurs. It began with 92,000 credit transactions in 1996 and reached almost 1.66 million transactions by 2008. Impact evaluations have shown that the credit line for investment had positive impacts on employment, though mostly in the short run. But the credit line for floating capital, a credit mechanism whose share of PROGER's total disbursement has grown in recent years, has had no such effect.

A possible explanation for this is that one of programme's design features was not implemented. The granting of credit should have been linked to technical assistance and training, and in most cases this did not happen. In practice, therefore, PROGER was never really integrated with the other components of the public employment system and basically remained a traditional, stand-alone credit programme for small enterprises.

Brazil's public employment system still faces two problems that have existed since it was created. The first is *integration*, stemming from the difficulty of linking benefits and services (job placement, skills-building/vocational training, and special credit lines), on one hand, and on the other hand linking the different services provided by the system. The second is *coverage*, since the programme is more effective in reaching formal-sector employees than employees with insecure employment, no-wage workers and the self-employed.

The research in Gonzalez (2010) poses three challenges for the future of the public employment system: (i) how to overcome the reactive nature of employment policies regarding the economic cycle, given the predominance of passive policies focused on the labour supply; (ii) how to offer more protection and services to the most vulnerable segments of the working-age population (among which women and young people are overrepresented); and (iii) how to deal with coordination problems that tend to become even more serious as new programmes are created outside the scope of the FAT.

Reference:

Gonzalez, Roberto (2010). "Employment Policies in Brazil: History, Scope and Limitations", *IPC-IG Working Paper*. Brasília, International Policy Centre for Inclusive Growth.

Targeting and Coverage of the *Bolsa Família* Programme: What is the Meaning of Eleven Million Families?

by Sergei Soares,
Institute of Applied Economic Research (IPEA)

By the second half of 2006, Brazil's *Bolsa Família* Programme (*Programa Bolsa Família*, PBF) had reached its pre-fixed target of covering 11 million families. That target was revised in January 2009, when an increase in coverage was authorised, expanding it to 12.5 million. Since the PBF's ability to reach the entire poor population is based on the programme's targeting and size (coverage), Soares et al. (2010) use data from the National Household Sample Survey (*Pesquisa Nacional por Amostra de Domicílios*, PNAD) to assess whether the programme's expansion between 2004 and 2006 degraded its progressivity, and they estimate the number of benefits needed to fully encompass the entire target population. They use a targeting analysis tool such as the programme's incidence concentration coefficient and binary analysis of eligibility versus receipt.

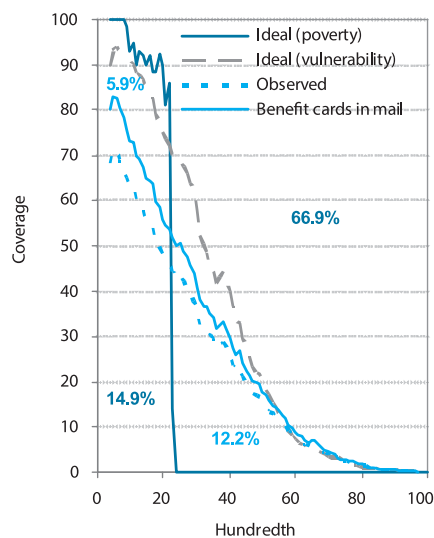
With respect to targeting, the analysis shows that the increase in coverage was accompanied by a small reduction in transfer progressivity. The incidence coefficient increased slightly, from -59.8 to -56.8. But the authors found no evidence that programme expansion itself has caused targeting to worsen. Moreover, the PBF remains well-targeted relative to programmes elsewhere.

Nevertheless, a more superficial analysis of PNAD data shows that 45 per cent of those receiving the benefit are not actually eligible, mainly because their income level is slightly above the BRL120 limit (as of 2006). Part of the programme's inclusion error, however, is due to the income volatility of the poorest families.

Poor individuals not only have lower incomes than most of the non-poor, they also have greater income insecurity. Thus their PBF eligibility may vary from month to month within the two-year period between registration reviews. This makes the real PBF target population (those who are or very probably will be below the BRL120 threshold) much larger, considerably bigger than it would have been if the calculation had involved a transversal estimation of income distribution at a given moment in time.

As regards coverage, there is no doubt: with the current targeting, the old cap limit of 11 million beneficiaries was insufficient to cover the entire eligible population. Estimates indicate that about 2 million families who should also be receiving the benefit are in fact outside the scope of the PBF. This amount is shown in the figure.

PBF Cross-Sectional (Transversal) Coverage by Income Centile, 2006 (%)



Although the recent increase in the number of beneficiaries to 12.5 million was necessary and laudable, it might not have been enough. Considering the programme's current targeting in different Brazilian federative units, it is estimated that in order to include the families most vulnerable to poverty, the PBF would effectively need to cover 15 million families.

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Soares, Sergei, Rafael Perez Ribas and Fábio Veras Soares (2010). 'Targeting and Coverage of the Bolsa Família Programme: Why Knowing What You Measure Is Important in Choosing the Numbers', *IPC-IG Working Paper*. Brasília: International Policy Centre for Inclusive Growth.

Addressing the Plight of Poor Households by Zero-rating VAT on Basic Commodities in Namibia

by Ojijo Odhiambo, UNDP, Namibia and John E. Odada, University of Namibia

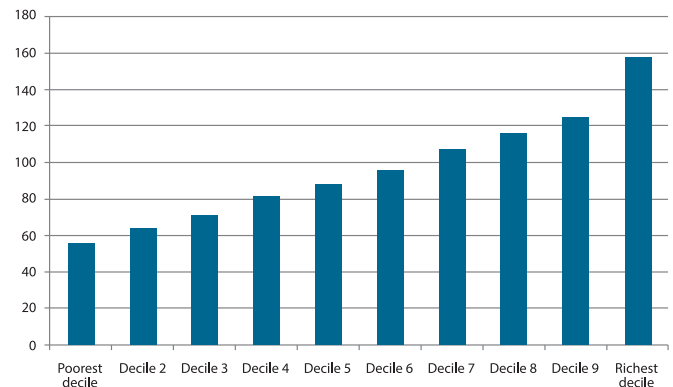
Though it is classified as an upper middle-income country and has an estimated annual gross national income (GNI) per capita of USD4,210, Namibia still faces the twin problems of relatively high levels of poverty and high income inequality. Difficult economic times began in 2008 as real economic growth dropped to 4.3 per cent from a high of 12 per cent in 2004, while cost-of-living inflation rose to a high of 10.4 per cent from a low of 2.3 per cent in 2003. The rate of unemployment (broad definition) grew to 51.2 per cent. Thus many poor households faced a rising cost of living without reliable sources of income. Their already dire situation was exacerbated by inauspicious climatic and soil conditions, which severely limit the role of subsistence farming as a viable source of livelihood in the country.

In an effort to address these problems, and specifically to reduce the regressive effects of the tax system and mitigate the impact of the rising cost of living, in 2008 the government decided to zero-rate value added tax (VAT) on fresh and dried beans, cooking oil, bread, cake and bread flour, processed animal fat. Already zero-rated in 2000 were *mahangu* (pearl millet flour), maize and maize meal, water, electricity, refuse removal and sewerage disposal.

An *ex-ante* analysis of the effects of this initiative reveals that, contrary to expectation, those with higher incomes are more likely to benefit from it than poorer households (see figure).

There are two possible explanations for this. First, VAT zero-rating did not specifically target the commodities consumed by a large proportion of poor households, but rather those (such as electricity and processed animal fat) that are consumed by only a small proportion (less than 40 per cent) of the poor, as data from a recent field survey shows. Second, in introducing this measure it may have been necessary to consider the methods whereby various households acquired the commodities, since poor households obtain significant quantities of the VAT zero-rated commodities (36.2 per cent of *mahangu* meal, 30 per cent of beans and 24.5 per cent of processed animal fat) from their own sources, while they mostly use formal markets to acquire maize meal, sunflower cooking oil, bread, and bread and cake flour. This is sharp contrast to high-income households, which depend almost entirely on the formal markets, where VAT is imposed, for these commodities.

Annual VAT Burden Lifted by Income Decile (NAD million)



The survey also reveals that some commodities that most of the poor consume in large quantities and acquire in formal markets—such as fish, meat, vegetables, other carbohydrates, beverages, fruits and detergents—were not included in the list of zero-rated commodities. VAT zero-rating of basic commodities, if it is well targeted, has great potential to benefit poor households. But the government might also have to consider expanding social transfers to poor households and targeting them better so as to compliment this policy initiative. Such transfers include the old-age pension, disability pension, war veterans subvention, child maintenance grant, special maintenance grant, foster care grant and place of safety allowance. To ensure the sustainability of the social transfers, however, increasingly they could take the form of targeted subsidisation of agricultural inputs to enable poor households to produce more basic food commodities, so that they can become self-sufficient in the supply of these commodities and thus build their resilience to recover from the current and other crises.

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How can *Petrobras Biocombustíveis* Engage Small-scale Farmers While Promoting Sustainability in Brazil's Biodiesel Programme?

by Clóvis Zapata, International Policy Centre for Inclusive Growth; Diego Vazquez-Brust, Cardiff University; and José Plaza-Úbeda, University of Almería

Our research indicates that *Petrobras Biocombustíveis* can help alleviate poverty among small-scale family farmers by enhancing stakeholder integration into the Brazilian biodiesel programme. This corroborates numerous studies pointing out the importance of stakeholder networks (Rowley, 1997; Roloff, 2008), which can be particularly significant in programmes that aim to incorporate small-scale farmers into internationally driven markets. *Petrobras Biocombustíveis* needs to improve the involvement of such farmers, especially in the northeast of Brazil, by identifying and engaging representatives of economic and social arenas to form stakeholder networks.

The success of stakeholder networks depends on the perception of a fair distribution of costs and benefits, verified by the ability of various institutions to command trust among stakeholders (Adger et al., 2006). But building trust is laborious, since repeated interactions involving information exchange and decision making are necessary. In that context, bridging organizations can play a fundamental role because they can mediate arenas or levels (constitutional, collective, ordinary) and facilitate the coproduction of knowledge (Cash et al., 2006).

They can provide a trust building forum that brings about vertical and horizontal collaboration and collaborative learning processes. In the case of the Brazilian biodiesel programme, such organizations can help overcome several of the policy inefficiencies that have been previously identified in the programme's design: (i) lack of final user engagement arenas; (ii) lack of mechanisms to build linking capital and entrepreneurship; and (iii) lack of mechanisms to offset institutional constraints (Zapata et al., 2010).

In Brazil's northeast, the community stakeholder network includes highly resourceful groups that, though marginally involved in the design of the biodiesel programme, had a negligible role in its implementation but can still play the role of bridging organizations. In particular, *Petrobras Biocombustíveis* could engage the Catholic Church, social movements and the universities to create strong networks. These organizations can link community networks to political and economic networks. Each of these stakeholders has

particular resources (legitimacy and mobilization skills, knowledge) and they command trust at various levels (constitutional, collective, operational).

Recent changes in the biofuels programme indicate that *Petrobras Biocombustíveis* is moving in the right direction to increase participation. There is evidence of more action situations, and opportunities for engagement may emerge. The firm has begun to deal directly with small-scale farmers, providing a wide range of support policies (technical assistance and free distribution of good quality seeds) and signing formal contracts. It is also supporting the creation of local associations and the use of other biodiesel sources, including sunflower and cotton, to include more farmers.

The research indicates that political and economic drivers have shaped the design and implementation of the programme, but institutional and socio-technical innovation have failed to take off because institutional arrangements have brought about disincentives to participate. As a result, the programme's primary and secondary effects have been disappointing as regards income generation, social inclusion and environmental protection. A chief source of disincentives is small-scale farmers' lack of involvement in the programme design, as well as the dominance of institutional and cultural arrangements that prevent small-scale farmers from using linking mechanisms to engage with external agencies. This suggests the need for policy intervention based on repeated interactions and community governance mechanisms, building trust and common understanding around potential course of actions.

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Global Poverty and the New Bottom Billion: Three-quarters of the World's Poor Live in Middle-income Countries

by Andy Sumner, Institute of Development Studies

1. Where Do the Poor Live? In 1990, 93 per cent of the world's poor people lived in poor countries—that is, low-income countries (LICs). For 2007–2008, our estimates suggest three things. First, three-quarters of the world's poor, or almost 1 billion poor people, now live in middle-income countries (MICs). Second, just a quarter of the world's poor live in 39 LICs. Third, in contrast to earlier estimates that a third of the poor live in fragile states, our estimate is about 23 per cent if one takes the broadest definition of fragile and conflict-affected states (FCAS) by combining FCAS lists (43 countries); these countries are split fairly evenly between fragile LICs and fragile MICs.

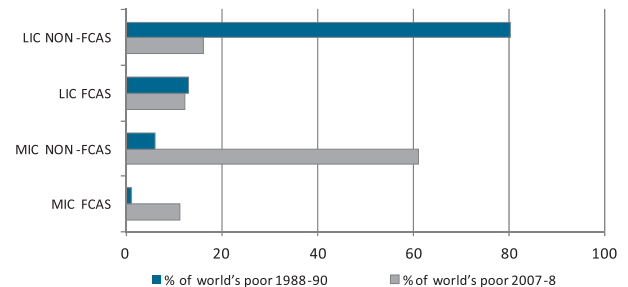
2. What Questions Does This Raise for Policy and Research?

The future of country classifications – Important questions arise. Are the original formulas for LICs/MICs in the early 1970s still relevant in 2010? Is the LIC/MIC threshold line consistent over time if the average inflation rates of LIC/MIC groupings are used instead of international inflation in rich countries? There is growing recognition that definitions of FCAS are conceptually redundant. FCAS are too heterogeneous and the issues they face probably differ if they are LICs or MICs.

The future of poverty reduction in heterogeneous contexts – How do the extent, nature and causes of poverty vary in different countries (and thus how might policy responses differ)? Why is poverty still high in MICs? Is a focus on inequality more important than a focus on immediate poverty reduction? What about demographics? What is happening to the labour force? Why has growth led to MICs with high poverty and little societal change? Does educational poverty really differ from monetary and nutritional poverty in terms of LICs/MICs distribution and, if so, why? Growth without social, economic or political transformation might begin to explain the continuing levels of absolute poverty in MICs. This needs more exploration.

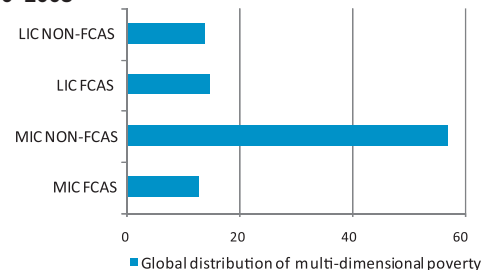
The future of aid – We have some fundamental questions. What forms of aid are appropriate for different types of countries? What indicators of aid effectiveness make sense in different countries? As a goal of aid, is poverty reduction achieved at the expense of societal change and thus emancipation from aid in the future? If the poor live in stable MICs, do those countries need aid flows or are domestic resources available? Who is 'responsible' for the poor in MICs: donors or governments or both? If most stable MICs do not need aid (judging

Global Distribution of World's Poor by Country Type, 1988–1990 versus 2007–2008 (%)



Source: Data processed from World Development Indicators.

Global Distribution of World's Poor (%) by Multidimensional Poverty Index, 2000–2008



Source: Data processed from Multidimensional Poverty Index database.

by their aid dependency ratios), should aid flows be redirected to LICs, FCAS LICs and/or to global public goods?

What should be the donor-recipient partnership/strategy and aid instruments for MICs? Do we need new/different aid objectives and new/different aid instruments?

In sum, if most of the world's poor live in MICs, a considerable research agenda is required to address the implications of this for research and policy geared to global poverty reduction.

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Sumner, A. (2010). 'Global Poverty and the New Bottom Billion: What if Three-Quarters of the World's Poor Live in Middle-Income Countries?' *IPC-IG Working Paper 74*. Brasilia, International Policy Centre for Inclusive Growth.

Benefits Sharing: Blending Climate Change and Development in National Policy Efforts

by Leisa Perch [with contributions from Stephanie Gimenez Stahlberg and Carlos Potiara], International Policy Centre for Inclusive Growth

The recently released Rural Poverty Report 2011 (IFAD, 2010) notes that some 1.4 billion people continue to live in extreme poverty, struggling to survive on less than USD1.25 a day and that more than two-thirds reside in rural areas of developing countries. Climate variability and change is likely to worsen their situation, including the further entrenchment of gender inequalities, and is no longer a matter of debate. The policy dilemma remains in 'how' to reconcile the complexities and multiple dimensions of this 'problematique'. The intensity of the need for action comes amidst the reverberating impacts of a global economic crisis and the preceding fuel and food crises. Systemic vulnerabilities arising from income inequality and volatility, lack of opportunities, unequal distribution of and access to resources and a high dependence by the poor and vulnerable on climate-sensitive sectors (Perch et al, 2010) add to the urgency to define the right 'mix' of actions in addressing immediate and long-term impacts. How then can adaptation serve not just climate change imperatives but development needs?

Short-term versus Long-term

'Co-benefit approaches' provide a critical part of the solution. Alongside the possibilities of achieving multiple benefits from one intervention (or co-benefits), they potentially help to resolve tensions between immediate development concerns and the long-term nature of climate change (Zusman, 2008); thus enhancing effectiveness.

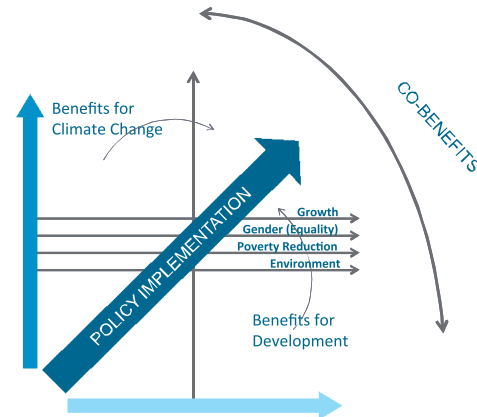
This delicate balance between climate change and development considerations, however, increases the demand in terms of defining and achieving 'benefits'. A critical examination of the existing two-dimensional framework (climate change-development-climate change) highlights two key flaws:

- that all 'development' actions may be assumed to be pro-poor, empowering and engendered; and
- that 'beneficial to climate change' automatically means 'beneficial to the environment' (Perch et al, 2010).

Adjusting the Frame of Analysis: Making Co-benefits Work Moreover, detailed analysis of National Adaptation Plans of Action (NAPAs), select project proposals and an overview of other policy documents, suggests that current efforts fall short of a true alignment between development and climate change imperatives. While efforts have been made to expand the consideration of social dimensions, much seems to be 'lost in translation'. Even good practices in the South (India, Brazil, South Africa and Ethiopia) which have secured high-value co-benefits in other policy areas, represent innovations rather than structural reforms (*ibid.*, 2010).

In response, we recommend the expansion of the conceptual and analytical framework for by focusing on optimizing 'co-benefits' (see the figure right).¹

Adjusted Co-Benefits Framework based on GGPE Considerations



By linking the dimensions (growth, gender, poverty and the environment—GGPE), the focus is also shifted towards anticipatory and responsive frameworks, including a more systematic approach to vulnerability.

Moreover, an enabling environment will be afforded by additional elements including:

- integrated poverty, social and environmental impact analysis which should be applied, ex ante and ex post, strengthening specific actions; and
- greater accountability in the global climate-finance architecture in prioritizing effectiveness as well as efficiency.

The success of adaptation efforts, locally and globally, will more likely be defined by the extent to which economic, social and environmental systems, equally and mutually, resilie in the face of crisis as well as by individual and collective capacities to navigate an uncertain future. Co-benefits potentially play a critical role in making both a reality.

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Note:

1. Prepared by the author; adapted from World Bank framework (see Perch et al, 2010: 5).

The Consolidation of Social Assistance Policy in Brazil

by Luciana Jaccoud, Patrícia Dario El-Moor Hadjab and Juliana Rochet Chaibub, Institute for Applied Economic Research (IPEA)

Brazil's trajectory in the field of income transfers is quite well known internationally. Especially after the implementation of *Bolsa Família*, Brazil's experiences in the field have been the object of constant references, studies and analyses. Such experiences were even used as a foundation for a wide array of South-South cooperation initiatives. Less known, however, is that conditional cash transfers are just a part of the non-contributory social-protection system that Brazil has been developing over the past 20 years.

After the enactment of the 1988 constitution, the country's social protection scheme was thoroughly reorganised. The list of social situations that would trigger legal protection guarantees was expanded, as was public responsibility in the face of various problems whose mitigation strategies had thereto been confined to contributory social-insurance policy programmes and initiatives spearheaded by the private sector. Among the main changes was the creation of the Unified Health System (*Sistema Único de Saúde*, SUS), a public and universally accessible service offered free of charge, as well as the designation of social assistance as a non-contributory public policy to provide cash benefits and services to populations living in poverty, in need, or in a condition of social vulnerability.

Significant changes were made to the social-assistance policy. This can be regarded as a positive step towards breaking from the path followed during the previous period. The social-assistance policy operates under the principles of public accountability, decentralisation and social participation, and is used both as an income guarantee and in the provision of services to poor and vulnerable portions of the population. According to the National Social Assistance Policy, signed into law in 2004, social assistance is responsible for ensuring the following securities: income, shelter, coexistence, autonomy and the survival of circumstantial risks. As regards non-contributory cash benefits, we highlight the Continuous Cash Benefit (*Benefício de Prestação Continuada*, BPC) and the *Bolsa Família* programme (PBF). Social assistance services refer to a broad set of integrated services offered by the Unified Social Assistance System (*Sistema Único de Assistência Social*, SUAS).

The BPC was established by the constitution and regulated by the Organic Law on Social Assistance (*Lei Orgânica de Assistência Social*, LOAS), which was enacted in 1993 and implemented from 1996 onwards. It provides unconditional, guaranteed income for the elderly aged 65 or older, as well as for disabled people who are unfit to work and to care for themselves, and who live in extreme poverty. The amounts disbursed by the BPC are substantially higher than those of the PBF, and it provides a replacement income to a population in conditions of acute vulnerability because of they are severely disabled/elderly or in extreme poverty—or both, since the two conditions may overlap and thus further increase the

risk and degree of exclusion. This was the first non-contributory, social minimum implemented in Brazil, and it currently covers about 3.5 million beneficiaries who thereto had been excluded from any public-income security mechanism.

Unlike BPC beneficiaries, recipients of the PBF do not have to be limited in their ability to participate in the labour market; they need only lack a minimum income. The PBF's conditionalities—in education, health and the absence of child labour—have favoured the expansion of access by the poorest groups of Brazilian society to basic social rights. The programme has been a stimulus to economic development in countless municipalities across the country, enhancing markets and fostering local production. It has also allowed for an expansion of the process of identifying vulnerable families and in the overall quality of the social-assistance services provided.

As regards the new model of providing assistance services, progress has been slower than in the case of cash benefits. Whereas assistance benefits (BPC and PBF) mostly fall under the auspices of the federal government, social-assistance services are a shared responsibility between the three levels of government: federal, state and local. Wider access requires integration with social services offered by charities, as well a unified set of quality standards. The following services are part of the social-assistance policy: Programme for Integrated Family Care (*Programa de Atenção Integrada à Família*, PAIF); Programme for the Eradication of Child Labour (*Programa de Erradicação do Trabalho Infantil*, PETI); Service to Combat the Abuse and Sexual Exploitation of Children; specific services for those facing violence and neglect, as well as other situations that result in violations of rights; and services for those who require care and shelter, which in turn are provided by institutions such as hostels, shelters, temporary homes and long-term institutions.

Because of its comprehensive scope, Brazil's social-assistance policy also faces a broad set of challenges, including: securing a more in-depth federative pact; an increase in shared, available funding; and the integration of social-assistance services and benefits. This policy has undergone significant changes in the last 20 years, and such changes continue to this day. Actions and initiatives in different situations of vulnerability, and in distinct conditions of poverty and destitution, require continuous capacity building in the public sector, as well as ongoing improvements to management. They also call for constant reaffirmation of the social commitment in place to support such objectives.

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Addressing Unsustainable Debt in Small Island Developing States

by Gail Hurley, Poverty Group,
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Many small island developing states (SIDS) have struggled to address increasing levels of public debt over the past decade. Most small islands are disproportionately exposed to and impacted by external economic shocks because of structural weaknesses, such as limited natural resources, a dependence on one or two exports, lack of economies of scale, distance from markets, heavy dependence on imports, the high unit cost of service provision and a reliance on tourism and remittances for foreign exchange. This is combined with vulnerability to extreme weather conditions, such as hurricanes, which can wipe out entire communities and entail substantial reconstruction costs. These factors, in conjunction with lower levels of overseas development assistance for most SIDS, have left governments excessively reliant on domestic and external credit to meet fiscal deficits and to fund development.

In 2009, 14 SIDS registered public debt to GDP ratios in excess of 60 per cent (the broadly accepted threshold for sustainable levels of public debt). Eight SIDS, mostly in the Caribbean, registered debt to GDP levels of more than 100 per cent: Antigua and Barbuda, Barbados, Grenada, Guinea-Bissau, Guyana, Jamaica, St. Kitts and Nevis, and the Seychelles (UNDP, 2010). Several more are approaching the 100 per cent mark (the Maldives, for example). Debt levels in SIDS also increased markedly in the recent food-fuel-financial crises.

The fiscal burden of this debt is also high. In 2009, the proportion of government revenues devoted to public debt service was 99 per cent in Jamaica, 70 per cent in the Seychelles, 40 per cent in Papua New Guinea and in St. Kitts and Nevis, and 35 per cent in Antigua and Barbuda and in St. Lucia (UNDP, 2010). In several countries, debt service ratios are projected to rise further over the next few years, partly because there have been large increases in the amount of debt owed to commercial creditors (domestic and external). This raises important questions about governments' capacities to devote sufficient resources to poverty reduction and the Millennium Development Goals (MDGs).

Only five SIDS (Comoros, Guinea-Bissau, Guyana, Haiti, and São Tomé and Príncipe) have been considered poor enough or severely indebted enough to benefit from international debt-relief schemes such as the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral

Measures for SIDS' governments

Reduce inefficiencies in public expenditures and improve the targeting of scarce public resources towards the neediest and most vulnerable populations.

Policy reforms to broaden and strengthen revenue collection must be informed by a Poverty and Social Impact Analysis (PSIA) to better anticipate impacts on the poor and vulnerable.

Implement measures to tackle trade mispricing and tax avoidance and evasion.

Strengthen institutional debt management capacities and factor in the risks presented by disasters and other economic shocks.

Channel more support towards the development of small businesses and public-private partnerships to help countries move away from public sector-led growth. This will require regulatory and legislative changes, as well as improvements to citizens' access to financial services and a banking/financial system centred on development, not just on profit.

Measures for the international community

Reform of aid allocation criteria to take structural vulnerabilities into account in the allocation of concessional resources.

In some SIDS, the size of the debt overhang is so large that comprehensive debt relief must be ruled in. This will be essential to increase the fiscal space for development spending and should be based on fair burden sharing between creditors.

Options for implementing "debt conversions for climate-change adaptation" should be explored. Such initiatives would help to "recycle" official-sector debt repayments into climate-adaptation schemes.

Innovative financial instruments such as "counter-cyclical loans", which reduce the amount of debt service payable on a loan in the event of a major external shock, could be extremely useful to SIDS.

Over the long term, a sovereign debt restructuring mechanism at the international level is required. Such an instrument would help to address sovereign debt crises in a predictable, efficient and fair manner, and would thus also support human development objectives.

Debt Relief Initiative (MDRI). The problem of indebtedness in other small island developing states has been largely disregarded by the international policy community.

SIDS have been called on to resolve their indebtedness problems themselves, mainly by cutting public expenditures, raising taxes and seeking debt restructuring with individual creditors on an ad-hoc basis. While cuts in public expenditures may resolve the immediacy of fiscal burdens, they have exacerbated internal inequalities and thus represent a false choice for governments. Some governments, such as those of Jamaica and the Seychelles, have recently restructured portions of their debt, but debt problems persist.

What more can be done? Policy measures are required by both the governments of the affected SIDS and the international community *in parallel*.

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Conditional Cash Transfers and the Basic Income Grant in Brazil: Will They Ever Merge?

by Tatiana Britto, Brazilian Federal Senate and University of Brasília, and Fábio Veras Soares, Institute of Applied Economic Research and International Policy Centre for Inclusive Growth

Since the late 1990s, conditional cash transfers (CCTs) have been broadly disseminated as one of the best practices in social protection. Brazil has been a pioneer in this area and today has one of the largest CCTs in the world, covering 26 per cent of the population. Created by the government at the end of 2003, *Bolsa Família* stemmed from a reform of previous programmes that had been in place since the beginning of 2000. The debate about income security and cash transfers in Brazil, however, started much earlier.

In 1991, Senator Eduardo Suplicy of the Worker's Party put forward a bill to create a negative income tax, in the form of a supplementary income for every person over 25 years of age whose gross monthly income fell below a certain threshold. Although the bill was unanimously approved by the Senate, the Chamber of Deputies never voted on it. Still, the idea made its way through academic and political circles, where the proposal to combine a minimum income with education-related conditionalities arose as a means of tying a short-term offset policy (the income transfer per se) with long-term structural objectives (breaking the vicious cycle of intergenerational poverty by increasing the human capital of future generations).

After successful local CCT experiences in the mid 1990s, the issue gained momentum in Congress and several other bills were presented to introduce cash transfers nationally, always linked to educational conditionalities. In 1997, under President Cardoso, the federal government started to co-fund the local initiatives. That arrangement was reformulated in 2001 and led to *Bolsa Escola*, the biggest CCT among *Bolsa Família*'s predecessors.

In parallel, the congressional debate moved towards the possibility of instituting a basic citizenship income, an idea introduced by another bill that Senator Suplicy presented in 2001 and that evolved from the initial proposal on a negative income tax. The new proposal outlined the citizenship income as a universal and unconditional right.

In January 2004, the law creating *Bolsa Família* and the law instituting the citizen's income were enacted almost simultaneously by President Lula. Under the basic income law, all Brazilian citizens and foreigners living in the country for at least five years, regardless of their socioeconomic status, have the right to an annual cash benefit whose amount must be the same for everyone and must be enough to meet minimum individual expenditures on food, education and healthcare. Despite its universal scope, basic income was to be implemented gradually, starting in 2005 at the discretion of the executive branch. But priority should be given to the neediest, and the benefit amount should take account of Brazil's stage of development and its budgetary capacity.

Can *Bolsa Família* be regarded as the first step towards a citizen's income in Brazil? Its legislation and regulations do not refer directly to the basic

income law. Moreover, a comparison of *Bolsa Família*'s main features and the proposal for a basic citizenship income reveals significant differences as regards scope (targeted versus universal), target group (families versus individuals), and co-responsibilities (conditional versus unconditional).

The relationship between the two initiatives does not seem to be accepted by public opinion and many stakeholders. In its early years, when *Bolsa Família* tended to move closer to a basic-income approach, the programme faced a widespread crisis of legitimacy and was subject to intense media scrutiny regarding its lack of control in targeting mechanisms and conditionality monitoring. Later, the management of *Bolsa Família* was thoroughly reformed in a way that improved many aspects of its implementation and brought it closer to a human-development perspective, along the lines of a typical CCT.

Even in Congress, where both *Bolsa Família* and the citizen's income passed almost simultaneously, the link between the two does not enjoy consensus. Since 2004, some 34 bills on *Bolsa Família* have been sponsored by parliamentarians, but none of them makes any reference to basic income. In fact, the bills centre on the main criticisms of the programme, which relate to: (i) the amount of the transfers and the updating of the poverty lines used to target its intended beneficiaries; (ii) the introduction of additional conditionalities; (iii) the creation of work incentives and opportunities for beneficiaries; (iv) the expansion of coverage through categorical targeting of needy subsets of the population; (v) strengthening social oversight, transparency and political shielding; and (vi) coordinating *Bolsa Família* with other social policies.

The bills presented, both in the Senate and the Chamber of Deputies, have quite diverse origins: 30 parliamentarians from 12 political parties and 16 different states sponsored them, including politicians from the governing party and its coalition, as well as the opposition. This illustrates how cash transfer programmes—in their broadest sense—seem to pervade the programmatic agendas of different positions across the ideological spectrum. Nevertheless, as the contrasts between *Bolsa Família* and the basic citizenship income suggest, there might be real significant and symbolic differences underlying the discourses and worldviews that inform these proposals.

In general, *Bolsa Família* and the basic income appear to be two different models that coexist in Brazil's legal framework, without any effective transitional mechanisms to ensure the actual implementation of the latter.

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Measuring MDG Achievements: Rate of Progress Matters Most

by Degol Hailu and Raquel Tsukada,
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Progress on the Millennium Development Goals (MDGs) is often monitored in terms of *levels* of indicators, based on how 'on track' or 'off track' the indicators are from their 2015 targets. This One Pager, by contrast, introduces a method for evaluating the *commitment* of countries, as measured by their *effort* to accelerate MDG progress. It compares the rate of improvement of indicators before and after the adoption of the MDGs (see Hailu and Tsukada, 2011).

Since the MDGs were based on global trends, they tend to place at a disadvantage those countries whose starting point was far from the indicators' maximum boundaries (Vandermoortele, 2007). For instance, 'halving the proportion of the poor population' would require a higher level of performance from a country that started with 80 per cent of its population below the poverty line than from a country where only 20 per cent of the population was initially poor.

Natural constraints also make it harder to improve targets further as the indicators approach the maximum possible boundary. Raising the rate of primary-education enrolment from 40 to 50 per cent may be easier than raising it from 90 to 100 per cent. The target pupils may become difficult to reach—because of spatial reasons, for instance.

Our method introduces two innovations: (i) it recognises that progress is not constant (linear) across time; and (ii) it accounts for effort appreciation, understanding that MDG targets are harder to achieve when a country's baseline indicator is already approaching its upper or lower limits.

We analysed the performance of 40 indicators for 98 countries between 1990 and 2008. Four broad results deserve attention. First, a significant number of sub-Saharan African countries have substantially improved the rate of progress on the MDGs. Of the leading 10 countries whose MDG progress accelerated, eight are from the region. Burkina Faso made progress on 91.3 per cent of the indicators, while Angola and the Central African Republic accelerated progress on 90 per cent of them (for which data are available).

Second, progress among least developed countries (LDCs) accelerated faster than among non-LDCs. Eight of the 10 best performers with a higher rate of MDG progress are LDCs. Most are in sub-Saharan Africa, but the rate has also improved significantly in Nepal and Myanmar.

Third, most progress was made towards Goals 1, 2, 4, 6 and 8. On Goal 1, more than 78 per cent of the countries in our sample accelerated the reduction of the proportion of people living on less than USD1.25 (PPP) per day. On Goal 2, primary completion rates have accelerated in 70 per cent of the countries. About 93.5 per cent of the countries made significant progress on Goal 6, reversing 'HIV prevalence among young people'. On Goal 8, official development assistance (ODA) to basic social services and small island states increased noticeably. Debt relief committed under the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI) also increased. But only 56 per cent of the landlocked countries received higher ODA disbursements.

Fourth, least progress was made towards Goals 3, 5 and 7. On the indicator 'ratio of female-to-male enrolment in primary school' of Goal 3, progress has decelerated in 47 of 82 countries in the post-MDG period. Goal 5 also calls for more effective interventions: in 16 of the 21 countries for which data are complete, progress on reducing maternal mortality slowed down. This coincides with disappointing progress on births attended by skilled personal. On Goal 7, 'ensure environmental sustainability', in 51 of 95 countries progress slowed on decreasing 'CO₂ emissions (metric tons per capita)' in the post-MDG period.¹

Moving away from comparing indicator *levels* across time to a methodology based on the rate of progress is a step towards recognising the *commitment* of countries to furthering advances in attaining the MDGs. It is essential to account for different starting points (countries that start at a low level but are trying hard) and proximity to upper boundaries (countries that start at a high level but are facing challenges). This approach avoids labelling countries as 'failures', lest they fall short of meeting the target levels by 2015.

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Note:

1. Deceleration, however, does not necessarily imply that an indicator's level has declined, but rather that the rate at which it is growing after commitment to MDGs is slower than the rate of growth in the period beforehand.

Inclusive and Sustainable Development: For Whom?

by Leisa Perch, International Policy Centre for Inclusive Growth

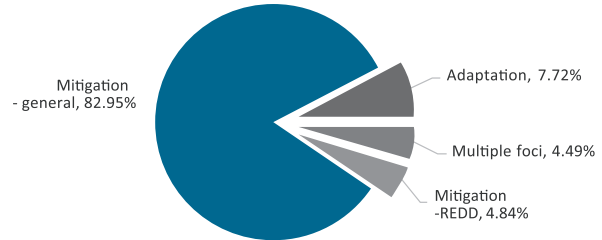
The focus of the development policy discourse now seems firmly fixed on 'inclusiveness'; as both process and outcome. This is clear from the focus of the UN Secretary General's Agenda for 2011, the discussions at Davos in January 2011 and the theme of the 2011 UNDP Human Development Report: Sustainability and Equity. As our collective gazes turn towards the roll-out of the Green Climate Fund and the discussions at Rio+20, what lessons can we take forward? We know that:

- Confronting inequality is no longer a matter of choice in global public policy. Adger et al (2006) highlight the influence of structural features at the level of the nation state [related to late development] such as high levels of income inequality, weak property rights and significant rural populations, in shaping climate risk and vulnerability to climate-related disasters.
- We are still struggling to find the right balance between social and sustainable development. Reconciling the imperatives of society and the environment remains one of the weakest areas of development policy.
- Poverty, gender and ethnicity are still not consistently recognized in National Adaptation Plans of Action (NAPAs) as factors that shape vulnerability as well as adaptive capacity.
- 'Green(er)' or 'clean (er)' has not always meant more sustainable. Of the many critiques of sustainable development practice, one looms large: often, efforts have been 'tokenistic' in both scope and scale, often belied by efforts to avoid or evade real change. On mitigation, questions have been raised on the consultation of and participation by the poor in the benefits derived and on the development effectiveness of some technology transfers (Perch, 2011).

Hence there is a triple challenge for development. The first is to mitigate the worst impacts of environmental change, in whatever form it takes, including climate change. The second is to safeguard the social and economic progress achieved, including the sharing of the risks and benefits of development actions, avoiding both 'free riding' and 'overburdening of the poor'. The third is to ensure the compatibility of development actions at various levels. Solutions that cater only to needs such as finance, technology, infrastructure or access and availability, but that do not address 'agency' i.e. the capability to deploy such resources when needed, miss a significant piece of the puzzle (Perch, 2011).

Still, equity does not just happen. It is the result of effort through intent as well as application. The absence of clear social-risk management measures, as well as limited action to date on the behavioural aspects of change, means that policy frameworks still rely on weak public arrangements for managing and sharing risk and on the strength and value of informal arrangements among the poor and vulnerable, and between the poor and non-poor (*Ibid.*). For improved development outcomes, particularly for the poor and vulnerable, intensified efforts at the level of scope and scale will be needed.

Focus of Climate Funds (October 2010)



Source: ClimateFundsUpdate.Org.

In Scope:

- Poor countries are not the same as poor people. Global policy must begin to distinguish between these related but diverging constituencies.
- Increased coherence between climate change and development at the global level could help to avoid policy traps. Intensified competition over resources, including the increased cost of access to public goods, could lead to conflict within communities, between groups in society, and between users across states (in the case of transboundary resources like rivers or forests).

At Scale:

- The most direct pathway to international climate finance for assisting the poor and vulnerable is through adaptation and current levels of funding are inadequate (Perch, 2011). Only 8 per cent of the USD27 billion available in 2010 targeted adaptation alone (see chart).
- Inclusive and sustained development requires dedicated funding for multi-focused actions. Less than 5 per cent of existing climate finance is being targeted to these kinds of interventions (see chart).
- Governance arrangements are pivotal for ensuring real participation and benefit-sharing. Presently, there is limited clarity at the global level on 'inclusion'; and few ways to ensure compliance. There is also limited consensus on what constitutes 'adequate adaptation'.

As discussions escalate around the shape and scope of the 'green economy' and about institutional frameworks for securing sustainable development, the first order of business should be to define what 'green' means; particularly in a socially sustainable context. Moreover, an honest discussion on equity in the context of risk-sharing, burden-sharing and benefit-sharing is paramount.

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Food Security as a Pathway to Productive Inclusion: Lessons from Brazil and India

by Danuta Chmielewska and Darana Souza, International Policy Centre for Inclusive Growth

Although Brazil and India have quite different agrarian structures and specific classifications for farmers (see the table), in both countries the proportion of generally disadvantaged rural groups in the total population, especially smaller-scale producers, is significant. The two countries have instituted large-scale procurement programmes whereby the government purchases agricultural goods that support farmers' livelihoods by offering advantageous market alternatives. These initiatives reconcile trade opportunities for producers with the provision of goods to vulnerable populations.

India has what is considered the largest school feeding programme in the world, Mid-Day Meal (MDM), a centrally sponsored scheme that targets primary-school children in government-aided and local-body schools. It provides one meal per school day to more than 110 million children. Brazil also has a widespread scheme, the National School Feeding Programme (PNAE), which guarantees school meals for all students enrolled in public basic education. It has ensured that about 47 million students, roughly a quarter of the country's population, have access to a daily meal.

India implements another major in-kind allocation programme, the Targeted Public Distribution System (TPDS), which is also regarded as one of the world's largest distribution networks of its type. This scheme provides a monthly allowance of wheat, rice, sugar and kerosene to 160 million families, mainly those identified as living below the poverty line. Brazil, for its part, has introduced the Food Acquisition Programme (PAA), which each year donates a range of food items to more than 13 million people.

These programmes follow unique policy approaches in each country, leading to specific implementation strategies and development impacts. In particular, the scale of the procurement is envisaged and implemented in quite distinct ways. In India, government procurement is conceived in nationwide terms and is open to all profiles of farmers, which in practice means that purchases are mainly from the best performing agricultural regions.¹ These operations offer significant trade opportunities, since they are part of an annual flow of more than USD5 billion. Despite its scope, the TPDS faces a number of procurement challenges, including leakage of grains and grain-quality problems (Souza and Chmielewska, 2011).

In Brazil, the public procurement of food is perceived as a tool to stimulate local development by promoting short supply chains. The PAA and PNAE have targeting mechanisms that seek to guarantee the participation of marginalised farmers. The PAA only buys food locally from family farmers and related categories, while the PNAE has a quota

General Comparison of Agrarian Structures in Brazil and India

	Brazil	India
Total number of rural establishments	5,175,489	129,222,237
Categories	Family farmers	Marginal, small, semi-medium and medium holdings
Average size (hectares)	18	0.38; 1.38; 2.68; 5.74 (respectively)
Number of rural establishments (proportion of rural establishments)	4,367,902 (84.4%)	128,126,459 (99%)
Categories	Agribusiness	Large holdings
Average size (hectares)	310	17.08
Number of rural establishments (proportion of rural establishments)	807,587(15.6%)	1,095,778 (1%)
Proportion of the rural population	15.65%	72.2%

Source: Souza and Chmielewska (2011).

system that ensures a minimum of 30 per cent of government spending is used to procure goods from these groups, mainly at the local level. This approach is quite new in PNAE, having been implemented only as of 2009, but the PAA has already proven itself able to supply a diverse range of locally consumed quality goods and to offer important trade opportunities to farmers. Despite the successes, these initiatives still face challenges. The most vulnerable family farmers have difficulties in accessing the PAA, and payment delays are recurrent. As regards the PNAE, so far only about 25 per cent of municipalities are buying food products from family farmers. Barriers range from precarious logistical infrastructure to the difficulties that family farmers face in delivering the agreed products (Souza and Chmielewska, 2011).

These national experiences have much potential for further exploration by developing countries. Both of them show that government procurement in food-security programmes can offer critical market alternatives to farmers. The Brazilian experience can be explored particularly as regards its emphasis on local trading alternatives for producers who otherwise would have precarious access to markets. This experience has shown that by linking local food production with food distribution, and taking into consideration the types and amounts of food available and the capacity for producers to participate in these schemes, it is possible to support marginalised farmers and supply appropriate goods for food schemes.

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Note:

1. India has implemented the Decentralised Procurement Scheme since 1997–1998 in order to encourage procurement in non-traditional states. Nearly 80 per cent of the TPDS-purchased grains, however, originate in a small number of states.

Emerging Opportunities for the Productive Inclusion of Local and Traditional Communities

by Radhika Lal and Waldemiro Francisco Sorte Junior, International Policy Centre for Inclusive Growth

Plants have long provided and continue to provide vital resources for the discovery and development of medicines and for primary healthcare. The World Health Organisation (WHO, 2008) has estimated that for some Asian and African countries, close to 80 per cent of the population depend on traditional medicine for primary healthcare. Further, a review by Newman et al. (2003) concluded that 60 per cent of the anticancer drugs and 75 per cent of the anti-infectious disease drugs approved, as well as 61 per cent of all new chemical entities introduced worldwide from 1981 to 2002, could be traced to natural origins. In various countries, including China, India and Brazil, there now is a growing push to modernise traditional medicine and develop a biotechnology industry by marshalling robust scientific research and fostering the manufacture of drugs by industry to ensure standardised, safe and effective herbal formulations.

While recognising the critical importance of these developments, Patwardhan et al. (2009) also signal the need to explore ways in which 'traditional medicine practitioners can be used more effectively to facilitate delivery of both western biomedical innovations and traditional therapies'. They argue that traditional medicine can offer insights into how to address the 'innovation deficit' that currently exists in the mainstream pharmaceutical industry by pointing to new synergistic combinations and improvements in bioavailability, and by contributing to the development of individualised medicine approaches. The question explored by this One Pager in the context of Brazil is the following: are there ways to strengthen the productive roles of local communities and practitioners who are active in conservation and adding to the knowledge base of medicinal plants through the codification of traditional knowledge and who can provide basic pharmacy services to underserved local communities?

Brazil recently launched a forward-looking *Plano Nacional de Promoção das Cadeias de Produtos da Sociobiodiversidade* (PNPSB) to promote the inclusive and sustainable development of production chains for socio-biodiversity products. Brazil has also introduced a National Policy for Medicinal Plants and Herbal Medicines (*Política Nacional de Plantas Medicinais e Fitoterápicos*), a National Programme on Medicinal Plants and Herbal Medicines (*Programa Nacional de Plantas Medicinais e Fitoterápicos*, PNPMF) and a policy on integrative and complementary practices in the context of its unified health system. To contribute to policy discussions on how to ensure that local communities are not confined to being integrated only at the lowest rung of the production chain or service-delivery platform for phytotherapies and/or phytocosmetics, Lal and Waldemiro Sorte Junior (2011) explore the application of a 'productive inclusion' approach and a regulated market framework. The approach which is a Brazilian social policy innovation typically encompasses social-assistance, production-chain and territorial dimensions and involves a strong focus on integration and partnership activities.

They highlight lessons from previous research on two key initiatives related to the productive inclusion of family farmers into Brazil's food and biodiesel production chains—respectively, the *Programa de Aquisição de Alimentos* (PAA) and the *Programa Brasileiro de Produção e Uso de Biodiesel* (PNPB)—to identify the conditions under which even poor family farmers and under-served areas can realize benefits including the enhancement of productive facilities. As a result of the lack of scalable integration, to date, of traditional medicine in the formal health system, they suggest that the new plan of action on socio-biodiversity products is missing out on the benefits that the provision of demand-side stimuli can provide for productive inclusion activities related to medicinal plants. The pace at which the National Programme on Medicinal Plants and Herbal Medicines is able to advance is thus viewed as being a critical determinant.

They point to the range of 'development functions' that the state is better placed to perform, and that it should perform, in helping local communities better navigate the asymmetries of market-based relationships. These include (i) conducting research to provide scientific validation of traditional knowledge; (ii) offering legal advice and technical assistance on benefit sharing agreements and patent application procedures; and (iii) supporting the productive inclusion of local communities in the supply chain of large firms. These functions are in addition to the provision of financing and technical support. The role of the state is also found to be important in providing a mix of social-assistance and infrastructure support, particularly for poor communities in challenging and underserved areas.

The authors also underscore the important roles that self-organising networks of local communities can play for policy development and for the safe delivery of some types of primary pharmacy services. For example, given the limited codification of plants endemic to Brazil's biomes, the community network *Articulação Pacari* prepared a 'pharmacopoeia' based on traditional knowledge of the medicinal plants of the Cerrado region (*Farmacopéia Popular do Cerrado*). It also promoted good harvesting and production practices to ensure basic health and safety, as well as quality standards for the herbal preparations produced by the community-based pharmacies (*Farmácias Comunitárias do Cerrado*) on which the poor and underserved depend in these areas.

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How Effective are the Non-monetary Components of CCT Programmes?

by Clarissa Teixeira and Fábio Veras Soares, International Policy Centre for Inclusive Growth; Elydia Silva, Brazilian Development Bank (BNDES) and Guilherme Hirata, Pontifical Catholic University of Rio de Janeiro

Conditional cash transfer (CCT) programmes have been under close scrutiny with regard to their impacts on intermediate outcomes such as increase in school attendance, improved nutrition, higher immunization rates and attendance to at pre- and postnatal care and health checks for children. But it is still unclear how much of each impact is triggered by the extra cash (income effect), and how much is triggered by change in attitudes/behaviour because of the awareness and/or enforcement of conditionalities and, in some cases, such as *Tekoporã* in Paraguay, visits from social workers.

If impacts on outcomes of interest are mostly explained by a looser budget constraint, then other CCT components could represent an additional and unnecessary cost to a cash transfer programme. It is important to bear in mind that these other components might not directly contribute to the impact, but they might be essential for the implementation of the programme. If monetary transfers are not enough to induce desired changes in preferences, then non-cash components would be relevant for the impact. In that case, the cash transfer would basically serve to encourage families to comply with the conditionalities and to engage in complementary programmes.

The objective of the non-monetary components is to raise awareness of the importance of good nutrition, healthcare and hygiene habits for child development and overall well-being, changing possible prejudices or scepticism among beneficiary families. Similarly, the school-attendance conditionality might change the perception that investments in education have modest future returns. Often, parents of limited education do not value schooling. It is important to emphasise that greater human capital—schooling, training, entrepreneurship—might promote pathways out of poverty. If parents are offered incentives to keep their children in school by means of cash transfers, those parents might notice later that their children have better opportunities for a better standard of life.

In the case of *Tekoporã*, monthly visits by social workers aim to help families comply with conditionalities and to ‘coach’ them on several matters, such as obtaining identification cards, budget planning, cultivation of vegetable gardens, health and hygiene information and so on. The conditionalities have not been verified in the pilot phase, though they had been communicated extensively to the beneficiaries during registration and through the visits of the social workers.

Non-cash components can generate broader changes at the community level, the so-called externalities, because of the learning processes triggered by social interaction between beneficiaries and non-beneficiaries. Externalities may also be caused by the extra income within the community, which is likely to influence local prices and stimulate transfers and loans between beneficiary and non-beneficiary households. Understanding the existence and nature of externalities is important in explaining the black-box of the standard impact evaluations

results, and in informing policymakers on the adequacy of CCT design in terms of coverage and unintended effects.

Teixeira et al. (2011) assess the impact of the pilot phase of *Tekoporã* on the demand for health and education. The existence of externality effects is tested and the overall impact is decomposed between the contribution of the cash transfer and the change in preferences caused by the programme, using the methodology put forward by Ribas et al. (2011). Teixeira et al. also assess whether awareness of the conditionalities and visits from social workers generate any extra effect on the desired outcomes: school attendance and an increase in the number of visits to health centres.

The results show that the programme has improved childrens’ attendance at schools and health centres. They also show that (i) there are no externality effects either for education or health outcomes; and (ii) the main contributor to the observed impact is the change in preferences, rather than the income itself. This latter result suggests that if, on one hand, relaxing the budget constraint alone is key to improve family consumption (Ribas et al., 2010), on the other hand, changes in preferences are crucial to improving the family’s demand for healthcare and education. As with the inexistence of externality effects, these results are at odds with recent papers on *Progesa* (Mexico’s CCT programme), which found positive impacts on education outcomes for non-beneficiaries (for a summary, see Lehmann, 2010).

However, heterogeneity analysis of awareness of the conditionalities and the visits of social workers shows no differential impacts for education or health outcomes. This suggests that, in the pilot phase, with no conditionality enforcement in place, the role of conditionalities and social-worker visits did not directly contribute to school and healthcare attendance. The message about the programmes requirements has led to a change in families’ behaviour, but the tools responsible for that change were not the awareness of the conditionalities or the visits of the social workers.

Given the costs of the social-workers component for the programmes that adopt them, and given the findings reported above, it is advisable that more research be conducted on the contribution of different components, so as to secure a clearer idea of what is essential to guarantee the programme’s positive impacts. The importance of these components to implementation should also be assessed.

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Providing Incentives to Women Farmers for Sustainable Food Production

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Women form an integral but often undervalued part of the agricultural production system in developing countries. Roles traditionally defined as 'female', such as saving, exchanging seeds, and acting as custodians and users of traditional knowledge, ensure rural food security and the maintenance of agricultural biodiversity. These responsibilities are distinct from those held by male farmers, who largely take care of harvesting cash crops for the market. In many ways, privatisation of agriculture and biological resources in the wake of increased production and the need for higher yields has resulted in degradation and shrinkage in the availability of natural resources. Ever more, women are left with fewer options in maintaining a key place in the productive system, thus affecting rural food security and biodiversity:

- The lack of resources to compete financially, and now the need to purchase what was once freely available, have meant fewer opportunities for women to use traditional knowledge and various innovative practices in farming.
- Intellectual property rights that provide incentives for the privatisation of natural resources have a tendency to further dilute the roles and responsibilities of women farmers, without offering alternatives or options for continued or increased opportunities. The lack of social safeguards in intellectual property frameworks has resulted in the deskilling of women farmers (by removing the need for those skills or by commercialising them) and the misappropriation of traditional knowledge.

Through various practices such as non-technological forms of cross-breeding species and the use of traditional knowledge, women farmers have helped to maintain agro-biodiversity and sustain the production of certain types of staples that are also important for nutrition. In several communities in the Andean region, women have been active in the local marketing of community products, such as in the case of the Jambi Kiwa cooperative in Ecuador. In Peru's Potato Park, women farmers have established innovative collectives such as the medicinal plants collective (including a network of communal pharmacies) and the gastronomy collective, where the use of traditional knowledge, native plants, food varieties and practices is important in their economic security. Similarly, women farmers in Chaur, Nepal grow 24 different varieties of rice. Bio-piracy, however, is an ever increasing challenge to such practices, often resulting in the loss and misappropriation of traditional knowledge. Moreover, the privatisation of seeds has been known to affect the continued availability of traditional foods and traditional varieties of crops, also affecting the extent to which farmers can adapt to new climatic and environmental conditions.

In South Asia, women farmers in Parvathpur and Enkepally in India practice 'mixed cropping', whereby 'small change' crops are grown alongside 'cash crops'. While this is being undertaken to meet household food-security needs on the one hand, the practice also contributes significantly to agricultural biodiversity and tends to reduce the exposure of households to the impact of crop failure and disease. This is changing as the predominance of market seeds reduces crop-variation practices and increases reliance on the receipts from cash crops to buy market seeds. This persistent reliance on cash crops has also made it more difficult for farmers to endure climate/weather impacts. Traditionally, crop variation has been an effective tool in adaptation to climate variability and change. An increased preference for cash crops has also resulted in less involvement by women in household production systems and the declining relevance of their traditional knowledge and practice.

With the increasing need to include climate variability and change in micro-level planning and productive systems, the use of traditional and adapted knowledge and techniques is expected to become more important. This will require an enabling environment in which the intellectual property protection mechanisms for plants and varieties do not lead to the further monopolisation of commercial varieties. What options can be explored at community, national and international level to advance such a transformation? A comprehensive framework that is both rights-based (intellectual property rights) and programmes-based (women's cooperatives, community registries, seed banks, participatory plant-breeding systems), and that converges with a gendered approach to governance and decision making, is critical in addressing these issues. Empowerment mechanisms that seek to give women greater access to farming inputs are important, but should co-exist with mechanisms that restore incentives for innovation/adaptive techniques in small farming systems.

Moreover, in order to advance the recognition of women farmers primarily as innovators, it will be equally important to maximise the capacity of instruments in the multilateral and international policy framework, such as the Convention on the Elimination of All Forms of Discrimination (CEDAW), to offset potential negative impacts of wide-ranging intellectual property laws on women farmers. Greater coherence between CEDAW and the UN Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD) and varied efforts to improve food security programmes will also be critical in this regard.

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Snakes and Ladders, Buffers and Passports: Rethinking Poverty, Vulnerability and Wellbeing

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Much research to date has tended to view vulnerability (and resilience) by discipline or sector, yet individuals and households experience multiple, interacting and sometimes compound vulnerabilities. Cross-disciplinary thinking is emerging as multi-dimensional vulnerability is likely to come increasingly to the fore if the outlook over the next 15 to 25 years is one of shifting and new vulnerabilities.

Poverty and Vulnerability – In their wide-ranging review of datasets, Dercon and Shapiro (2007) identify three key factors accounting for an individual's ability to escape long-run poverty ('ladders'): changes in economic and social assets, and/or social exclusion and discrimination, and/or location in remote or otherwise disadvantaged areas. Further, they find that an individual's descent into poverty can also be explained by temporary shocks ('snakes') such as illness and health-related expenses; social and customary expenses on marriage and funerals; high-interest private loans; crop disease; and drought and irrigation failure. Dealing with these temporary shocks often requires strategies ('buffers' and possibly 'passports' for some) such as selling assets, which may result in greater vulnerability in the longer term. A common starting point in defining vulnerability is to separate sensitivity and resilience into hazard exposure (to shocks and stressors) and capacity to cope (that is, resilience and agency).

What is vulnerability?

Poverty, Vulnerability and Wellbeing – 'Three-dimensional human wellbeing' is emerging as a complement to the more traditional and material ways of conceptualising and measuring poverty and deprivation. McGregor (2007) emphasises that wellbeing should be conceived of as the combination of: (i) needs met (what people have); (ii) meaningful acts (what people do); and (iii) satisfaction in achieving goals (how people be). These three core dimensions of wellbeing are interlinked and their demarcations are highly fluid.

What is 3-D human wellbeing?

What Does Wellbeing Add to the Analysis of Vulnerability and Resilience?

- Insecurity is a dimension of poverty and illbeing in its own right (subjective wellbeing), and perceptions of insecurity can frame and influence both material and relational domains of wellbeing.
- If insecurity is chronic or the 'norm', rather than a crisis/shock, then wellbeing helps bring understanding of various sources of stressors.

- Vulnerability and resilience are not opposites. Resilience is a subset of vulnerability as capacity to cope, and wellbeing helps to identify material, relational and subjective dimensions.
- A wellbeing lens aids analysis of information on the causes of vulnerability, and considers the dynamics of vulnerability before, during and after the hazard occurs.
- Wellbeing helps move analysis from thresholds to continuums and dynamics—from vulnerability to poverty (based on a poverty-line threshold), to vulnerability to greater poverty severity—and towards a focus on processes.
- Wellbeing can help us respond to the question of 'vulnerability/resilient to what?' and to identify different entitlement losses, not only in the material domain (land, labour, state transfers, remittances) but also as regards the relational and subjective dimensions. For example, the actual experience of feeling vulnerable and of being exposed as vulnerable can have implications for the behaviour of individuals or households in the future.

Towards a New Policy and Research Agenda – Analysing vulnerability through a three-dimensional human wellbeing lens illuminates a number of avenues for future thinking. For example, how do entitlement failure types (production-based entitlement, labour entitlements, trade entitlements, transfer entitlements) interact with stressors and shocks? And how are vulnerability and resilience transmitted across time and generations? Recognising that relational and subjective aspects of wellbeing vary according to an individual's or household's position in society is central to understanding how exposure to risk is experienced (do attributes such as class, ethnicity and gender, for example, affect what kinds of snakes and ladders are faced?) and how it is addressed.

Moreover, how does the nature of the exposure (shock or stressor, for example) shape vulnerability and resilience? Under what circumstances does a response to an exposure negatively affect vulnerability in the longer term? Finally, taking into account subjective differences, there is also a need to identify which buffers and entitlements are likely to provide the best form of defence against various risks. Clarifying these matters could have important implications for future policy geared to building resilience and reducing vulnerability.

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Integrating Public Works and Transfers in Ethiopia: An Innovative Approach to Social Protection, Employment and Decent Work

by Maikel Lieuw-Kie-Song, Independent researcher and consultant, São Paulo

What is the relevance of the Productive Safety Net Programme (PSNP) in Ethiopia for other countries implementing or considering public works or transfer (cash and/or food) programmes? PSNP integrates income and employment through public works, with transfers to labour-constrained households in a programme that has more than 8 million beneficiaries. Presumably it holds important lessons and implications for other countries.¹

The integration of these two commonly used social protection instruments enables PSNP to address a number of gaps that each of these instruments, when used separately, are unable to cover. It allows labour-constrained households to be covered by the safety net, which public works programmes on their own cannot do. At the same, it time employs rural labour to contribute to much-needed natural-resource rehabilitation and rural infrastructure, which transfer programmes are unable to do.

A key feature of the programme is that it explicitly recognises that some households have labour constraints and that these constraints can vary. Constraints can stem from a number of factors such as sickness, old-age, maternity, household size, permanent or temporary disability, or death. PSNP households facing such constraints have the right to switch either partially or completely to the direct-transfer component of the programme. Whether they switch partially or completely depends on the extent of the labour constraint.

Furthermore, the switch is also either permanent or temporary depending on the nature of this constraint. This has enabled the programme to address a significant, potential gap in coverage found in many social protection programmes that have only a public works component.

A recent review (Lieuw-Kie-Song, 2011) found that the combination of these two instruments has resulted in a more coherent framework of enhancing productivity and providing social protection. Analysis of PSNP from the perspective of the International Labour Organization's Decent Work Agenda revealed that PSNP is making significant contributions to the creation of decent work in Ethiopia by providing

regular and predictable income and employment; introducing a limited form of maternity benefits for women in public works by transferring them temporarily to the direct-transfers component; introducing a formal set of rights for households participating in the programme, accompanied by an appeals process to address grievances when these rights are not being realised; allowing flexible working hours for women, to enable them to attend to other household duties; and integrating a high degree of local and participative decision making.

To date, many countries have acted as if they have had to choose between these two social protection instruments, and PSNP clearly demonstrates that this is a false choice. Not only can these be programmes be implemented simultaneously, they can also be highly complementary, thus creating a number of benefits that are not realisable with the use of such instruments separately.

Countries that have chosen one or the other of these instruments could therefore consider complementing their existing programmes. And countries that have both such programmes running in parallel should consider closer integration. Finally, those that are introducing basic social protection measures should carefully consider PSNP and ask themselves whether such an integrated approach would be relevant in their context.

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Note:

1. For a detailed overview of lessons learned, see also World Bank (2010).

Bolsa Família as Seen Through the Lens of the Decent Work Agenda

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The Bolsa Familia Programme (PBF) is a conditional cash transfer (CCT) programme which is aimed at guaranteeing a minimum level of income to poor families and at the same time promoting access to education and health services by beneficiary children, and to social assistance more generally by the beneficiary families. This one pager contends that there a number of ways that PBF contributes to the Decent Work Agenda where Decent Work is defined by the ILO as 'productive work under conditions of freedom, equity, security and dignity, in which rights are protected and adequate remuneration and social coverage are provided'. Social protection is one of the four pillars of the Decent Work Agenda (DWA) in addition to employment, rights at work and social dialogue.

The link of PBF with social protection is straightforward. The link with employment and the quality of work, however, is more complex. On the one hand, by providing poor families with a predictable alternative source of income, albeit limited, PBF has a direct impact on their reservation wage. This can result in a reduction of their labour supply and employment rate. On the other hand, this partial income guarantee can allow them to search more intensively for (better) jobs, which can lead to improvements in earnings and labour conditions. Therefore, the net impact of the effects on the labour supply and on the quality of the employment is an empirical question.

The net impact will also depend upon demand side factors and the overall performance of the economy. According to the annual household survey (PNAD), between 2002 and 2008, there was a reduction in unemployment and an increase in formalization of labour relations as the economy experienced a recovery after the crisis of the 1990s. GDP grew annually by 4.7 per cent resulting in a 2.6 per cent growth in employment and a 5.7 per cent growth in formal employment. Machado et al. (2011) show that PBF beneficiaries also benefited from these improvements in the labour market. Using the national household survey for 2004 and 2006 they follow three groups: beneficiaries, eligible but non-beneficiaries and a third group of non-eligible and non-beneficiaries. They find that the labour force activity rate remained unchanged at 59 per cent for the beneficiary and at 65 per cent for non-beneficiary groups and fell slightly for the eligible (from 57 to 55 per cent) group. For the latter group the proportion of those employed also fell but there was no change for beneficiaries and non beneficiaries.

While the degree of informality in the labour market was higher on the whole among beneficiaries, their rate of informality fell from

0.75 to 0.71. The same downward trend was observed for the eligible group (0.70 to 0.66) and for non-beneficiaries (0.54 to 0.49). As could be expected, the incidence of child and teenager labour (10 to 17 years) is also high among the beneficiaries. However, here too there was a modest decline—i.e., from 14 to 13 per cent in 2006. For the group consisting of those eligible for the PBF, the rate fell from 10 to 8 per cent over the same period.

Machado et al. (2011) also observe an increase from 11 to 14 per cent between 2004 and 2006 in the proportion of beneficiaries earning exactly the minimum wage. This represents a greater increase than the one observed for non-beneficiaries, but lower than that for the eligible group whose proportion of minimum wage earners increased from 14 to 18 per cent. This is particularly important as there were real increases in the minimum wage over this period.

In order to check the robustness of these changes, Machado et al. (2011) control for changes in the composition of the three groups by using pseudo-cohorts for the same surveys. Four different combinations of the variables relating to gender, race, year of birth, and region of residence were used, resulting in 72 homogeneous groups in each formation. They find that for all homogeneous groups there was an increase in the employment rate of the economically active population, a reduction of inactivity and informality rates, an increase in the proportion of workers contributing to social security, and an increase in the average hourly wage for the primary occupation. One can conclude from these last three findings that the insertion of PBF beneficiaries in the labour market improved over the period studied.

Despite these positive results, there is room for improvement as regards the design and implementation of complementary programmes aimed at promoting job and income generating opportunities for beneficiaries. There are signs that the new government is in fact interested in investing in the improvement of such 'complementary programmes' and services. The study highlights the importance, in particular, of incorporating better assessments of the skill/job opportunity needs of the adult population in beneficiary families as well as of the local labour markets. Such improvements in the design would contribute to further enhancing the beneficial impacts already associated with the programme.

Lastly, given the important contribution of (inclusive) growth for some the positive impacts noted above, the analysis in the paper also suggests that a 'dynamic' approach to the Decent Work Agenda which explores the intersections of such programmes with growth may be in order.

Has IMF Advice Changed After the Crisis?

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When the International Monetary Fund (IMF) was created, its purpose was to support the new system of fixed exchange rate regimes. With the breakdown of the par-value system, its article on exchange-rate arrangements—Article IV—had to be revised. Per the revised version, the IMF would annually write reports on countries' economic situation and provide policy recommendations.

This shift on the IMF's role, along with the attachment of conditionalities on lending facilities, considerably increased the institution's influence on countries' policies. IMF policy recommendations in Article IV reports were criticised for being orthodox and restrictive, especially for developing countries. Recently, the Fund has published papers and organized conferences that showed some rethinking toward some policies in the institution, especially related to instruments to fight inflation, the role of capital controls, the use of automatic stabilizers and the importance of social stability to growth (see Ostry et al., 2010; Blanchard et al., 2010). The paper on which this One Pager is based (Roy and Ramos, 2011) looks at whether this Headquarters receptiveness has been translated into the Fund's Article IV-based policy analysis and recommendations.

The paper shows that exchange rate assessments, in most cases, relied entirely on econometric exercises that depend on highly uncertain variables. Moreover, some exercises assumed that countries had implemented the policies that the IMF had recommended to them. Many reports downplayed the exchange rate misalignment issue, a consequence of two common analytical practices. First, the reports consider only the averages of the different misalignment estimations—although these often diverged significantly. Second, the reports highlighted the uncertainties inherent in these exercises when they indicated misalignment, concluding that there was no misalignment. Thus, in the case of Guinea-Bissau, it was concluded that estimations 'do not suggest that the exchange rate is overvalued' (IMF, 2010c), although estimations indicated overvaluation of 3 per cent to 21 per cent. In the case of Cameroon, the conclusion was that the moderated appreciation 'could be corrected if the euro current weakness is sustained' and the focus of policies were on enhancing the 'business environment' (IMF, 2010a).

There continues to be a preference for floating exchange rates, with many reports recommending higher exchange rate variability despite recognizing the adverse effects on inflation rates. For example, Paraguay seeks to temper inflation by limiting exchange rate variability, due to its significant exchange rate pass-through effect on inflation and to the limited effectiveness of its monetary policies. Nevertheless, IMF advice was to avoid exchange rate interventions.

The IMF's recent position on the use of capital controls was not reflected in any report. In the case of South Africa, these were said to be ineffective. For India, it was advised that they should be the last resort only.

Regarding fiscal policies, analyses continue to be short-term. In many cases, the IMF recommended tighter policies to countries that were either struggling to recover from the 2008/09 crisis or had weak economic prospects. Fiscal consolidation was even advised in cases where the reports showed that there was no problem of debt solvency. No options were typically offered. Thus, Botswana, which has serious unemployment and HIV/AIDS-related issues, was advised to implement fiscal consolidation, although it has a stabilization fund of about 54 per cent its GDP.

The reports also tended to put low emphasis on domestic resource mobilization and even recommended that some countries opt for external debt due to its lower cost after the crisis. This advice was given even to countries where domestic funding was available and not expensive, such as Egypt. In Colombia's case, international credibility was seen as the driver for fiscal consolidation as it 'would likely improve the prospects for an upgrade from credit rating agencies' (IMF, 2010b).

The inflation analyses were rather superficial, with the exception of the analyses for China and India. There was no discussion of the costs of inflation and the costs of the policies proposed to fight it.

Recommendations mostly focused on monetary tightening, although inflation was often attributed to supply factors, such as food prices, exchange rate movements or increases in taxes. In the case of Jordan, the report states that 'inflation is projected to increase in line with imported commodity (energy and food) prices' and advises the Central Bank to 'tighten monetary conditions if inflation accelerates' (IMF, 2010d). A similar recommendation was made for Indonesia, which, apart from having supply-side inflation, has been challenged by excessive capital inflows—two reasons why a monetary tightening would not be appropriate.

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Social Policies and the Fall in Inequality in Brazil: Achievements and Challenges

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By the end of the first decade of the 21st century, the most usual international depiction of Brazil is that of a burgeoning, upcoming country. Although in many ways frankly exaggerated, this marks a stark contrast with a not-so-distant past. This turnaround has had a lot to do with favourable international circumstances, but it also owes a lot to extensive reforms that made possible something that was almost unprecedented in Brazil: pro-poor growth.

The end result was a robust consumer-led economic boom with an average GDP growth rate of 4.4 per cent per year between 2004 and 2010, the highest since the late 1970s. During that period, a thriving labour market created over 10 million formal jobs. After decades of rising or stagnant inequality, the Gini index of the household per capita income fell by 9 per cent during the 2000s. As a result of both trends, extreme poverty—as measured by the World Bank's USD PPP 1.25/day poverty line—declined abruptly, from 14 per cent in 2001 to less than 5 per cent in 2009.

The contribution of social expenditures to such encouraging results should not be underestimated. Since adoption of the 1988 Federal Constitution, and especially since the mid-1990s, the Brazilian social policies have finally both enlarged their scope and improved their redistributive role, although there is still a long way to go. For instance, in 2006, the four largest social expenditures—on public education, public health care, Social Security and Social Assistance—amounted to a hefty 19 per cent of the GDP, or 56 per cent of the total tax revenue.

While these expenditures represent a serious fiscal burden, their benign effects should not be downplayed. The table displays the dynamic decomposition of the Gini index by factor components between 2001 and 2009 (Souza, 2011). It is striking that the *Bolsa Família* and the BPC programs—the largest targeted cash transfers in Brazil—are responsible for over 18 per cent of the reduction in income inequality, even though they add up to less than one per cent of total income. The contribution of the income sources tied to the minimum wage—which rose by 81 per cent during this period, reaching USD PPP 270 in 2009—amounted to 28 per cent of the decline in inequality.

Given recent trends in the labour market, it is unsurprising that labour market income displays the single largest contribution to the fall in inequality. One of the key factors behind this shift is that Brazil finally managed to increase the overall educational attainment while simultaneously diminishing the inequality of educational opportunities. Between 2001 and 2009, the mean years of schooling rose by 21 per cent (from 6.8 to 8.3) while the Gini index of years of schooling fell by 17 per cent (from 0.347 to 0.288).

Dynamic Decomposition of the Gini Index of Household Per Capita Income Brazil, 2001-2009

Income Sources	Composition Effect	Concentration Effect	Total	As % of Δ Gini	
Labour	Minimum wage	-0.010	0.001	-0.010	17.9
	Other	-0.001	-0.024	-0.025	45.5
Pensions	Minimum wage	-0.009	0.003	-0.006	10.5
	Other	0.000	0.000	-0.001	1.0
<i>Bolsa Família</i> and predecessors		-0.006	-0.001	-0.007	12.7
BPC		-0.003	0.000	-0.003	5.7
Other		-0.001	-0.003	-0.004	6.7
Total		-0.031	-0.024	-0.055	100

Source: Pesquisa Nacional por Amostra de Domicílios, 2001 and 2009.

Such changes in the educational attainment of the workforce contributed to the decline in earnings inequality. The dynamic GE(0) decomposition of labour income by population subgroups shows that a more homogeneously educated labour force sustained a dominant income effect—69 per cent of the total reduction in earnings inequality—as declining returns to education narrowed the income gaps among the different levels of educational attainment.

Despite such advances, Brazil is still a middle-income country with an unacceptably high level of income inequality, and thus it is imperative to remain on track and keep the recent trajectory of pro-poor growth going. This means that the challenges will probably be increasingly more difficult, but there are reasons for optimism.

The renewed commitment to social programs since adoption of the Constitution has largely turned them into valuable tools to reduce poverty and inequality. Moreover, it is clear that there is still plenty of room for improvement. Much-needed resources for education and health care, for example, could be obtained by reforming the Civil Servants' Social Security, which is not only inordinately expensive (about 4.3 per cent of GDP in 2006) and regressive (its sizable pensions benefit mostly the upper-middle classes), but also runs huge annual deficits. Likewise, some policies that could greatly further reduce poverty and inequality—such as land reform—have largely been cast aside and should be brought back to the political agenda. In one way or another, such obstacles will have to be faced if Brazil is to continue on a socially inclusive trajectory.

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Fiscal Space in the Arab Countries

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The paper on which this One Pager is based (Roy, Abu-Ismaïl and Ramos, 2011) suggests concrete policy options which would create the fiscal space needed for structural transformation. After analysing the fiscal constraints faced by different countries and country groupings in the region, the paper suggests policies to increase fiscal space for the development transformation needed by expanding the fiscal base and fostering changes in the *sources* of revenue. The paper seeks to identify policies that improve the equity and progressivity of fiscal incidence.

Fiscal space in the Arabic region differs considerably among the countries, varying according to income levels and to whether the country is an oil exporter or importer. **Oil exporters** that do not belong to the low-income group, such as the Gulf countries plus Libya and Algeria, do not have a problem of fiscal space. These countries are also more advanced regarding the Millennium Development Goals. The main issue for them is not the availability of resources, but the need to choose and to adopt appropriate policies for economic diversification.

Lower-income oil exporters such as Yemen and Sudan are in a more precarious position. Yemen is in a particularly undesirable position: it faces a decline in oil reserves, which, given the recent rise in food prices, may worsen poverty. Although the country has some room for debt financing, it is quite marginal compared to the resources required. In this scenario, Official Development Assistance (ODA) will be needed to support the Yemeni economy in the short or medium term. Sudan is in a relatively more comfortable situation *vis-à-vis* the need for ODA, due to the prospect of better use of oil revenues and the potential of the agricultural sector. Still, a significant scale-up of public investment will be necessary.

In **oil-importer** countries such as Egypt, Syria, Morocco, Jordan, Lebanon and Tunisia, fiscal space will have to be managed with care. The latter three are in a more comfortable situation, and the fiscal space constraint is less binding: their economies can count on tourism, transfers and remittances, and they have smaller populations and larger per capita GDP—although Lebanon's high debt-to-GDP ratio places it as a distinct outlier, creating historic difficulties.

In the case of Syria, Morocco and Egypt, however, the fiscal challenge is a priority. Egypt and Syria are in particularly difficult situations. Egypt relies on declining oil revenues, and Syria's space for increasing internal debt financing is relatively constrained. The solution to these countries' fiscal problem will be contingent on a) their ability to find the right set

Tax Revenue (% of GDP), 2007–2010

Country	2007	2008	2009	2010
Algeria	8.1	8.7	11.2	11.4
Djibouti	20.4	18.4	18.6	19.1
Egypt	15.4	15.7	12.4	14.9
Lebanon	14.8	16.5	17.4	18.4
Libya	2.9	3.1	5.6	5.0
Morocco	24.8	25.5	25.9	26.1
Sudan	6.9	6.2	-	-
Syria	10.9	8.4	12.2	11.6
Tunisia	20.8	-	-	-
Yemen	7.3	7.1	7.4	7.8
Average	13.2	12.2	13.8	14.3

Source: IMF, WEO.

of policies other than ODA that would maximise fiscal space, and b) their ability to further diversify their economic bases.

Based on the analysis of the fiscal situation in the region, the paper has different recommendations for the diverse groups of countries. For those with higher income levels or that are oil exporters—such as Tunisia, Jordan, Lebanon, Algeria, Libya and the Gulf countries—the focus of fiscal policy should be on its *stabilisation* and *allocation* roles. The countries with the lowest income levels face a different scenario, where the challenge of fiscal policy is to finance a permanent increase in public investments to secure the agreed development goals. In this context, the priorities are the use of the *growth* and *allocation* functions of fiscal policy. Lastly, policy recommendations for Egypt, Syria and Morocco are more mixed, as they possess features of both scenarios.

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Bolsa Família: A Summary of its Impacts

by Sergei Soares, Institute for Applied Economic Research (IPEA)

Targeted and Conditioned Cash Transfers (CCTs) began hesitatingly and somewhat chaotically in Brazil in 1995 and have grown in relevance ever since. From 1995 to 2003, there were many CCT programs, run by all levels of government and, within the federal government, by five different ministries, with very little coordination among them. While the lack of coordination certainly reduced their effectiveness, there is little doubt that the municipal and state level experimentation was crucial in the design of what was to follow.

In 2003, the many initiatives were merged into a single programme, called *Bolsa Família*, with about eight million beneficiaries, accounting for about one in six Brazilian families at the time. Since 2003, more and more families have been incorporated into the programme and today they number close to 15 million—about one in four Brazilian families.

Bolsa Família benefits are exceedingly well-targeted to the poor. The Concentration Coefficient of these benefits hovers at around—0.54, which is much better than any other income source in Brazil and about as good as that of *Chile Solidario* or *Oportunidades*. One reason for this is that the benefit is very modest, which makes fraud and capture also small. These benefits vary from BRL29 to BRL218, or USD16 to USD118 according to Purchasing Power Parity conversion. Total benefits amount to slightly more than 0.4 per cent of Brazil's GDP and slightly less than 0.7 per cent of household income.

What can be said of *Bolsa Família*'s impacts?

Bolsa Família's effectiveness in reducing inequality has been vastly disproportionate to its modest share in household income or GDP. Depending on the methodology used in the decomposition, the programme's benefits account for something between 21 per cent and 16 per cent of the total fall in Brazilian inequality since 2001, as a result of their excellent targeting.

The program's impact upon overall poverty, though, has been modest. The Table shows that only an eight per cent poverty reduction can be attributed to *Bolsa Família* benefits. This is due to the small size of the benefits, which are not enough for most families to cross the poverty line. The impacts upon the poverty gap and the severity of poverty have been stronger, and these have fallen 18 per cent and 22 per cent, respectively.

Bolsa Família does not appear to have had the negative impacts that many had feared. A considerable literature has found that its impact upon labour market participation is very small and, in most studies, positive (at least for working age men). The programme also has no measurable fertility effects, at least for women already with children.

Impacts of *Bolsa Família* Upon FGT Poverty Measures

Effect/Measure	P0: Per cent Poor	P1: Poverty Gap	P2: Severity
With <i>Bolsa Família</i>	21.7%	9.4%	5.9%
Without <i>Bolsa Família</i>	20.0%	7.8%	4.6%
Absolute Reduction	1.64	1.68	1.30
Per cent Reduction	8%	18%	22%

Source: Soares (2012).

We know nothing about the programme's effects upon teenage pregnancy, a topic that warrants investigation.

Some of the expected positive effects also failed to materialize. *Bolsa Família* apparently has very little effect upon nutrition. This finding also holds for other CCT programs. Even in the case of *Progresá* in Mexico, the positive impact on the height of children between 12-36 months could not be attributed to the cash transfer, since they also received nutritional supplements.

The educational effects of the transfer and the conditionalities are still relatively unknown, as methodologically rigorous studies are only now being undertaken on its effects on school attainment and achievement.

Finally, *Bolsa Família* has definitive, statistically significant electoral effects, even if they are not huge. Shikida et alii (2009) and Soares and Terron (2008) estimate that it increased Lula's vote by one or two percentage points, although he won by much wider margins. This means that he would have won re-election and elected his successor with or without *Bolsa Família*.

What does the future hold in store for Conditional Cash Transfers in Brazil? *Bolsa Família*, or something like it, will almost certainly continue to exist for the foreseeable future. Whether it increases or stays more or less the same is probably the hundred-dollar question. The Dilma Administration has stated that the eradication of extreme poverty is one of its major objectives. Without more transfers, particularly greater ones, it is difficult to see how this can occur. This is why one both hopes and believes that we may soon see *Bolsa Família* increase from 0.4 per cent of Brazil's GDP to about one per cent.

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The Impact of the *Bolsa Família* Programme on Beneficiaries' Fertility

by Bruna Signorini and Bernardo Queiroz, Cedeplar/UFMG

The *Bolsa Família* programme¹ provides a benefit up to maximum of three benefits² to every pregnant woman and child up to 15 years of age and another benefit to teenagers between 16 and 17 years old, up to a maximum of two benefits, in families with less than BRL140.00 per capita monthly income. This feature of the programme has led some commentators to fear that it could trigger an increase in fertility of the poor. The possible impact on fertility behaviour has drawn very little attention from researchers, despite being one of the most popular criticisms against Conditional Cash Transfers (CCT) programmes. To our knowledge, only two papers investigate this possible relationship in Brazil: Rocha (2010) and Signorini & Queiroz (2011). The empirical evidence from other countries suggests that CCTs have no significant impact on fertility. The evidence holds for other types of programmes, including those that provide only child care, traditional cash transfer programmes, and income tax exemption policies (Stecklov et al., 2007).

So why should cash transfers affect a person's fertility behaviour? Economic theory suggests that individuals are rational and decide their fertility level while maximizing household utility subject to a budget constraint. Becker and Lewis's (1973) model of demand for children considers that families take into account the quantity and quality of children when deciding the number of children. In other words, less children may lead to more investments in each children holding family consumption constant. The conditional cash transfers programmes may reduce the costs of investing in a child thus leading to a change in fertility preferences

We used the National Household Sample Survey (PNAD) data from 2004 and 2006, which included questions about *Bolsa Família*, to identify the programme's beneficiaries and to investigate the effects of the programme on fertility. We used a regression model based on the first-differences approach and compared the outcomes from each survey year. In order to define treatment and control groups, we used a propensity score-matching methodology to identify comparable matches of beneficiaries (treatment) and non-beneficiaries (control).

The table shows estimates of the difference between treatment and control groups, the average effect of treatment on the

ATT Estimation with Nearest Neighbour Matching Method (random draw version) Bootstrapped Standard Errors – Probability of Having a Child, Brazil, 2004 and 2006

Year	Treatment	Control	ATT	Std. Error	T
2004	812	673	-0.063	0.026	-2.451
2006	2,261	1,055	-0.056	0.016	-3.457

Source: PNAD, 2004 and 2006.

treated (ATT), and the probability of having a child in 2004 and 2006 (based on whether the woman had had a child in the previous year).

The results indicate that, for both years, the probability of a beneficiary having a child in the previous year was smaller than that of the control group. In 2004, this probability was 6.3 percentage points lower for the beneficiary group, whereas it was 5.6 percentage points lower in 2006. Considering signal and magnitude of ATT outcomes, the results indicate that the programme had a negative impact on fertility for both years. It should be stressed, however, that the impact decreased between 2004 and 2006 and overall it is very small. Results are very similar to what was observed by Rocha (2010) using a different methodology.

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Notes:

1. The Brazilian Conditional Cash Transfer programme with approximately 13 million beneficiary families. See more at: <<http://www.mds.gov.br/bolsafamilia>>.

2. This limit has been recently been extended to 5 benefits.

What Determines Exit from Aid-dependence?

by Degol Hailu, UNDP and Admasu Shiferaw, College of William and Mary

At the Fourth High Level Forum on Aid Effectiveness, the African Union stated that 'the post-Busan agenda for Africa is in essence a programme to reduce aid dependency and ultimately exit aid' (AU, 2011: 11). This One Pager sketches out the attributes of an aid exit strategy to inform such an agenda.

We ranked 132 countries based on their aid-to-GDP ratio and grouped them into deciles for the past five decades. The Figure plots the deciles for the 1960s relative to the 2000s. The additional horizontal and vertical lines correspond to the 5th deciles as a threshold for higher and lower degrees of aid-dependence. The 45° line is the locus of countries that have experienced no change in their ranking of aid-dependence between the decades.

Countries below the 45° line have experienced a reduction in their aid-dependence. For example, Botswana was in the 10th decile in the 1960s but reduced its aid-to-GDP ratio to be ranked below the 3rd decile in the 2000s. Conversely, countries positioned above the 45° line became aid-dependent in the 2000s relative to their position in the 1960s. For instance, Ghana was ranked below the 5th decile in the 1960s but joined the 8th decile in the 2000s.

In the upper right quadrant are countries with persistent aid-dependence (they were above the 5th decile in both decades). The majority in this quadrant are located above the 45° line, which means they became even **more** aid-dependent. In this group are Afghanistan, Benin, Cambodia, Guyana, Honduras, Madagascar, Malawi, Nepal, Nicaragua, Uganda and others.

The lower left quadrant contains countries with low aid-dependence. The majority of them moved below the 45° line. They reduced even the small aid-dependence they started with. These include Barbados, Brazil, Chile, Iran, Malaysia, Mexico, Oman, Thailand, Trinidad and Tobago, Turkey and others. Those with a low initial aid-to-GDP ratio are thus unlikely to become aid-dependent.

The countries in the lower right quadrant started with high aid-dependence in the 1960s but reduced it in the ensuing decades (they were below the 5th decile in the 2000s). These include Algeria, Belize, Botswana, Dominican Republic, Fiji, India, Indonesia, Morocco, Panama, Seychelles, Suriname, Tunisia and others. These are the aid-exiters.

The reverse is true for the countries in the upper left quadrant. They became aid-dependent. They were above the 5th decile in the 2000s. These include Ghana, Haiti, Sri Lanka, Sudan and Zambia.

Macroeconomic determinants of exit from aid

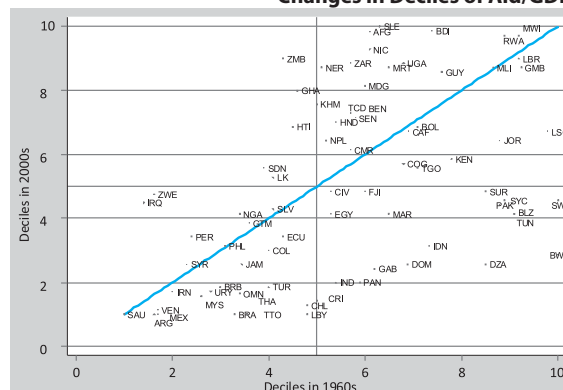
We tested a linear probability model to estimate the probability of exiting from aid-dependence. The analysis shows that the likelihood of exiting from heavy reliance on aid increases significantly with the rate of investment (see Table). While economic growth seems to contribute to graduation from aid dependence, its effect is not statistically significant. We find a statistically significant negative effect of inflation and a growing saving-investment gap on the chances of exiting from aid-dependence. The results also suggest that expansion of manufacturing is relatively more important than the export share of GDP in reducing aid-dependence.

We checked the robustness of the preceding results with a sensitivity analysis. We tested the extent to which the findings could have been driven by the composition of countries and by the starting period. We repeated the exercise using the 1970s and 1980s as starting decades. The results remain intact (see Hailu and Shiferaw, 2011).

Policy implications

Strengthening policies and institutions that promote public and private investment is a reliable path to exiting from aid-dependence. Increasing the flow

Changes in Deciles of Aid/GDP



of aid alone does not in itself lead countries out of aid-dependence if it is not accompanied by capital accumulation.

A functional and well-developed financial system that could support a high level of investment is equally important. A widening saving-investment gap is more than likely to delay graduation from aid-dependence. Donors and recipient countries should, therefore, watch out for aid flows not to inadvertently stifle domestic savings even when levels of investment are high.

Managing inflation is crucial, since it has been shown to reinforce persistent aid-dependence if it remains unchecked. This calls for fiscal and monetary policies that will avoid high and destabilising inflation rates.

We found that even a small increase in the share of manufacturing in GDP has a potential to facilitate an exit from aid-dependence. While the exact nature of policies will differ across countries, a clear industrial policy is a prerequisite for an aid-exit strategy.

If donors and recipients collaborate to support the above-mentioned policy objectives, then aid could be a development tool with diminishing importance.

Probability of Exiting Aid-dependence (n=46)

% of GDP	Coefficients	T-Stat
Investment	0.31	3.11
Saving-investment gap	-0.17	-2.66
GDP growth	0.26	0.47
Inflation	-0.07	-2.58
Exports	0.05	0.57
Manufacturing	0.28	2.15
Constant	0.46	1.04

Sources: Authors' calculations based on OECD and World Bank data.

Notes: Dependent variable is a dummy (=1 if a country reduced its aid-dependence; =0 if a country stays above the 5th decile).

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Securing Greater Social Accountability in Natural Resource Management

by Kishan Khoday, UNDP and Leisa Perch,
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The world is experiencing a historic convergence of increasing demand for natural resources from emerging economies, prices at record levels across various commodity groups, a downward trend in resource supply, serious trends of ecological instability, and the rise of inequality between those who develop and profit from such resources and the communities that host them. As the world convenes in 2012 for the Rio+20 Earth Summit and marks 50 years since the passage of the UN Declaration on Permanent Sovereignty over Natural Resources, natural resources are once again changing the geopolitical landscape of countries around the world. Three and a half billion people—half of the global population—live in 56 resource-rich and resource-dependent developing countries, representing less than one third of the 193 members of the UN.

Accordingly, increasing debates over resource scarcity and resource sovereignty are also accompanied by a dramatic rise in social movements for equity and justice. Profit-led growth, in the form of record commodity prices and corporate profits, has been coupled with a growing gap between urban industrialists and market speculators, on the one hand, and rural communities, on the other hand, who live on a treasure trove of natural assets but are often excluded from sharing the benefits yet suffer the impacts of ecological change. Traditionally, control over natural resources has been central to state legitimacy and corporate power around the world. A new area of interest-based social accountability politics is moving the pendulum sharply towards rights-based, accountability-driven mechanisms which hold the state and all actors more publicly accountable.

Such efforts, often anchored in both social accountability and law reform, seek to redress the balance between economic efficiency, social fairness and ecological sustainability, and shift the nature of resource governance from rent-based to interest-based negotiation and decision-making. In so doing, proponents of change pose questions on the nature of wealth and power in society. Alongside measures to better account for extractive-sector revenues, strong institutional frameworks and principles are needed to secure the long-term value of ecosystems, increase equity in access and benefit-sharing, sustain poverty reduction measures and prevent impacts on the poor, prevent conflict and generate new growth opportunities beyond resource-dependent sectors. While investments in natural assets surpassed USD300 billion in 2010 and commodity prices hit record highs, it is hard to ignore that much of the planet's remaining resources lie in rural areas where more than two thirds of the 1.4 billion people currently living in extreme poverty reside.

Countries around the world are now adapting natural resource policies and laws to calls for social accountability. Our paper highlights a number of examples. In Africa, a number of potential reforms for the management of mineral resources suggest some of the options available to narrow the gap between public goods and private benefits. Efforts in Ghana, Guinea, Sierra Leone, the Central Africa Republic, Niger and South Africa highlight

both possibilities and challenges. Chad's petroleum law, for example, sets 10 per cent of oil revenues for poverty reduction initiatives (Khoday and Perch, 2012). In China, India, Mongolia and Indonesia, policy reforms speak of efforts to both reduce the negative environmental and health effects of mineral extraction and improve mechanisms for managing revenues both for development and ensuring that revenue streams are also targeted directly to local needs and interventions. Similarly, reforms are also underway in Chile, Colombia and Paraguay in Latin America. The expanded use of indigenous autonomy regimes is also on the rise, with Brazil, Peru and Bolivia making notable advances in embedding prior consent, participation and benefit-sharing in new or updated systems and laws. In Bolivia, with support from the UN system, consultations have directly engaged indigenous women, drawing attention to the specificity of their concerns and needs and the need for their participation to be assured and mainstreamed in the public policy process. Ongoing efforts highlight among other things the need for solutions which are better suited to the constructs of nature and society within indigenous communities.

Alongside these reforms are other efforts within the private sector and increased attention to public-private partnerships to resolve the tensions particularly between the social economy and the environment. Here, South-South learning and information exchange present a significant opportunity particularly for the necessary translation and adaptation of models to individualised country needs. New knowledge-sharing platforms to engage emerging economies in ways to integrate equity and sustainability into outward investments are needed and can build on positive and negative experiences from developed countries to catalyse innovative solutions.

As we draw closer to Rio +20, greater policy attention is needed in directing emerging models for a green economy and green growth towards the growing challenges of making the management of natural assets more socially accountable. The political dimensions of such questions cannot be ignored either. New principles of resource governance which define the collective future we want must, therefore, be anchored in inclusion as well as sustainability. In mediating the trade-offs and synergies between the short, medium and long term and between global/national public goods and group/individual rights and benefits, institutional frameworks are fundamental for sustaining the transition to a more inclusive and sustainable model of growth and development

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Intersections between Exchange Rate and Inflation Policies in IMF Recommendations

by Raquel Almeida Ramos, International Policy Centre for Inclusive Growth (IPC-IG)

Several developing countries have adopted a free floating exchange rate regime in recent years, especially after the late-1990s currency crisis. This regime is being advocated based on the argument that it would smooth domestic and international shocks and allow monetary policy independence. Within this framework, central banks would be able to make use of monetary policy with the sole goal of fighting inflation, which, in turn, would be enough to stabilise output. Regardless of the simplicity of this policy combination, it might not be effective in every country. Some important country-specific circumstances must be considered when analysing the possible implications and potential complications of such a policy framework.

One important issue is the impact that exchange rate volatility can have on an economy, and, among other aspects, on inflation. This is even more relevant to developing countries, where exchange rate volatility tends to be higher, contributing to a higher exchange rate pass-through to inflation. The higher exchange rate volatility in developing countries, in turn, stems from their greater vulnerability to external shocks and the lower liquidity of their currencies in international markets. As a result of these two characteristics, the impact of the exchange rate on inflation is greater in developing countries.

A second important issue is the limitation of controlling inflation through monetary policies. A first restriction is the weak transmission mechanism of monetary policy in some developing countries—meaning that the effectiveness of the policy might be only partial. Another limitation is the output cost implied in the policy, which, depending on the country's economic situation and prospects, might not always be optimal.

Given this specific context of developing countries—of significant shocks from the exchange rate to inflation and the limitations related to monetary policy—controlling exchange rate volatility is very important in the fight against inflation. Indeed, policymakers would be opting for a more interventionist approach to curb inflation—the fear of floating would in fact be a fear of inflation. Moreover, that does not require abandoning monetary policy independence, as such control is effected through direct interventions in the exchange rate markets. An illustration of this rethinking of the intersection between exchange rate and inflation was its recognition inside the International Monetary Fund (IMF). Blanchard (2011) stated that developing countries' central bankers were right to care about the exchange rate and affirmed the need to fight inflation through different instruments.

Regardless of the importance of these issues in developing countries' policymaking and the apparent receptiveness of IMF headquarters, the IMF's recent policy recommendations remained focused on pushing for full exchange rate flexibility and were highly focused on the use of monetary policy as the sole instrument for fighting inflation. This was done even in cases when the analysis showed that this policy

combination would clearly create policy challenges or had recently created problems (Roy and Ramos, 2011).

The case of Paraguay is a good example. As the country report presents, Paraguay has a sizeable exchange rate pass-through and a weak monetary transmission mechanism, which makes exchange rate intervention a very important instrument to fight inflation. Moreover, controlling exchange rate variability would also be important to preserve stability, due to the high dollarisation of the country's financial sector. Nevertheless, the IMF considers that these interventions are a confusing signal about its commitment to low inflation and recommends the authorities to avoid them.

Moldova also has a still underdeveloped transmission mechanism, and recent inflation drivers had been mainly cost-push. In this case, limiting exchange rate volatility seems to be an appropriate option. Nevertheless, the IMF recommends exchange rate intervention to be limited, aiming at smoothing erratic movements only.

In the case of Egypt, the IMF mentions that exchange rate changes are important for building inflation expectations. Nevertheless, it advises the country's authorities to allow greater exchange rate variability along with the country's transition towards a fully-fledged inflation targeting regime. However, given the exchange rate's impact on inflation, such a policy would increase—rather than decrease—inflation variability and, therefore, also inflation. Moreover, limiting exchange rate variability in the context of the inflation targeting (IT) regime should not be discouraged, as it can coexist with monetary policy independence. The country authorities have shown concerns over this policy advice; they defended their more interventionist approach and underscored the importance of protecting the economy from excessive volatility.

In the case of Vietnam, the IMF advised the country to move towards a more flexible exchange rate regime at the same time that, in a contradictory manner, it mentioned the importance of exchange rate stability in attracting foreign direct investment (FDI) and in building the country's favourable economic outlook.

In conclusion, the IMF resists recommending policies aimed at averting excessive exchange rate volatility, despite their important role in helping to control inflation and in promoting economic stability. Developing countries, on the other hand, have been assuming a different position: they are implementing more interventionist policies and stating their concerns over the IMF's advice. The lack of a constructive debate with regards to these policies is worrying, given the importance of the exchange rate and of inflation, and given that the IMF has a primary role in securing a stable international monetary system.

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The IMF on Fiscal Policy: Staying the Course Amidst Waves of Change

by Raquel Almeida Ramos and Rafael Ranieri, International Policy Centre for Inclusive Growth (IPC-IG)

The global crisis has prompted many reflections on economic policies and the role of international economic institutions. Whereas some changes are already in progress based on these, and others might be impending, the International Monetary Fund (IMF) was not prompt in revising its policy recommendations. With respect to fiscal policy, IMF recommendations continued on an unwavering course, although the rethinking in economic policy caused by the crisis combined with internal and external evaluations of IMF recommendations that have been implemented to create a demand for the reformulation of the IMF's approach to fiscal policy. As denoted by its 2010 Article IV reports, IMF recommendations remained steadfastly committed to a single approach to fiscal policy, one focused on short-term fiscal tightness rather than on long-term development (Roy and Ramos, 2012).

The fiscal policy recommendations in the IMF's 2010 Article IV reports lack attention to country-specific circumstances and invariably favour fiscal tightening over fiscal spending. The push for fiscal tightening is informed by a view of fiscal space as 'the gap between the current level of expenditure and the maximum level of expenditures that a government can undertake without impairing its solvency' (Development Committee, 2006:14). By emphasising the short-term fiscal condition, this view neglects the broader aspects—in scope and time—of the development process. As pointed out by Roy et al. (2009), this understanding of fiscal space thus fails to acknowledge the long-term impact of fiscal spending on development objectives and future fiscal conditions.

The focus on the short-term fiscal condition evinces the prevalence of the understanding of a country's fiscal stance as both a requirement and core contributor to its macroeconomic stability and economic prospects. According to this understanding, fiscal policy better serves a country by working towards improving its fiscal condition. However, this view is not attuned to either evaluations of past IMF recommendations or current circumstances in many countries, particularly in the context of the global crisis. These underscore the fundamentally different understanding that macroeconomic stability anchored in a forward-looking fiscal space framework eclipses the short-term fiscal condition in generating the best developmental outcomes.

The inadequacy of the inexorable focus on the short-term fiscal stance in IMF reports is demonstrated by several incoherencies. First, some countries facing weak economic prospects in the aftermath of the crisis were advised to engage in fiscal tightening. Jordan was understood to have an unpromising economic outlook, which included the persistence of high unemployment, but the IMF nonetheless recommended fiscal consolidation, emphasising a reduction in public expenditures. Though adversely affected by a reduction in remittances, El Salvador and Moldova were advised to raise tax revenues and reduce spending. In the same vein, the IMF recommended fiscal consolidation to Albania and Guinea-Bissau, even though their economic prospects were considered weak and uncertain.

Second, there were reports in which fiscal consolidation was recommended, even though the country enjoyed a reasonably good

fiscal situation in terms of debt-to-GDP ratio and general debt outlook. Despite its positive debt outlook, Colombia was advised to pursue further improvements in its fiscal condition to improve its ability to cope with fiscal risks, should they materialise. The advice is further supported by the argument that it would enhance the chances of a credit rating upgrade, which highlights the primacy attributed to the short-term fiscal stance *vis-à-vis* macroeconomic stability within a long-term developmental perspective. In the case of Vietnam, although the IMF finds it at a low risk of debt distress and recognises both the need for investments in human and physical capital and the risk of imposing a significant shock for the Vietnamese economy, it nonetheless advised the country to adopt measures to lower its debt.

Third, in the post-crisis context of cheaper external financing possibilities, the IMF recommended external borrowing in the absence of detailed risk assessments and in violation of the principle of prioritising sustainable funding sources, which advises favouring domestic over external funding, especially for countries with high exchange rate volatility. What is more, this happened even for countries with cheap domestic funding options. Egypt, with a low external debt ratio, was advised to use foreign financing to extend its debt maturity while concomitantly increasing exchange rate flexibility as a shock absorber, which nonetheless also increases external exposure. As a dollarised economy, El Salvador is exempt from exchange rate risk, but for the same reason it has access to funding at rates comparable to those in the external market, and yet the IMF urged the country to take advantage of external market conditions. In turn, Ethiopia, with cheaper domestic funding and public debt financed mainly domestically, was advised to reduce its emphasis on domestic financing.

Finally, fiscal consolidation was recommended to countries that by virtue of command over important mineral resources did not have fiscal problems. For instance, as a net creditor with perceivably low credit risk and substantial savings in its Pula Fund to protect its exchange rate regime, Botswana enjoyed a reasonably sound fiscal position. In spite of that, the IMF advised fiscal consolidation, citing a need to ensure fiscal and external sustainability, notwithstanding Botswana's need to invest in transforming its economy in preparation for times with reduced mineral wealth.

By offering fiscal policy recommendations out of sync with current circumstances as considered against the backdrop of long-term developmental trajectories, the IMF fails to play a constructive role towards either the development of individual countries or global economic stability and prosperity. To remedy that, the IMF must confront the imperative of revising its policies and positions more promptly.

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Rethinking Inflation: IMF Recommendations Fall Short

by Raquel Almeida Ramos and Jan-Willem Lammens,
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Two trends had been clear in recent years: 'the anti-inflationary target moved the employment objective to a secondary position' and, with regards to the instruments, 'monetary policy was established as *the macroeconomic policy par excellence*' (Frenkel, 2006). This focus was questioned in the aftermath of the 2008/9 crisis, when some policymakers found themselves challenged by increasing inflation at a period when a supportive monetary stance was demanded. The focus on inflation itself was built on the broadly assumed understanding that stable inflation resulted in a stable output gap (c.f. 'divine coincidence'). This argument is the concern of a deep rethinking, illustrated by Blanchard (2011), who once introduced the benchmark 'divine coincidence' and today questions the coincidence between inflation stability and the output gap. The implicit consequence for central bankers would be that they have to watch both inflation and the output gap, if they care about macro stability.

Roy and Ramos (2012) study the IMF policy recommendations for 26 developing countries in 2010 and find that, regardless of this important rethinking of inflation policies (outside as well as inside the IMF), no fundamental reformulations had been incorporated within the recommendations to developing countries.

First, considering that a significant reduction in inflation levels through monetary policy tightening can have important output costs, it is essential to take into account a cost-benefit analysis. This is especially true in developing countries, where capacity to make use of expansionary fiscal policy might be limited and the threshold of a negative impact of inflation on growth is higher. However, IMF inflation analyses proved to be rather superficial, mostly reduced to one or a few sentences on the inflation source. No debate on the costs of inflation and the costs of the policies proposed was provided. The most complete inflation analyses were done for India and China, but other reports provided almost no consideration of the adequate level of the target.

Second, the recommendations focus on fighting inflation and overlook the broader economic context. The IMF's report written for Colombia was the only one to clearly consider the economic situation, not just inflation. As they consider the sources of inflation and the need to support economic recovery, the policy recommendations to Colombia seem more coherent.

Third, these recommendations that focus on fighting inflation tend to envision solutions solely through monetary policy (which is designed *per se* to control demand-led inflation only), even in countries where the IMF attributed inflation to supply factors, such as food, or energy prices, exchange rate movements or increases in taxes. Exceptions were some of the larger emerging developing countries, which, with the extra challenge of dealing with excessive capital inflows, were advised to make use of fiscal policies to fight inflation.

In the case of Jordan, the report states that inflation is projected to increase in line with imported commodity (energy and food)

prices and advises the Central Bank to tighten monetary conditions if inflation accelerates. A similar recommendation was given to Indonesia, which, apart from having a distinct supply-side inflation, was being challenged by excessive capital inflows—two reasons why a monetary tightening would not be appropriate.

The argument commonly used by the IMF is that monetary policy controls inflation expectations or contains second-round inflation effects. However, why should policymakers fight inflation through its second-round effects or through expectations only? Other policy mechanisms which affect current inflation by being coherent with the inflation source could lower inflation and, therefore, control inflation expectations as well.

Fourth, the choice of the Inflation Targeting regime (IT)—which has been a trend among developing countries—was often praised by the IMF. Although the IT design suits several countries well, some countries do not meet all the assumptions held by the regime's design; therefore, its projected effectiveness generalised over countries should be called into question. However, the analysis of IMF reports shows that it recommends the implementation of the IT regime or welcomes its use regardless of the countries' specificities.

A possible limitation of the use of the IT regime is shown in the case of Moldova. As the report shows, the country has a weak monetary transmission mechanism. In this case, the sole use of monetary policies is limited, as it has little influence in demand conditions.

In the case of South Africa, the report acknowledges another important restriction of the IT regime: that it is designed for forward-looking agents. This is not the case in South Africa, which has relatively sticky inflation series due to the behaviour of backward-looking agents. Nevertheless, the IMF concludes that the regime is positive. In this case, even if the regime were able to have an effect on inflation, this would have to be done through a much tighter policy stance, the higher output costs of which should not be forgotten.

Lastly, countries that were receiving significant portfolio inflows after the global financial crisis faced complex challenges of fighting inflationary pressures. Given this context, the usual increase in interest rates was not the most adequate response. Nonetheless, the IMF recommended monetary tightening in cases such as Peru, India, Indonesia and Thailand, despite recognising that these countries are plagued by excessive inflows of volatile capital.

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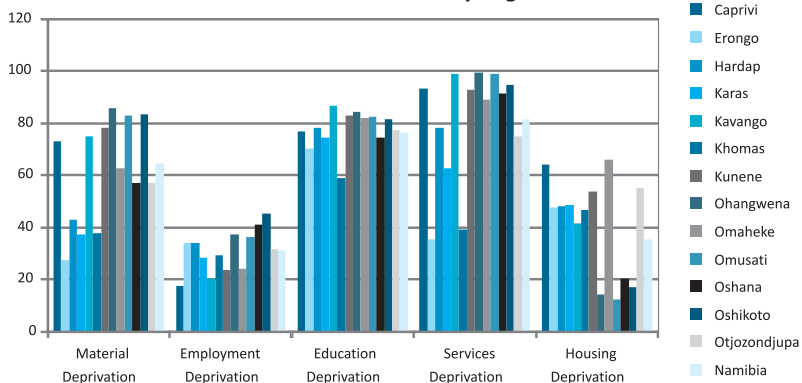
A Review of Regional Patterns of Multiple Deprivation in Namibia

by Ojijo Odhiambo, UNDP, Namibia

Namibia, classified as an upper middle-income country with an estimated per capita Gross Domestic Product (GDP) of USD5,502, remains one of the most unequal societies in the world, not only in terms of income levels but also with respect to access to basic services. While the economy has grown steadily in the recent past, with the exception of 2009, the country is still faced with the twin problems of high levels of poverty and unemployment. And as the deadline for achieving the Millennium Development Goals (MDGs) draws near, there are mixed results, with good progress recorded with respect to attainment of universal primary education, gender equality and empowerment of women, reduction in infant mortality, reduction in HIV prevalence, and ensuring environmental sustainability. Maternal deaths, however, remain high, with a doubling of the numbers between 1992 and 2006.

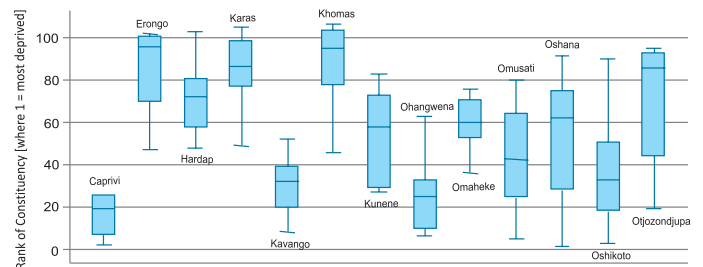
Still, national aggregate figures often mask sub-national and local-level realities with respect to progress towards the MDGs and, specifically, the state of deprivation with respect to access to basic services. A review of deprivation at the sub-national level reveals wide inter- and intra-regional variations in the rates of deprivation—that is, percentages of populations that are deprived of basic services, as shown in Figure 1.

FIGURE 1. Access to Basic Services in Namibia, by Region



In terms of multiple deprivation, estimated at the constituency level but aggregated and presented at regional level, Caprivi, Ohangwena, Oshikoto and Kavango regions have their constituencies concentrated at the most deprived end of the spectrum, while Hardap, Erongo, Karas and Khomas, in that order, have their constituencies concentrated in the least deprived part of the national distribution, with Omasati, Oshana, Kunene, Otjozondjupa and Omaheke occupying the middle range, as shown in Figure 2.

FIGURE 2. Namibian Index of Multiple Deprivation 2001, Constituency Level by Region: Interquartile Range



These findings point to wide variations in the rates of deprivation in the six domains and provide a useful starting point for interrogating the reasons for the existence of such wide inter- and intra-regional inequality and inequity in access to basic services. The study also provides a useful basis for informing public policy discourse with regards to resource allocation and, importantly, ring fencing and targeting those resources to areas or sectors where the particular regions are most deprived, as part of an overall re-design of the country's development

planning landscape. The study could also be useful in providing a basis for linking development to the exercise of political and other forms of leadership, and accountability for results and impact, at the lowest possible level. The findings of this study could also make a useful contribution to policy and decision-making related to the institutionalisation of the Namibia Index of Multiple Deprivation-weighted Equalization Fund (NIMDEF). In that context, regions, and subsequently constituencies, would receive and apply development funds, including the three-year, multi-billion-dollar Targeted Intervention Programme for Employment and Economic Growth (TIPEEG), on the basis of the relative weights of their index of multiple deprivation and population size. More broadly, the study could be useful as the country moves towards a green economy driven by a combination of public and private investments that reduce carbon emission and pollution, enhance energy and resource efficiency and prevent the loss of biodiversity and ecosystem services, with the aim of improving human well-being and social equity.

Reference:

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Global Poverty Measurement: A Reassessment

by Khalid Abu-Ismaïl and Gihan Abou Taleb, UNDP-RCC
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Money-metric indicators of poverty are a powerful tool to understand human deprivation. However, as the measurement of money-metric poverty lends itself to a wide range of definitions, theories and methodologies, there is often little agreement, even among poverty experts, on basic questions such as: How many poor people are there in the world today? Have developing countries been successful in reducing poverty? This paper addresses those two questions.

First and foremost, the authors argue that the choice of an appropriate poverty line is a crucial pre-requisite for sensible measurement of money-metric poverty. A poverty line can be held constant over time and across countries, as has been the practice in the specialised literature (e.g. the World Bank's famous USD1 per day per person purchasing power parity (PPP) poverty line).

However, PPPs do not equate purchasing power across countries. Thus, as argued elsewhere,¹ the cost of the same bundle of goods and services of similar quality will generally be higher in richer countries even in PPP terms. In that case, the USD1.25 line (and indeed any fixed poverty line) cannot serve as a reliable measure of poverty outside the poorest countries.

A more sensible approach for international comparisons, as argued in this paper, would need to allow the poverty line to be related to changes in the standard of living between countries. To that end, it is important to note that we accept the World Bank's basic idea of relying on national poverty lines to construct a globally comparable poverty measure. However, we reject the assumption that this measure should be constant, or that it should be based on the national poverty lines of the poorest countries only. Rather, we argue that an internationally comparable poverty line should be based on well-established stylised facts regarding the relationship between national poverty lines and average per capita expenditure (in 2005 PPP) across *all developing countries*. Once established, this poverty line can then lead to a more realistic estimate of global poverty.

Three steps are required to reach this new poverty estimate. First, using data from over 300 household surveys covering 107 countries, we establish a robust regression equation between both variables. Second, we use the regression equation to estimate our

Headcount Poverty Rates for Developing Regions According to USD1.25 and Authors' Estimated Poverty Lines (PL), 1990–1999 and 2000–2009

	Headcount Poverty Rate (%) in 2000s	
Arab countries	3.9	21.5
East Asia & Pacific	16.9	28.1
Europe & Central Asia	1.7	20.3
Latin America & Caribbean	5.5	32.4
South Asia	40.3	37
Sub-Saharan Africa	49.8	47.3
Developing region	23.6	31.8
	Poverty Change (%) from 1990s	
Arab countries	-35.7	-8
East Asia & Pacific	-55.1	-21.8
Europe & Central Asia	-50.5	-11.1
Latin America & Caribbean	-41.6	-22.7
South Asia	-14.3	-6.1
Sub-Saharan Africa	-16.3	-12.5
Developing region	-32.3	-14.4

Source: Authors' estimates based on World Bank POVCAL online datasets and UNDP Poverty Assessment Reports for Arab Countries.

country-specific poverty line. Third, we apply these poverty lines to the World Bank POVCAL dataset to calculate new poverty rates.

The main finding, shown in the table, is that developing countries may be significantly poorer than conventionally thought, with hundreds of millions more people living in poverty. More alarmingly, with only a 14.4 per cent reduction in poverty since 1990, the world may be far less successful in its fight against poverty and as such may be missing the target of halving poverty by 2015.

The regional story is also quite different depending on the poverty measure used. Our methodology leads to the conclusion that Latin America is the leader in poverty reduction among developing regions, followed closely by East Asia. Conversely, South Asia and Arab regions had the slowest pace of poverty reduction. This outcome can be explained in part by slower growth and sharply rising inequality in both regions, which the authors conclude is the case based on comparing survey and national accounts data for both regions.

Note:

1. See, for example, Reddy, S. (2009). 'The Emperor's New Suit: Global Poverty Estimates Reappraised', SCEPA Working Papers 2009-11. Schwartz Center for Economic Policy Analysis (SCEPA), The New School.

Evaluating the Impact of Cash Transfer Programmes in Sub-Saharan Africa¹

by Benjamin Davis, FAO; Marie Gaarder, NORAD; Sudhanshu Handa, UNC and Jenn Yablonski, Unicef

The conditional cash transfer (CCT) revolution in Latin America and the Caribbean, beginning in the mid-1990s and continuing to this day, heralded a new prominence and acceptance of applying rigorous impact evaluations to social programmes. Beginning with the landmark impact evaluation of the Mexican PROGRESA programme in 1998, almost all programmes in this new generation of social programmes were accompanied by experimental, or non-experimental but rigorous, impact evaluations. These impact evaluations radically advanced the state of knowledge on CCTs, leading to improved implementation in their respective countries, but also pushing forward in terms of methodology, technique, design, sampling and analysis of impact evaluation data.

The Latin American experience in impact evaluation, however, may soon be rivalled. Sub-Saharan Africa has begun its own cash transfer (CT) revolution. And, more importantly for the discussion here, African countries have followed a similar pattern of rigorous impact evaluation. As can be seen in the table, rigorous impact evaluations, experimental and non-experimental, have been carried out or commissioned on government-run CT programmes in no fewer than 14 countries in the last few years.

Impact evaluation of cash transfer programmes in sub-Saharan Africa

The impact evaluation of CT programmes in sub-Saharan Africa is marked by a wide variety of designs, most of which respond to the particular challenges of conducting impact evaluations on existing or planned government-led programmes. While experimental design remains the goal of most evaluation frameworks in the region, non-experimental methods are often required, given the reality of programme implementation, particularly community-based targeting, which hinders perfect mimicking in targeting for controls.

The focus of the first generation of impact evaluations reflects the nature of the programmes themselves. Concern about vulnerable populations in the context of HIV/AIDS has driven the objectives and targeting of many of these programmes, leading to the emphasis in terms of target population on people who are ultra-poor, labour-constrained and/or caring for orphans and vulnerable children (OVC). The objectives of most of these programmes focus on food security, health, and nutritional and educational status, particularly of children; therefore, as would be expected, the accompanying impact evaluations concentrate on measuring these dimensions of programme impact.

The second generation of impact evaluations currently underway is exploring several new research questions and in some cases using innovative techniques to do so. First, inspired by the potential for cash transfers to mitigate HIV risk, a number of new evaluations are capturing information on sexual debut, partner characteristics, perceptions about

Cash Transfer Programme Impact Evaluations in Sub-Saharan Africa

- | | |
|---|--|
| <ul style="list-style-type: none"> • Malawi SCT <ul style="list-style-type: none"> – Mchinji pilot, 2008–2009 – Expansion, 2012–2013* • Kenya <ul style="list-style-type: none"> – CT OVC, Pilot 2007, 2009, 2011* – CT OVC, Expansion, 2012–2013* – HSNP, Pilot 2010–2011* • Mozambique PSA <ul style="list-style-type: none"> – Expansion, 2008–2009 • Zambia <ul style="list-style-type: none"> – Monze pilot, 2007–2010 – Expansion and child grant, 2010–2013* • South Africa CSG <ul style="list-style-type: none"> – Retrospective, 2010* • Burkina Faso <ul style="list-style-type: none"> – Experiment, 2008, 2009, 2010* • Sierra Leone <ul style="list-style-type: none"> – Pilot, 2011–2012* | <ul style="list-style-type: none"> • Ethiopia <ul style="list-style-type: none"> – PNSP, 2006–2010 – Tigray SPP, 2012–2014* • Ghana LEAP <ul style="list-style-type: none"> – Pilot, 2010–2012* • Lesotho, CSP <ul style="list-style-type: none"> – Pilot, 2011–2012* • Uganda, SAGE <ul style="list-style-type: none"> – Begins in 2012* • Zimbabwe, SCT <ul style="list-style-type: none"> – Begins in 2012* • Tanzania, TASAF <ul style="list-style-type: none"> – Pilot, 2010–2011* • Niger <ul style="list-style-type: none"> – Begins in 2012* |
|---|--|

*First- and Second-generation**

peer behaviour, marriage and pregnancy. Second, related to mitigation of HIV risk, a number of new evaluations examine psycho-social status (PSS) and mental health, which have long been considered a factor associated with HIV risk among OVC.

The third evaluation question relates to the issue of conditionality, around which critical questions remain unanswered. The final set of new questions relates to the overarching issue of whether and how CT programmes can contribute to overall economic growth. A number of new evaluations contain detailed information on household income-generation activity, both on- and off-farm. Moreover, many are also collecting a separate business enterprise survey to model the programmes' effects on the local economy. However, a household's propensity to engage in risky ventures presents such questions in order to measure discount rates and to help identify the degree of risk aversion.

As new data emerge from these second-generation impact evaluations, there is substantial opportunity to enrich the evidence on the impacts of cash transfers in sub-Saharan Africa and to better understand the effectiveness of design and implementation variations in the region. Furthermore, this second generation promises to advance the types of evidence available on cash transfers globally and contribute to new evaluation methodologies.

Note:

1. Davis, B. et al (2012) Evaluating the Impact of Cash Transfer Programmes in sub-Saharan Africa: an Introduction to the Journal of Development Effectiveness Special Issue. Journal of Development Effectiveness, Vol. 4(1): pp.1-8.

This One Pager is a partnership between the IPC-IG and The Transfer Project.

Does Kenya's Unconditional Cash Transfer for Orphans and Vulnerable Children have Impacts on Schooling?

by Kenya CT-OVC Evaluation Team

The Kenya Cash Transfer for Orphans and Vulnerable Children (CT-OVC) is the Government of Kenya's flagship social protection programme, currently reaching approximately 130,000 households across the country. Its objective is to provide regular cash transfer payments to families living with OVC to encourage fostering and retention of children and to promote their human capital development. Eligible households, those who are ultra-poor and contain an OVC, receive a flat monthly transfer of KES1500 (approximately USD20). An OVC is defined as a household resident between 0 and 17 years old with at least one deceased parent, or who is chronically ill, or whose main caregiver is chronically ill. The programme is unconditional, although households are informed that the care and protection of the resident OVC is their responsibility for receiving the cash payment.

The evaluation

Prior to expansion of the programme in 2007, UNICEF and the Government of Kenya designed a social experiment to track its impact on a range of household and child welfare indicators. The evaluation design was a location-randomised social experiment with a baseline household survey conducted in 2007 and a 24-month follow-up in 2009. Within each of seven districts across the country, four locations were identified as eligible, and two were randomised out of the initial expansion phase and served as control locations. The evaluation sample contains 2234 households, of which two-thirds are from intervention locations.

Expected programme impacts

An unconditional cash transfer programme such as the CT-OVC will primarily exert an income effect on household demand for human capital. We would, therefore, expect the programme to have significant effects in outcomes that are sensitive to income or total expenditure; that is, where the income or total expenditure elasticity is large or where income plays an important role in restraining demand. In Kenya, government primary schools are free, but there are still out-of-pocket direct costs such as for travel, food, uniforms and shoes. These out-of-pocket costs are larger at the secondary level because of school fees and because the network of secondary schools is smaller, so average travel time is greater. Finally, the opportunity cost of schooling rises dramatically at the secondary level. Given the institutional environment and programme design, we expect the CT-OVC to have a larger impact on secondary school outcomes, among households that are further away from schools, and among older children.

Results

Kenya CT-OVC Evaluation Team (2012) estimate difference-in-differences programme impacts on school enrolment separately for primary- and secondary-age children. As expected, there are no programme effects for primary-age children (aged 6–12) but a statistically significant positive impact at the secondary level (children aged 13–17 years) of 7.8 percentage points, representing a 9 per cent increase at the mean.

We define two other indicators, grades behind (actual grade subtracted from 'expected' grade assuming on-time entry and no repetition) and grade progression (whether or not the child moved up in grade between 2008 and 2009). These indicators are only defined over the sub-set of children enrolled in school at baseline, and impact estimates are based on cross-section estimates using follow-up data only. For these two indicators we again find positive programme impacts at the secondary level but not the primary level. Secondary-age children in intervention households are 0.096 fewer grades behind (about 7 per cent at the mean) and 5 per cent more likely to progress to the next grade between 2008 and 2009.

Heterogeneous treatment effects by school costs

To test whether programme effects vary by the price of schooling, we construct two indicators that reflect the 'price' of schooling. The first is a dummy variable indicating whether the school is more than 2km away, and the second is a cost index which is the sum of dichotomous variables indicating whether the school will not allow students to attend without shoes, without uniforms and—for primary schools only—whether or not extra fees are charged. About a quarter of children must pay extra fees, half must wear uniforms, and three-quarters must wear shoes. Only 10 per cent of children live more than 2km from a government primary school, but about half of all children live more than 2km from a government secondary school.

We find strong positive impacts of the CT-OVC on primary school children who face higher 'prices'. Among households living over 2km from a primary school the treatment effect on current enrolment is 19 percentage points, and grades behind is 0.18 lower, while enrolment is 6 points higher and grades behind 0.31 lower for each unit increase in the primary school cost index. The programme also mitigates some of the negative effects of secondary schooling, particularly grades behind, where the programme effect is 0.324 among children living more than 2km from a secondary school.

Results in an international context

A recent World Bank review (Fiszbein and Schady, 2009) of the impact of *conditional* cash transfers on school enrolment reports three estimates for samples comparable to the secondary age group of 13–17 reported here. Those three impact estimates are 12 (Bangladesh ages 11–18, females only), 5.6 (Colombia ages 14–17) and 5.2 (Turkey, secondary schooling), while the estimate we report here is 7.8 percentage points. This illustrates that the schooling impacts of the Kenyan *unconditional* CT-OVC is well within the range of impacts observed elsewhere for *conditional* programmes.

References:

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This One Pager is a partnership between the IPC-IG and The Transfer Project.

Does Community-based Targeting Really Work in Cash Transfer Programmes in Africa?

by Nicola Hypher, SCUUK and
Fábio Veras Soares, IPC-IG

Social transfers are increasingly seen as a key tool in Eastern and Southern Africa to combat the triple threat of chronic poverty, hunger and HIV/AIDS. Targeting effectiveness in defining which groups are eligible and how these groups are identified is fundamental to the impact of these programmes.

There is a key distinction between the targeted cash transfer programmes in Latin America and those in Africa, which use 'community-based' targeting (CBT), thereby incorporating a more substantial role of the community in the overall selection of beneficiaries, albeit following or based on other targeting criteria (geographic, demographic and proxy-means testing). To help better understand some of the different targeting approaches in Eastern and Southern Africa and their effectiveness, Handa et al. (2012) examine cash transfer programmes in Kenya, Malawi and Mozambique which are very different in other aspects but all use some level of CBT.

Previous studies, looking at the impact of CBT, have demonstrated various outcomes. CBT can potentially lead to an increase in local participation and to the empowerment of marginalised community members, thereby improving targeting effectiveness. However, it is claimed that elite capture can undermine targeting effectiveness, with a few community leaders delegating resources to community members on a basis other than actual need or more politically active communities crowding out less vocal communities in need.

Genuine community involvement in identifying beneficiaries and in ensuring the process is fair and transparent is time-consuming and resource-intensive. In addition, a community's poverty assessment may be subjective, may not correspond with the poverty characteristics as defined in programme design and are unlikely to be comparable across communities; therefore, there may be challenges operating CBT on a national scale.

The three programmes in Kenya, Malawi and Mozambique are implemented in selected geographical regions and have demographic eligibility criteria. In all three cases, the demographically eligible group is poorer than the national average. The programmes also use CBT based on poverty-based criteria to focus on a smaller group of relatively poorer households.

The table summarises the targeting performance of each programme and compares it to other programmes worldwide as reported in

Summary of Targeting Performance

	All programmes	Cash transfer programmes only
Coady et al. (2004)	1.22	1.80
Malawi SCT	1.29	3.67
Kenya CT-OVC	3.68	2.72
Mozambique PSA	2.13	1.73

Coady et al. (2004). The indicator used refers to the proportion of the beneficiaries among the 20 per cent poorest divided by 20 per cent, which gives an idea of how concentrated among the poorest the beneficiaries are. Each of the three African social cash transfer programmes have a targeting performance that is better than the mean for the 122 programmes assessed by Coady et al., and all do better when restricting the analysis to households with the same demographic eligibility criteria (Column 2). Both the Malawi SCT and Kenya CT-OVC have scores that are higher than 1.80, while the Mozambique PSA has a score that is slightly lower at 1.73.

Despite this good performance in the quantitative assessment, qualitative surveys find some evidence of communities perceiving the programmes as unfair. Also, challenges were found around the lack of clarity in the eligibility criteria, communities lacking understanding of the programmes, and problems with the quotas in each geographical area not reflecting poverty levels, resulting in exclusion. To improve the effectiveness of the CBT, the evaluations recommend clarity around eligibility criteria, increased training for committee members, improved sensitisation of communities and ensuring an effective appeals and complaints mechanism.

Targeting effectiveness is strongly associated with the use of multiple targeting instruments and quality of implementation rather than the use of any one instrument *per se*. In that sense then, the results from this analysis are clear: CBT targeting can be implemented successfully to reach the poor in Africa.

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This One Pager is a partnership between the IPC-IG and The Transfer Project.

Do Unconditional Social Cash Transfer Schemes have Productive Impacts in Malawi?

by Katia Covarrubias and Benjamin Davis,
FAO and Paul Winters, American University

In 2006, the Government of Malawi initiated the Social Cash Transfer (SCT) programme as part of a poverty reduction strategy that targeted ultra-poor, labour-constrained households. The SCT programme is an unconditional cash transfer designed to reduce poverty, hunger and starvation, and improve school enrolment and attendance and the health and nutrition of children among the poorest 10 per cent of households in Malawi. The programme currently reaches over 28,000 households and is expected to serve 300,000 households with 910,000 children by 2015. The value of the transfer ranges from USD4 per month for a household with one eligible member to USD13 per month for households with four or more eligible members. In addition, the programme offers a schooling attendance bonus ranging from USD1.30 per month for primary-school-age children to USD2.60 per month for secondary-school-age children. On average, the transfer represents just under 30 per cent of beneficiary households' per capita income.

A one-year pilot of the SCT programme was designed and implemented in the Mchinji District in central Malawi to allow for the implementation of an impact evaluation. Four control and four treatment Village Development Groups, corresponding to 23 villages and forming part of the original programme roll-out, were randomly selected to be part of the evaluation. Baseline data collection began prior to treatment in March 2007. Follow-up data on a total of 365 treatment and 386 control households were collected in September 2007 and again in April 2008, at which point the control households also began receiving transfers. These 751 households contain 1,876 children below 18 years of age, among which 1,090 belonged to treatment households and 786 to control households.

Possible productive impacts

A cash transfer programme may influence not only household consumption choices but also production decisions, particularly if households face market constraints, making production and consumption decisions inseparable. Liquidity and credit constraints, in particular, are often cited as the main factors limiting productive spending and investments and the choice of income-generating activities in poor rural households. Insurance market imperfections also limit the ability to smooth consumption across time and space. Households may take a variety of actions to hedge against risk including managing risk *ex ante* by diversifying crops or income and through *ex post* actions to cope with bad outcomes such as selling off productive assets or taking children out of school to work at home or elsewhere. Cash transfers can help to overcome such constraints and allow spending and investment that alter production and the allocation of resources, including labour.

Using data from the Mchinji District pilot, Covarrubias et al. (2012) look at possible impacts of the SCT programme in three productive dimensions: (i) investment in assets, particularly agricultural assets and livestock; (ii) changes in labour allocation, primarily as seen through changes in income-generating activities; and (iii) alterations in risk-coping strategies, including the use of child labour.

Results

They find strong and robust impacts generated by the receipt of the SCT that reveal both the productive and protective nature of the transfer. Agricultural investments resulting from the programme were observed in terms of increased ownership of agricultural tools and livestock. Households reduced participation in low-skilled activities outside the household, such as agricultural waged labour and *ganyu* work, generally associated with vulnerability in Malawi. Although due to data limitations an increased focus on household agricultural activities could not be observed by way of increased income from agriculture, the investment impacts indicate an increased focus towards household-oriented productive activities.

At the same time, given those widespread labour constraints, concern arose that households were relying on child labour to intensify their agricultural activities. This appears to be true, and the impact is stronger in the harvest season, where children increased participation in household tasks such as chores and caring for household members. This outcome, linked with the reduction of household involvement in agricultural waged and *ganyu* labour, supports the notion that adult household members increased their involvement in home-based productive work while seeking younger child household members to carry out chores and care for household members.

Finally, the results on risk-coping behaviour highlight a valuable aspect of the SCT: its protective function of reducing household vulnerability from shocks. Households often rely on short-term solutions, including taking children out of school or selling assets, which have long-term impacts in terms of household productive capacity. The SCT programme is shown to have led to a significant reduction in these negative risk-coping strategies.

Implications

These findings highlight the importance of considering, in terms of design, implementation and evaluation of social cash transfer programmes, the economic activities of beneficiary households. In the context of missing and incomplete credit, labour and product markets, cash transfer programmes, even if focused on health, education and nutritional outcomes, may have important implications for the productive activities of beneficiary households. Some of these indirect effects are positive, enabling households to overcome liquidity, credit and insurance constraints, and increase their productive capacity. However, other aspects may lead to possibly undesirable indirect effects, particularly regarding child labour, or may limit the impact on the objectives of the programme, including school attendance and enrolment.

Reference:

Covarrubias et al. (2012). From Protection to Production: Productive Impacts of the Malawi Social Cash Transfer, *Journal of Development Effectiveness*, Vol. 4(1), pp.50-77.

This One Pager is a partnership between the IPC-IG and The Transfer Project.

Simulating the Impacts of Rural Social Cash Transfers and Farmer's Subsidies in Malawi and Ghana

by Mateusz Filipiński and J. Edward Taylor, UC Davis

A considerable body of experimental economics research examines the impacts of cash transfer programmes. In many developing countries, though, cash transfers are relatively minor compared to other transfer mechanisms in terms of their claim on public resources. In Malawi, fertilizer subsidies dwarf cash transfers, while next door in Zambia, the government pays farmers prices well above market levels for their maize. Yet no study to our knowledge has attempted to compare the full impact of social cash transfers and other kinds of transfers on rural incomes and welfare in low-income countries.

Filipiński and Taylor (2012) employ a simulation model of heterogeneous, interacting agents to compare the impacts of direct payments and other transfer mechanisms on production, incomes and welfare in rural Malawi and Ghana. They calibrate their simulations to existing fertilizer subsidy schemes in both countries. Then they compare the input subsidy to two other transfer schemes in each country: a market price support for staples, similar to what historically has been implemented in both countries, and cash transfers: in Malawi the Social Cash Transfer (SCT) scheme, and in Ghana, Livelihood Empowerment Against Poverty (LEAP).

Modelling the impacts of transfers

The simulation models for Malawi and Ghana were designed to evaluate the impacts of alternative income transfer schemes on the welfare of heterogeneous rural households. The models nest a set of farm household 'sub-models' linked together in a general equilibrium framework. Each household model is representative of a group of rural households defined according to the specific eligibility criteria of each transfer programme.

The basic structure of each household sub-model is that of a Computable General Equilibrium (CGE) model representing a very small economy. The household CGEs are nested within a CGE of the rural economy by imposing rural economy-wide market clearing and trade balance constraints. The disaggregated general-equilibrium modelling approach makes it possible to capture the heterogeneity of households in the rural economy, with household-specific asset endowments as well as production and consumption decisions. In addition, it highlights households' dual nature as producers and consumers of food. Linking heterogeneous households into an economy-wide general equilibrium framework also reveals the spillover effects of transfer schemes from beneficiary households to non-beneficiaries, and from targeted markets to non-targeted ones.

Policy simulations

The Malawi model evaluates the impacts of three transfer instruments: (a) a targeted input subsidy; (b) market price support on maize; and (c) a cash transfer targeted to SCT-eligible households. Simulations were calibrated so that they impose government spending of USD51.4 million, the cost of the 2005/2006 input subsidy.

The Ghana model evaluates the impacts of four transfer instruments: (a) an input subsidy with no effect on input prices; (b) an input subsidy as actually implemented (with a large effect on input prices); (c) market price support on tubers; and (d) a cash transfer targeted to LEAP-eligible households. Simulations were calibrated so that they impose government spending of USD15 million, the cost of the 2008 input subsidy.

In each country, the following simulations were carried out for each transfer instrument: the base model, which assumes perfect markets, and several scenarios of market imperfections (constrained input use, unemployment, and a combination of unemployment and constrained input use). The Malawi simulations also included inelastic input supply.

Impacts are measured in terms of household welfare, household and total transfer efficiency, and production. Total transfer efficiency captures the welfare impacts not only on households receiving the transfer but also on those impacted indirectly. The total transfer efficiency is low for a mechanism design that lets many benefits leak outside the rural sector or that has large negative welfare impacts on some rural actors. Both efficiency measures can be greater than 1 if the transfer generates multipliers.

Results

The comparison of simulations from Malawi and Ghana highlights the importance of economic structure and implementation in determining outcomes of alternative transfer schemes. The simulations reveal that no transfer mechanism is unequivocally superior to others. In both Malawi and Ghana, a market price support can create substantial multipliers if unemployment exists in the rural sector, because fewer resource constraints permit more elastic production responses. Market price support can be the most efficient instrument to raise rural incomes when labour is cheap and farmers tend to be net sellers with large surpluses (Ghana). Similarly, input subsidies can be the most welfare-efficient transfer scheme when input and factor supplies are elastic but input demands are constrained by limited liquidity prior to the harvest. An input subsidy reduces costs and stimulates output without increasing consumption costs for agricultural households, and this matters in a country where many farmers are net purchasers of staples (Malawi).

While the cash transfer is not designed to support agricultural production, the presence of liquidity constraints leads to significant production effects of cash transfers, and overall a large multiplier effect. However, the extent to which this is true depends on the spending patterns of the recipient households. Unlike a market price support or input subsidy, boosting agricultural production may not be a direct objective of a cash transfer scheme. The possibility of targeting cash transfers and input subsidies confers those instruments with a considerable distributional advantage.

Reference:

Filipiński, M. and Taylor, J.E. (2012). A Simulation Impact Evaluation of Rural Income Transfers in Malawi and Ghana. *Journal of Development Effectiveness*, Vol. 4(1): pp.109-129.

This One Pager is a partnership between the IPC-IG and The Transfer Project.

Do Cash Transfers Change Household Consumption Preferences? Evidence from an Unconditional Cash Transfer in Kenya

by Kenya CT-OVC Evaluation Team

The Kenya Cash Transfer Programme for Orphans and Vulnerable Children (CT-OVC) is the government's flagship social protection programme, reaching over 125,000 households and 250,000 OVC across the country as of mid-2011. The programme's objective is to provide regular cash transfers to families living with OVC, to encourage fostering and retention of children and to promote development of their human capital.

Eligible households, those who are ultra-poor and contain an OVC, receive a flat monthly transfer of USD21 (KES1500). An OVC is defined as a household resident aged between 0 and 17 years old with at least one deceased parent, or who is chronically ill, or whose main caregiver is chronically ill. Beneficiary households are informed that the care and protection of the resident OVC is their responsibility for receiving the cash payment, although there are currently no punitive sanctions for non-compliance with this responsibility.

The CT-OVC Evaluation Team (2012) investigates whether the programme has changed the preferences of households in terms of their consumption behaviour. It is possible that transfer income may be used differently from earned income, particularly if families behave as if the transfer income is earmarked for children, as the message of the CT-OVC emphasises. While standard economic theory would suggest that source of income is irrelevant, and there has been some evidence from developed countries that shows this to be the case, other evidence has shown the opposite—i.e. that income acquired through government assistance programmes is allocated differently from other sources of income, especially when labelled as child benefits (Kooreman, 2000). If households do indeed treat transfer income differently and spend a disproportionate share on inputs to child health, then programme effects can be larger than expected from a pure unconditional transfer that is treated as regular income and thus only has an income effect on behaviour.

Using data from the baseline evaluation survey that took place in 2007 and the follow-up survey of 2009, the Evaluation Team is able to compare both beneficiary (treated) household and non-beneficiary (comparison) households before and after the implementation of the CT-OVC. Total adjusted mean monthly spending is KES1442 (USD18) at baseline among beneficiary households. Although total adjusted expenditures are almost identical across beneficiary and comparison households at baseline, the value among beneficiaries at follow-up is

about KES254 greater—this is consistent with the size of the transfer, which averages KES300 per household in 2007. The programme, therefore, had a clear impact on the total consumption of beneficiary families.

To evaluate the programme's impact on spending patterns, the authors use a standard difference-in-difference (DD) approach that shows that participating households had significantly higher expenditures than control households on health and significantly less spending on alcohol and tobacco. Among food groups, DD estimates show that the programme has positive effects on meat and dairy and negative impacts on tubers (mostly cassava), suggesting that households are substituting away from basic staples and increasing the diversity of their diet as income increases.

To assess whether the programme simply moves households along their total expenditure Engel curve or in fact shifts that curve, the authors compare ex-ante expected behaviours based on the impact that one would predict using cross-section baseline expenditure elasticities with the ex-post actual response of households to the programme given by a standard DD approach. The results show that in about half of the consumption categories ex-ante predicted and ex-post actual effects are significantly different, implying that programme recipients' preferences may have changed.

The authors then directly test whether the programme has induced significant changes in expenditure elasticities as measured by their associated marginal propensities to consume. This entails estimating triple interaction models to test changes in elasticity over time. The results show that the programme appears to have impacts beyond simple income effects (movements along the Engel curve) and has caused preferences to shift (a shifting of the Engel curve) for some goods, including health, transportation and communication, and alcohol and tobacco. These results suggest that the cash transfer has indeed changed beneficiaries' consumption preferences. One explanation for this result is the programme's messaging regarding the recipient's responsibilities, suggesting that punitive sanctions (also referred to as 'hard conditions') may not be necessary to induce substitution effects towards socially desirable consumption in cash transfer programmes.

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This One Pager is a partnership between the IPC-IG and The Transfer Project.

Macroeconomic Vulnerability in Developing Countries: Approaches and Issues

by Anuradha Seth and Amr Ragab, Poverty Group, Bureau for Development Policy, UNDP

The increasing frequency and severity of financial and economic crises over the past three decades have raised important questions about the risk of economic growth being adversely impacted by crises ('macroeconomic vulnerability') and the appropriate policies needed to withstand and cope with such shocks ('resilience').

The paper (Seth and Ragab, 2012) on which this One Pager is based reviews the literature on macroeconomic vulnerability and finds that there is no single approach to understanding macroeconomic vulnerability in the context of financial and economic crises in developing countries. Broadly though, there are two distinct perspectives on macroeconomic vulnerability. The first addresses vulnerability principally in relation to financial crises. The second approaches macroeconomic vulnerability in the context of both economic and financial crises.

Several studies from the first perspective are concerned specifically with currency crises (IMF, 1998). Currency crises are seen as driven mainly by macroeconomic imbalances in the financial sector of developing economies and by fragile domestic financial systems. Consequently, these studies propose policies that restore macroeconomic balances and strengthen the domestic financial sector as ways to reduce macroeconomic vulnerability. Specific measures such as containing credit growth and the money supply, ensuring flexible exchange rates and guarding against expansionary fiscal policies are proposed. However, the empirical and theoretical assumptions underlying many of these studies have been long questioned—in particular, the assumption that markets are self-regulating and inherently efficient.

Other studies from this perspective are concerned with how the behaviour of international capital flows such as high volatility can trigger financial crises (Ocampo, 2008). Policies recommended by these studies to reduce macroeconomic vulnerability include countercyclical monetary and fiscal policies, prudential regulations, and measures to regulate the volatility of capital flows.

An important limitation of studies from this perspective is that macroeconomic vulnerability in developing economies is understood only in the context of financial crises. However, the rapid integration of developing countries in international trade, coupled with their growing dependence on exports and the increased frequency of commodity price and trade-related shocks, requires that any comprehensive framework on macroeconomic vulnerability also address economic shocks.

The second perspective considers macroeconomic vulnerability in relation to both financial and economic shocks, and most studies from this perspective focus on identifying the structural determinants and

transmission channels via which an economy is exposed to such crises (Briguglio et al., 2009; Guillaumont, 2010).

However, different studies emphasise different structural determinants and transmission channels as the primary drivers of macroeconomic vulnerability in developing countries. For instance, some studies focus on size and location as important structural determinants of macroeconomic vulnerability, whereas others identify trade dependency or dependency on international private capital flows as the primary conditions that expose an economy to shocks. Other key factors that determine macroeconomic vulnerability such as rising income inequality are either totally neglected or barely mentioned. Yet, in recent times, rising income inequality has been seen as a major contributor to the greater frequency and volatility of financial crises.

In this literature, there is no disagreement on the need for policies that help economies cope with or counteract the impacts of such shocks. However, many of these studies offer a limited or narrow set of policy options to build resilience. Moreover, the focus of resilience appears to be on short-term adaptive or coping strategies. Less attention is paid to the longer-term policies needed to build systemic resilience.

A comprehensive framework for future assessments of macroeconomic vulnerability in developing countries will require:

- identifying the different types of economic and financial shocks that most frequently impact developing economies;
- mapping comprehensively the structural conditions and transmission channels that are underlying determinants of macroeconomic vulnerability, including those related to income inequality and chronic poverty;
- proposing policies for resilience that (a) build coping capacities to withstand and counteract a shock, (b) reduce exposure to shocks, and (c) reduce the frequency and severity of shocks themselves; and
- advocating for global policies and international coordination mechanisms to minimise the frequency and severity of global economic and financial crises themselves.

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Climate Change in Brazil: Economic, Social and Regulatory Aspects

by Ronaldo Seroa da Motta, Jorge Hargrave, Gustavo Luedemann and Maria Bernadete Sarmiento Gutierrez, Institute for Applied Economic Research (IPEA)

Current levels of greenhouse gas (GHG) concentrations are already worryingly high, and scientists predict that the average temperature on the planet could rise between 1.8°C and 4°C by 2100, which would cause drastic damage to the environment.

This scenario would bring higher intensities of extreme weather events and changes in rainfall patterns, resulting in greater and more frequent droughts and floods. Studies demonstrate that, in addition to putting the lives of large urban populations at risk, climate change can unleash epidemics and plagues and threaten water and energy infrastructures and transport systems. Agriculture would also be severely affected, especially in regions where water scarcity already persists such as the Brazilian northeast. Many of these impacts may occur before 2050, with greater economic effects.

Understanding the nature and dimensions of these impacts is crucial to designing policies that address climate change. Moreover, action from governments, citizens and companies is urgently needed. Minimising the impacts of climate change requires a global and coordinated effort of mitigation and adaptation that demands great commitment from present and future generations in each country. The scope and distribution of this effort, however, is far from being agreed.

Countries have been negotiating since 1992, aiming to reach a high level of cooperation to deal with climate change. However, results achieved so far have fallen short of the size of the challenge. The United Nations Framework Convention on Climate Change (UNFCCC) reached a consensus about the need to avoid a temperature increase beyond 2°C, but even the voluntary commitments assumed at the Conference of the Parties (COP) 15 and 16 are far from the reductions that would be necessary for a 2°C trajectory.

However, recent years have transformed the debate on addressing global warming. The debate has attracted public opinion, is already part of political agendas in many countries and ranks among the most important issues on the multilateral global agenda. In Brazil, this transformation resulted in a first regulatory accomplishment on the mitigation and adaptation of climate change and a change in Brazil's position in international negotiations. Brazilian scientific research, which helped to set out this new regulatory framework, continues its advances in providing insights regarding the challenges of implementation.

It was in this context that the *Instituto de Pesquisa Econômica Aplicada* (IPEA – Institute for Applied Economic Research) from Brazil released the book *Climate Change in Brazil: Economic, Social and Regulatory Aspects*. The book aims to analyse, from the perspective of various Brazilian scientists and policymakers, structures of costs and benefits and winners and losers, as well as governance structures that determine, regulate and monitor the implementation of actions to combat global warming.

Its main objective is to provide a national publication on the policies needed to combat global warming, bringing together articles by specialists on pertinent topics with an analytical focus. The edition in English has the additional objective of offering the international community a comprehensive view of the discussions on this topic in Brazil.

Thus, the book contains analytical texts by 38 authors, many of whom have participated in the negotiations at various COPs and are members of the Intergovernmental Panel on Climate Change (IPCC). They represent 18 Brazilian institutions such as universities, research centres, associations and ministries of the federal government.

Part I, 'Climate change in Brazil', deals with these topics in relation to the Brazilian context at both national and subnational policy levels, the characteristics of the Brazilian emissions and the impacts of climate change on the Brazilian economy and society, including aspects of efficiency, equity, income distribution, climate justice and international trade.

Among other things, this section shows how the Brazilian emissions profile is strongly characterised by emissions resulting from land use change and that, consequently, our 2020 mitigation targets are concentrated on controlling deforestation. Nevertheless, by 2020 and certainly after that, Brazil will need to implement mitigation efforts in other sectors such as agriculture, transportation and energy. For agriculture, for example, chapters show how and where it will be most harmed and that its technological transition towards more sustainable practices is not an option, but rather a prerequisite to improving systemic resilience to the effects of climate change.

Part II, 'Brazil and the international climate change regime', discusses these aspects in the context of international negotiations, with a focus on the results from COP 15 and COP 16, highlighting the most promising and controversial issues such as the second commitment period of the Kyoto Protocol, reducing emissions from deforestation and degradation (REDD), financing and technology transfer. Many of the chapters show, for each topic analysed, how important it is for the international community to reach agreement, and how far we are from reaching it and why. Moreover, many chapters analyse the positions taken by Brazil concerning these topics and our voluntary targets by sector.

We hope that the chapters of this book offer the reader a comprehensive and, in many cases, detailed view of the economic, social and regulatory aspects of climate change that in recent years have mobilised science, public opinion and the political agenda in Brazil and around the world.

Publication: *Climate Change in Brazil: Economic, Social and Regulatory Aspects*, available at: http://www.ipea.gov.br/portal/images/stories/PDFs/livros/livros/livro_climatechange_ingles.pdf.

This One Pager is a partnership between the IPC-IG and the Institute for Applied Economic Research (IPEA).

The Brazilian Policy on Climate Change: Regulatory and Governance Aspects

by Ronaldo Seroa da Motta, Institute for Applied Economic Research (IPEA)¹

Through the **Copenhagen Accord** and the Conference of the Parties (COP 16) in Cancun, Brazil has confirmed its national voluntary reduction targets for greenhouse gas (GHG) emissions, with reductions between 36.1 per cent and 38.9 per cent of projected emissions by 2020. These targets were defined in the National Climate Change Policy (PNMC, in Portuguese) approved by the National Congress (Law No. 12.187, dated 29 December 2009). These national targets focus on controlling deforestation, which represents a comparative advantage for Brazil. Reducing deforestation is certainly less restrictive to economic growth than mitigation actions related to energy consumption and industrial activities that other emerging economies would have to adopt.

However, the PNMC goes beyond formalising the Brazilian position from an international perspective. In addition to supporting the Brazilian positions in the multilateral and international discussions that address global warming, the PNMC essentially offers a legal framework to regulate national actions aimed at mitigation and adaptation. Seroa da Motta (2011) analyses how this framework dictates principles, guidelines and instruments for attaining the national targets independently of the evolution of the global climate agreement.

In doing so, the study also discusses in detail Decree 7.390, which was implemented to regulate Articles 6, 11 and 12 of the PNMC, and offers other provisions. This decree made it possible to clear up and define several regulatory aspects of the legal text.²

The regulating decree of the PNMC has improved rules for the measurement of targets and the elaboration of sectoral plans. The progress made with regard to governance structure, though significant by allocating the coordination of the plans to the Executive Office of the Presidency, still requires a bolder and more complex institutional improvement in regulatory power. The same applies with regard to the necessary guidance on how to accommodate sub-national climate policies within the national framework.

The development of sectoral plans, if coupled with appropriate economic instruments, will consequently offer opportunities for Brazil to increase the efficiency of its transition to a low-carbon economy. However, for this to take place, the PNMC, as advocated by Seroa da Motta (2011), should adopt a regulatory governance structure similar to that of other regulated sectors, in which an autonomous agency is responsible for the implementation of the objectives of the regulatory framework established by law. Such an initiative would be the beginning of compatibility between the federal and state governments, the private sector and non-governmental organisations (NGOs), and efforts along these lines should be on the agenda of the current discussions on sectoral plans.

Notes:

1. Senior Researcher at IPEA Department of Studies and Sectoral Policies of Innovation, Regulation and Infrastructure (Diset).
2. For a detailed analysis of the regulatory aspects of PNMC, see Seroa da Motta (2010a and 2010b).

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- Publication: *Climate Change in Brazil: Economic, Social and Regulatory Aspects*, available at: http://www.ipea.gov.br/portal/images/stories/PDFs/livros/livros/livro_climatechange_ingles.pdf.

This One Pager is a partnership between the IPC-IG and the Institute for Applied Economic Research (IPEA).

Climate Change Regulation in Brazil and the Role of Subnational Governments

by Viviane Romeiro and Virginia Parente, Electrotechnical and Energy Institute of the University of São Paulo (IEE/USP)

Progress in public policy and regulatory frameworks towards international climate governance has become increasingly more complex due to the plurality of political positions and statutory schemes in various countries. The creation of national and subnational policies on climate change can play a key role in advancing the international climate agenda, contributing to the construction of a more effective regulatory framework. The aim of this work is to analyse the evolution of climate change regulation in Brazil with the creation of subnational policies and to verify the impacts of these policies in the context of the 2009 *Política Nacional das Mudanças Climáticas* (PNMC – National Policy on Climate Change).

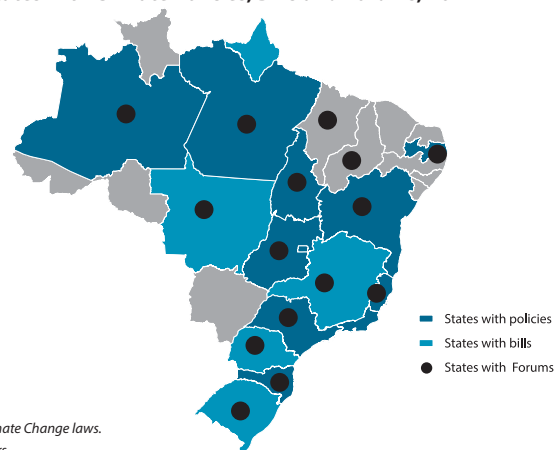
Several states have adopted forums to encourage the reduction of emissions and promote the development and adoption of less energy-intensive technologies. Additionally, some states have created climate policies, establishing targets and goals to encourage mitigation and adaptation. For instance, in November 2009 the state of São Paulo approved a 20 per cent emissions reduction target by 2020, taking 2005 as the base year. The effectiveness of such policies in achieving their goals and targets will depend on how governments enable the implementation of the relevant activities, as outlined in their respective laws—especially, how governments measure emission reduction targets, verify compliance and implement appropriate sanctions.

To incorporate other views and perspectives in the analyses of this research, semi-structured interviews were conducted with experts in climate change to discuss the following questions:

- What are the major structural problems of the Brazilian national and state policies?
- How can the targets of state and municipal policies be combined with the national policy?

According to the interviewees, the policies specify how voluntary or mandatory targets should be applied. However, the national policy has not been very effective yet; there was little evidence of progress in implementing the actions it proposed. Various aspects of the climate change issue have not yet been considered as requiring adjustment or policy within all levels of the government. However, the barriers within the current governance framework should not be seen as a reason for discouragement, but rather viewed as an element that must be part of future planning and analysis of any institution or country that seeks to maintain future competitiveness.

Brazilian States with Climate Policies, Bills and Forums, 2012



Sources: State Climate Change laws.
Adapted by authors.

Some recommendations aiming at emissions reductions emerged from the interviews, such as:

- increasing investment in research and development to facilitate the adoption of low-carbon practices;
- fostering sound dialogue with the private sector regarding implementation of the PNMC and subnational policies; and
- promoting more engagement of the various economic actors in discussing climate policies.

These policies are certainly important tools in Brazil's progression towards sustainable development and, consequently, of its productive sectors towards a low-carbon economy. The fact that some of the policies analysed already have voluntary targets for reducing emissions indicates advances toward reducing the effect on climate. The creation of climate policies, coupled with proper regulation and necessary improvements, represents an opportunity for developing countries to enhance their positions in the international arena. In this context, the development of climate policy should be an ongoing effort to provide the conditions for Brazil to join the international effort and contribute to the necessary coordination of global climate change issues.

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Publication: *Climate Change in Brazil: Economic, Social and Regulatory Aspects*, available at: <http://www.ipea.gov.br/portal/images/stories/PDFs/livros/livros/livro_climatechange_ingles.pdf>.

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The Trade-off Between Poverty Alleviation and GHG Mitigation: Is it True for all Income Levels in Brazil?

by Thiago Fonseca Morello, Vitor Schmid and Ricardo Abramovay, Socioenvironmental Economics Centre, University of São Paulo, Department of Economics

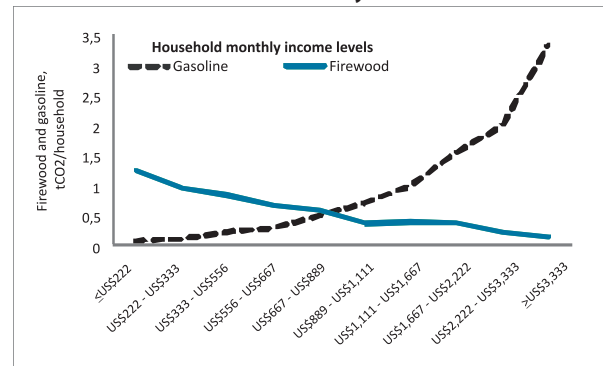
A Goldman Sachs study (2008) estimates that between 60 and 80 million people are introduced to the consumer market of durable goods annually, forming a kind of new worldwide middle class. The environmental impacts of these new consumers are not insignificant, and motivate important international negotiations regarding limits to greenhouse gas (GHG) emissions. This is a matter of concern even if the technological innovations aimed at the 'decarbonisation' of economies advance faster in the future than currently. Typically, one would expect that improving the living standards of poor people would almost unavoidably result in an increase in GHG emissions. However, this relationship may not be valid for all types of changes in consumption, especially those observed at lower income levels.

With regard to the contribution of the fuels consumed by families to GHG emissions, it is well documented that firewood is currently the most important energy source used by the world's poorest households. Firewood is harmful to the environment for three main reasons: first, a significant part of the household firewood results from cutting down untouched forests, which compromises biodiversity. Second, the wood stoves used by poor households are often precarious, representing a serious hazard to families who depend on them in several parts of the world, mainly in India and Africa. Finally, the use of firewood as household fuel is responsible for a significant part of the world's GHG emissions.

This means that improving the quality of wood stoves and, above all, replacing firewood with other fuels—even if they are fossil fuels such as liquefied petroleum gas (LPG)—would reduce GHG emissions, improve the living conditions of firewood-dependent households and reduce pressure on biodiversity. Such improvements can be fostered by poverty reduction policies that increase the income of poor people, allowing them to move away from firewood to other sources of energy.

Morello et al. (2011) show that this seems to be the case in Brazil, where firewood (and also charcoal) consumption is inversely correlated to household income. The opposite is true for fuels associated with individual transportation, especially for gasoline used in family-owned private automobiles. The authors also find that despite the large proportion of traditional fuel in the consumption bundle of the poorest households and even if one takes into account the use of public transportation, the net 'carbon cost' in terms of changes in the consumption bundle of families that move above the poverty

Firewood and Gasoline Emissions by Household Income



line is much lower than any other upward movement in the income distribution of other well-off groups.

However, how far up the income scale can the fall in firewood consumption due to poverty reduction neutralise increases in gasoline consumption related to the use of private automobiles? The figure depicts the consumption of firewood and gasoline (measured in CO₂) by household monthly income level and shows that, although there is an increase in gasoline consumption as income level rises, the reduction in firewood consumption can compensate for such a carbon-intensive outcome up to a monthly family income of USD888.89. Increases in income levels beyond this threshold will, inevitably, increase national GHG emissions.

Differentiating between household income groups regarding fuel consumption habits must, therefore, be considered in the fine tuning of pro-climate policies, given the relevance of equity considerations and of the climate justice debate.

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Agriculture and Cattle Raising in the Context of a Low Carbon Economy

by Gustavo Barbosa Mozzer,
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In the agricultural sector it is undeniable that greenhouse gas (GHG) emissions arise both from the consumption of fossil fuels and the biogenic process, including anaerobic decomposition processes. Agriculture can also contribute to soil degradation and deforestation of natural ecosystems when poorly managed. As such, GHG emissions from this sector are not only associated with the energy-intensive consumption of fossil fuels but are also intrinsically related to the nature of practices in the sector.

The *2nd Brazilian Inventory of Greenhouse Gases*, published in 2010 with data up to 2005, shows that the agricultural sector has been the second largest sector in terms of GHG emissions in Brazil for over 16 years (see Figure). During this period, emissions from the agricultural sector were at their highest in relative terms in 1991, representing 24.75 per cent of total GHG emissions.

In terms of net emissions, the agricultural sector has systematically increased its GHG emissions over the past few years. Given the strong trend of emissions reductions in the forestry sector, it is natural that the relative importance of every other sector, including agriculture, may increase over the next few years.

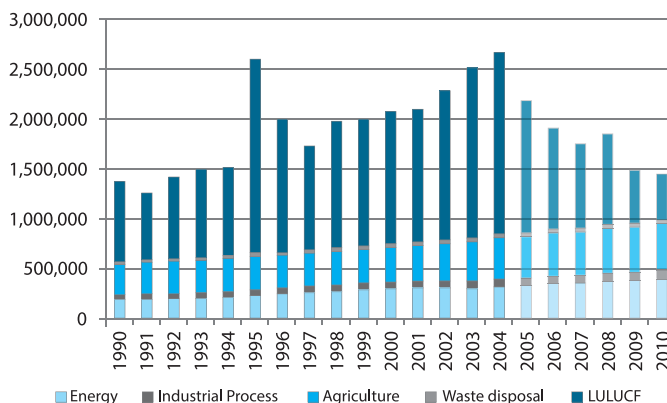
Comparing the deforestation trend (data provided by INPE up to 2010) to an extrapolation of sectoral increases in GHG emissions compatible with their historical trends would result in a shift by 2010, making the agricultural sector the largest in terms of GHG emissions.

The level of GHG emissions from the agricultural sector has not been constant over the past decade, with observed annual rates below 10,000 tons of CO₂eq between 1990 and 1999. Between 2000 and 2003 there was a significant increase in GHG emissions, reaching a peak of 21,994 tons of CO₂eq in 2003. Between 2003 and 2005, a reversal was observed in the pressure to increase emissions in the sector, reducing emissions by 2005 (6,559 tons of CO₂eq) to a level observed during the 1990s.

The strategic relevance of the agricultural sector for climate change lies in the fact that there is an unquestionable need for expanded production to meet current and future demands in food supply. It is also understood that this expansion should not contribute negatively by increasing current levels of emissions, and nor should it be achieved through processes that result in the loss of native vegetation or compromise environmental sustainability.

Thus, there is no simple solution, and a joint effort on several fronts is required, combining the increase in sustainable production of food and energy with concerns about climate change. For the agricultural

Brazilian Net Emissions in Carbon Dioxide Equivalent (CO₂eq) 1990–2005 and 2006–2010*



Source: Ministério da Ciência, Tecnologia e Inovação (MCTI) – Brazilian Ministry of Science Technology and Innovation. *2nd Brazilian Inventory of Greenhouse Gases*, 2010.

Note: *Extrapolation of sectoral emissions compared to land use coverage data provided by Instituto Nacional de Pesquisas Espaciais (INPE – National Institute for Space Research), 2010.

sector, getting involved in the transition process to a new global economic model focused on productivity and sustainability is not optional but, rather, a necessary condition. Investments must be secured, and technologies that contribute to systematically increase the resilience of the sector, improving crop resistance to temperature and hydric stress, must be developed and disseminated.

New opportunities will arise in the transition process from an energy-intensive economy to an environmentally aware economy focused on efficiency solutions. It is feasible that the quantification of the environmental liability resulting from agricultural practices will, in a few years, be consolidated into international trade through the concept of 'carbon footprint'—i.e. the impact that a particular activity generates in terms of contributions to global warming. Thus, the higher the carbon footprint of a particular activity, the greater the climate liability it generates.

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Road Transport and Climate Change in Brazil

by Patrícia Helena Gambogi Boson, Representative of CNT in the National Environmental Council (Conama)

A discussion of road transportation in Brazil is of significance in the context of climate change due to its status as the second largest contributor to greenhouse gas (GHG) emissions, about 7 to 9 per cent of the national total, and its responsibility for 90 per cent of the diesel oil consumed in the transport sector, or 80 per cent of total domestic consumption.

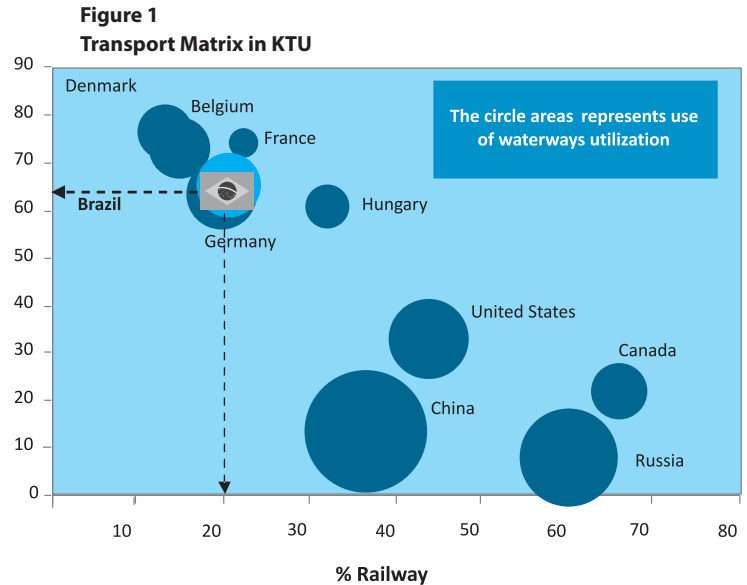
The characteristics of the Brazilian transport matrix further emphasise the relevance of the road transport sector in environmental discussions, and its implications for climate change issues. Unlike other countries with similar characteristics, 62 per cent of freight in Brazil is transported by road, compared to only 20 per cent by rail, and no more than 18 per cent by waterways. The state of the truck fleet further worsens the situation: around 1.3 million trucks traverse the country, 45 per cent of which are over 20 years old, and about 20 per cent (260,000) are over 30 years old.

Brazil's urban passenger transportation is concentrated around the use of automobiles (43 per cent) and buses (50 per cent), as measured in the number of passengers per kilometre travelled. Rail transport represents only 7 per cent of the total.

In this context, an opportunity can be found in the improvement of the Clean Development Mechanism (CDM), built into the scope of the Kyoto Protocol to facilitate engagement of the transport sector. Appropriately designed Nationally Appropriate Mitigation Actions (NAMAs), which aim to strengthen and formalise national voluntary commitments, represent another opportunity.

Considering the issues discussed above, several appropriate national actions for the transport sector include:

- development and implementation of a renewal programme for the Brazilian truck fleet;
- development and implementation of a programme to improve the road infrastructure, as well as investments in the diversification of the transport matrix;



- invigoration and formalisation of voluntary commitments, especially those aimed at the implementation of policies to discourage the use of individual motorised transport and improve public transportation and the integrated planning of transport and land use in the growing urbanisation process of the country; and
- development of mechanisms to stimulate investment in research, development and innovation, especially activities aimed at large-scale production and distribution of cleaner automotive fuels.

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What are the Financing Prospects for Brazilian Sustainable Development? From Clean Development Mechanisms to Nationally Appropriate Mitigation Actions

by Maria Bernadete Sarmiento Gutierrez, Institute for Applied Economic Research (IPEA)¹

The two ways in which the international regime on climate change has been negotiated, created at the Conference of the Parties (COP 13) in 2007 and framed in the so-called Bali Road Map, resulted in two task forces: the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) and the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA). While the former is in charge of, among others, the issues involving all aspects of the Clean Development Mechanism (CDM), the latter focuses on long-term cooperative actions to be followed by the different countries—in particular, what are called the Nationally Appropriate Mitigation Actions (NAMAs), by which the developing countries would present mitigation actions in the context of their sustainable development on a voluntary basis.

The interrelation between these two working groups can be summarised in the following way: AWG-KP constitutes the building block for negotiations concerning future periods of commitment of the countries belonging to Annex I under the Kyoto Protocol, while AWG-LCA was established as the way for further implementation of the United Nations Framework Convention on Climate Change (UNFCCC). However, for many countries, the creation of these two groups could mean the creation of an additional protocol or a substitute for the Kyoto Protocol, which would be an enormous regression from the perspective of the developing countries that have been beneficiaries of projects potentially financeable by the generation of carbon credits through the CDM.

Although the Cancun Conference (2010) has restated the importance of this mechanism continuing after 2012, it is right to highlight the loss of its relative importance if negotiations move towards a substitute agreement for the Kyoto Protocol. The CDM has had an important role in the financing of projects that contribute to the sustainable development of developing countries. However, the use of this mechanism has been limited by high transaction costs, which is reflected by a market for carbon credits generated by CDM projects below their potential. This recognition has led to international negotiations among countries under AWG-KP to reform the CDM and make it more effective and efficient in achieving its main objective of promoting the sustainable development of its beneficiary countries.

The Copenhagen Accord, established at COP 15 in Copenhagen in December 2009, recognises NAMAs as a means of increasing the participation of developing countries in the effort to reduce greenhouse gas (GHG) emissions. At COP 16, this agreement came into legal effect through the approval of the Cancun Agreements—by consensus, but not unanimously, since Bolivia rejected its endorsement. However, future negotiations still need to address the issue of financing mechanisms for the implementation

of NAMAs, as well as the negotiations for the second period of the Kyoto Protocol and, in particular, renewal of the CDM after 2012.

Despite the urgency of the need to stabilise GHG emissions to encourage greater participation by developing countries such as Brazil through NAMAs, it is important that the CDM is maintained, and enlarged through a sectoral approach, to ensure the financing of sustainable development for Brazil and other countries with similar development levels. It is argued that the CDM and NAMAs should have a complementary role—rather than one replacing the other—since they meet different needs of developing countries.

Currently, important uncertainties remain as to whether forthcoming negotiations will lead to a higher volume of resources to finance low-carbon growth in developing countries. We do not know how the resources available for the CDM will combine—or not—with resources available for NAMAs. Given that there are important deadlocks on the future of the Kyoto Protocol and that, on the other hand, there is no consensus either on NAMAs nor on their financing, we cannot discount the worst scenario of a total lack of financing. It would be inconceivable for future negotiations not to achieve either of the two objectives. The two parallel negotiation channels, AWG-KP and AWG-LCA, conceived to come to a more comprehensive agreement on climate negotiations, are being used strategically by the Annex I countries, with non-explicit conditions being introduced so that national interests outweigh the global interest of reaching a truly global agreement capable of stabilising GHG emissions.

The principle of common, but differentiated, responsibilities has been an important element to guarantee equity in the negotiations between developed and developing countries, and the conception of the UNFCCC itself has been shaped to comply with this criterion, which should be presented as non-negotiable. Brazil has a great potential to increase its use of the CDM in several different sectors. It would be very important if future negotiations advocated for the continuation of the Kyoto Protocol and that financing be made available for NAMAs as additional resources. These factors are requirements for reaching a truly global future agreement on climate change.

Note:

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Trade Barriers in Policies that Regulate Greenhouse Gases

by Ronaldo Seroa da Motta,
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The Durban and Copenhagen Accords are not a treaty. Thus, the national commitments reported therein to achieve the 2°C trajectory, even if sufficient, will not be mandatory or binding under the United Nations Framework Convention on Climate Change (UNFCCC). In brief, there is no new global agreement in which national mitigation efforts are recognised by the UNFCCC and that points to an effective reduction of emissions in line with what science recommends as necessary.

Despite this global regulatory gap, Brazil and other countries are taking unilateral action. To meet national targets in this context, confrontations with competitive global economic forces may require the imposition of sanctions on imports from trading partners that do not undertake mitigation efforts. The main justification for adjustments of carbon content at the border (ACCBs) for national legislators in the midst of domestic regulation of greenhouse gases (GHGs) is to protect the competitiveness of the economy to equalise the costs of imports to domestic production. Such barriers are, for example, already taking shape in civil aviation policies within the European Union that force airlines operating in the region to offset their emissions via the Emissions Trading System (ETS).

This possibility creates opportunities for discriminatory trade practices that not only accomplish the environmental aims that justify them but also reduce the welfare of the nation that imposes them as well as of those that are sanctioned. Although this zero-sum game of trade protectionism is widely recognised by experts, as seen in other circumstances and contexts, this does not prevent these actions from being implemented.

World Trade Organization (WTO) rules regarding environment, as put by Tamiotti et al. (2009), face two major challenges to the implementation of border measures, namely to provide a clear justification for border measures—whether carbon leakage or losses of competitiveness—and to determine a ‘fair price’ to be applied on imported goods to bring their prices in line with domestic costs. Therefore, the application of these climate scope adjustments will certainly be a disputed object within the organisation and/or equivalent trade retaliation.

Seroa da Motta (2011) reviews the recent empirical literature that analyses the effects of trade barriers within a climate scope, with an emphasis on impacts on the Brazilian economy in absolute terms and relative to the country’s main trading partners.

The main conclusions of this literature² are:

- Besides being of little significance, leakages prevented by restrictions on imports are proportionally much lower than the impacts on trade.
- Only ACCBs with high tariffs on imports would induce a change in cooperation strategies of developing countries to sign an agreement they deemed unfavourable.
- The use of subsidies to CO₂-intensive sectors, even in the absence of trade sanctions, has generated protective effects, allowing for increased exports of these sectors from countries of the Organisation for Economic Co-operation and Development (OECD) with national GHG regulation.
- Studies that simulate the application of ACCB by rich countries indicate that the impacts on trade would be different among emerging economies. Except for agriculture, Brazil would experience lower losses because of lower CO₂ intensities, thus increasing its relative competitiveness against other emerging economies, particularly in industry. As such, trade barriers would not generate significant losses in domestic product.
- These differences between Brazil and other BRIC countries would be reduced, however, if the taxable basis becomes determined by the domestic production content of rich countries.
- In these studies, results indicate that sectoral effects on Brazilian exports are also distinct and dependent on the taxable basis. Export losses for agriculture and energy will be higher than for industry, including energy-intensive sectors.

However, the literature reviewed above is limited to the initiatives so far in discussion and generally considering a short time horizon and currently established costs. Moreover, they adopt global models with geographic and sectoral aggregation that influence parameters and their calibration. Therefore, it is important to deepen the analysis carried out so far with an evaluation disaggregated by sector and a sensitivity analysis of the demand and emission parameters.

Notes:

1. Senior Researcher at IPEA Department of Studies and Sectoral Policies of Innovation, Regulation and Infrastructure (Diset).
2. See Seroa da Motta (2011) for the reference to the papers reviewed as part of this literature.

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Vulnerability of Brazilian Megacities to Climate Change: The São Paulo Metropolitan Region*

A major concern of contemporary society in relation to future climate projections relates to possible changes in the frequencies and intensities of extreme weather events. Megacities such as São Paulo have numerous social and environmental problems associated with patterns of development and transformation of space, which have been aggravated by increases in temperature and intensification of extreme weather events.

The risks will grow further due to higher temperatures and the associated increase in the frequency of rainfall events, especially in the summer. Preliminary studies project that between 2070 and 2100, an average temperature increase of 2°C to 3°C could double the number of days with heavy rainfall in São Paulo (Marengo et al., 2009).

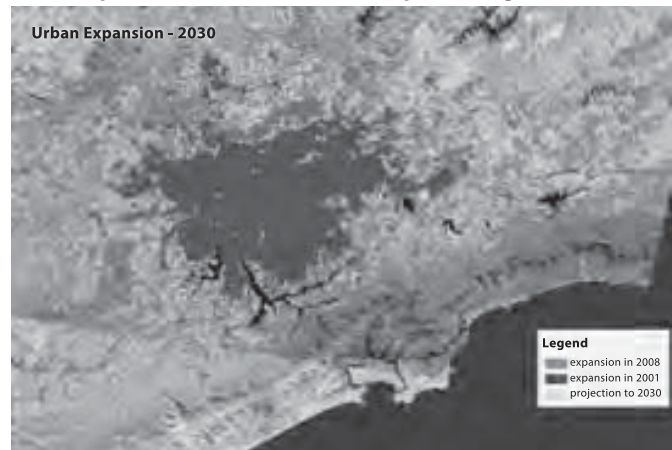
The São Paulo Metropolitan Region (RMSP), which already suffers from floods every summer, may experience an increased number of days with heavy rainfall by the end of the 21st century. Total rainfall of over 30 mm/day has the potential to cause severe flooding. Total rainfall above 50 mm/day, virtually nonexistent before the 1950s, now usually occurs two to five times a year in São Paulo.

In addition, changes in temperature trends indicate that the region will have more hot days, fewer cold days, more warm nights and fewer cold nights (*ibid.*). These projections may generate significant impacts, such as the intensification of heat island effects that affect the dispersion of pollutants. The concentrations of certain pollutants are expected to increase, especially the gases and particles generated through atmospheric photochemical processes (CETESB, 2006).

Projections indicate that if the expansion pattern of the RMSP continues along historical lines, the urban area in 2030 will be approximately 38 per cent larger than today, with increased risks of floods and landslides affecting the population as a whole, especially the poorest people. More than 20 per cent of these new areas of expansion would be susceptible to and could eventually be affected by natural disasters caused by heavy rains. Approximately 4 per cent of the predicted expansion areas may be at risk of landslides.

In general, significant changes in local climate are generated by the way these urban areas develop through uncoupled interventions such as intense vertical growth, soil compactness and suppression of vegetation and watercourses. Basically, the worsening of the drainage problem has always been tied to the occupation of the fluvial plain and the poor environmental quality of urban spaces, further provoked by illegal settlements in protected areas with increased areas of risk along watersheds etc.

Urban Expansion of the São Paulo Metropolitan Region in 2030



Source: Image from Landsat 7 TM + satellite orbit point 219/76 and 219/77.

Considering the fast pace of urban expansion and the delay in the implementation of adequate infrastructure to support the rate of growth of the urban area, there is a lack of preparedness for the expected effects of climate change.

In summary, the RMSP is facing a great challenge, since the environmental consequences of urban interventions and the lack of control can be tragic. This is clear given the consequences of extreme events such as floods, landslides and others. The risks and their magnitudes will depend on the severity, frequency and distribution of events related to climate change; yet the scale and frequency with which climate phenomena recur have not been precisely defined.

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The Climate Justice Discourse in Brazil: Potential and Perspective

by Bruno Milanez, Universidade Federal de Juiz de Fora and
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Milanez and Fonseca (2011) argue that the climate justice discourse has not been adopted by the media, society or the communities affected by extreme climate events in Brazil. The climate justice discourse has been adapted from the concept of environmental justice and created from the idea that the impacts of climate change affect different social groups in various ways and intensities.

The environmental justice movement claims that different social groups have different levels of responsibility for the depletion of natural resources and, more importantly, that social inequality defines levels of exposure to environmental risks. In other words, their argument is based on the assumption that vulnerable groups are excluded from the policy formulation process and, therefore, are negatively affected by decision-making procedures concerning environmental issues.

In Brazil, the environmental justice movement has emerged quite recently and is mainly represented by the Brazilian Environmental Justice Network. This is a forum for debate and political mobilisation organised by social movements, workers' unions, environmental organisations, ethnic groups and faculty members. The network aims to develop collective actions that challenge environmentally unjust situations, promote the exchange of expertise among groups that face environmental problems, and inspire scientific research that contributes to environmental justice in Brazil.

Within the environmental justice movement, the concept of climate justice has been proposed based on the assumption that the impacts and the capacity to adapt to the consequences of such impacts vary among different social groups. Organisations that advocate for climate justice argue that those least responsible for greenhouse gas (GHG) emissions suffer the most severe impacts of climate change. Additionally, there are other aspects that increase the resilience of social groups to the impacts of climate change, such as access to infrastructure and public services.

Milanez and Fonseca (2011) analyse articles published by important newspapers in Rio de Janeiro and São Paulo after two major rainfall events produced floods and landslides in these two cities. Although it cannot be explicitly stated that the floods and landslides that are occurring in urban centres in Brazil are consequences of climate change, specialists expect an increase of between 5 per cent and 10 per cent in the amount of rainfall in the southern region and that storms will be more intense in the southeast as a consequence of climate change (Cedeplar and Fiocruz, 2009).

Their findings suggest that the media in Brazil has mostly associated the floods and landslides with land use problems (42 per cent) and failures of engineering projects (33 per cent). In less than 3 per cent of the articles assessed were the extreme climate events and their consequences related to the issue of climate change.

Based on these findings, the authors propose that the adoption of the climate change discourse in Brazil could produce three main positive outcomes.

First, it must be understood that Brazil already plays an important role in the international forums that debate climate issues. Therefore, if Brazilian social groups were to assume this discourse, the concept would gain much more visibility in such forums.

Second, acceptance of the climate justice discourse might increase the chances of the claims of affected groups being heard. Typically, communities affected by extreme climate events have little influence over the decision-making process. Nevertheless, as the debate on climate change is present on social and political agendas at the national and international levels, the debate could strengthen their claims.

Finally, they argue that defining tragedies associated with extreme climate events as effects of climate change could change the course of some public policies. Ignoring the harm done by such events is a barrier to real planning against extreme weather events. For example, in 2011, one year after the episodes described above, more floods and landslides took place in the Friburgo area in Rio de Janeiro state, resulting in more than 900 deaths.

As studies indicate that extreme climate events will become more intense in the near future, delays in the definition of a new line of actions will only increase the negative social, economic and environmental impacts of these events. Therefore, if decision-makers realise the relevance of connecting recent floods and landslides to climate change, it is possible that they will turn current corrective policies into structural policies designed to reduce vulnerability and adapt to climate change.

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Indicators for Assessing the Vulnerability of Smallholder Farming to Climate Change: the Case of Brazil's Semi-arid Northeastern Region

by Diego Pereira Lindoso and Juliana Dalboni Rocha,* Nathan Debortoli,** Izabel Cavalcanti I. Parente and Flávio Eiró,*** Marcel Bursztyn and Saulo Rodrigues Filho****

Political uncertainties about the global capacity to keep greenhouse gases within safe concentration limits along with new evidence from science showing that some degree of climate change is unavoidable have drawn international attention to the urgency of considering adaptation measures as important as mitigation actions. As a result, many efforts have been made to provide decision-makers with integrated systems of vulnerability assessment that can guide policy action towards mainstreaming adaptation on the governmental development agenda.

In Brazil the semi-arid region in particular is a climate vulnerability hotspot. It is historically known for the socio-economic setbacks and agricultural failures caused by dry spells and severe droughts associated with deficits in political-institutional capacities. In this context, Lindoso et al. (2011) propose and discuss a set of indicators to assess the vulnerability of smallholder agriculture in Brazil to drought. As a case study, the State of Ceará and seven of its municipalities located in the Brazilian semi-arid micro-region of Quixeramobim (MRSQ) were selected to apply the system of indicators. The system was based on the concept of vulnerability, which is a function of three attributes: *sensitivity*, *exposure* and *adaptive capacity*. The proposal has the goal of developing a vulnerability assessment tool with the following characteristics: simple, easily handled by the decision-makers on different scales and at the same time, and sufficiently representative of reality.

Relevant socio-economic, institutional and climate indicators were identified and distributed among the three attributes of vulnerability (see Table). The results point to the heterogeneity of vulnerabilities among the spatial scales analysed and that, in addition to the climate determinants, smallholder farming's vulnerability is also influenced by socio-economic and political-institutional drivers.

Building adaptive capacity by improving socio-economic conditions and strengthening formal and informal institutions is one key strategy in reducing local vulnerabilities. Brazil already has a political-institutional framework that is ready to support smallholder farmers to adapt to climate change. The challenge is to understand the local reality in a transverse and multidimensional manner, articulating institutions and policy instruments that are currently harboured in different spheres of government. Another challenge is to form and strengthen research and innovation networks.

Indicators of the Three Attributes of Vulnerability of Smallholder Farming

	Attribute of Vulnerability	Indicator
Vulnerability of smallholder farming	Sensitivity (S)	Dependency of smallholder farm income on the crop and animal production (%)
		Municipal population occupied in smallholder agriculture (%)
		Establishments with access to water (%)
		Establishments with rainfed farming (%)
	Adaptive capacity (AC)	Smallholder system product diversification (%)
		Establishments in which the producer is the landowner (%)
		Establishments in which the administrator can read and write (%)
		Establishments in which the producer is a member of an association or union (%)
		Establishments that receive technical assistance (%)
	Exposure (E)	Agricultural establishments with access to electricity (%)
		Aridity Index (AI)
		Annual distribution of rainfall

Source: IBGE (SIDRA) and FUNCEME, 2011.

In this sense, an important element is the promotion of dialogue between institutions and researchers that work on related topics, aiming at complementarity of studies and research, as well as further collective advances by sharing experiences and results.

Notes:

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Cost-benefit Analyses of Climate Change

by Jorge Hargrave, Ronaldo Seroa da Motta and Gustavo Luedemann, Institute for Applied Economic Research (IPEA)

The United Nations Environment Programme (UNEP) estimated that the world would need to reduce greenhouse gas (GHG) emissions by 50–60 per cent from 1990 levels by 2050, with a future downward trajectory that is even more drastic, to have a probable chance of limiting a global temperature increase to 2°C. It was also estimated that a 2°C warming could lead to overall global losses of about 1 per cent of the world's gross domestic product (GDP). Models predict however that losses will be distributed in an unbalanced way. While countries in Africa and South Asia may experience losses of around 4–5 per cent of their GDP, models predict minimal short term GDP losses in rich countries (Nordhaus, 2007; Stern, 2007).

This means that mitigation efforts will need to be enormous and will require investments to enable a radical transformation of production structures and of consumption behaviour, with significant renovation of the capital stock and its technological content.

Therefore, the current debate on climate change centres on where and when mitigation and adaptation actions should be taken, and with what priority. In this context, economic science has developed models that attempt to quantify the difference between the cost of mitigation actions (and their benefits in terms of avoided negative impacts) and the costs of inaction, aiming to calculate the optimal mitigation strategy from an economic perspective.

Cost-benefit analysis of investments in climate change mitigation or adaptation actions depends on climate modelling of future emissions and their expected warming effects and of the expected geophysical impacts that would follow. These assessments are made using integrated assessment models (IAMs), which are computer simulation models of multiple equations that combine dynamic economic relations with the dynamics of the geophysical environment to analyse the economic effects of climate change.

Economic models then try to translate these climate patterns into economic effects. The decisions about the most efficient pattern of emissions reductions is based on the equalisation of the marginal cost of lowering consumption due to the need to reduce emissions and the marginal benefit of reducing climatic risks given an emissions path. Since these costs and benefits will take place over time, they are equalised at present values. Therefore, results are very sensitive to which discount rate is used. Also distributive effects will be heavily dependent on the curvature of the social welfare function adopted.

The emerging investment and consumption patterns that would result from this cost–benefit equalisation should maximise social welfare. The effects of public policies in terms of consumption patterns and emissions paths, gas concentrations and impacts are compared to a business as usual (BAU) scenario (one without mitigation and thus a baseline for comparisons), so that policymakers can decide whether or not to implement a proposed mitigation policy.

However, modelling and valuing impacts and comparing them with mitigation costs is not free from controversy. There are basically two groups of studies in this arena: the gradualist or 'climate ramp' approach (e.g. Nordhaus) and the approach that supports stronger and immediate actions (e.g. Stern). Their most important difference is the size of the discount rate each of them uses. The first uses larger discount rates than the second. The higher the assumed discount rate, the greater the individual preference for present consumption at the expense of future consumption. Thus their policy recommendations tend to support higher present consumption and the postponement of investment in mitigation and adaptation. Other important factors behind the differences are population growth and emissions projections, the specification of cost functions, the way regional effects are aggregated and the marginal utility elasticity.

The extreme lack of knowledge about the effects of potential catastrophic events that may occur with very low probabilities poses an additional challenge for economic modelling. Economists are used to dealing with mean effects analyses. With regards to climate change, explicitly including uncertainty in models is crucial for sound policy recommendations.

Therefore, a key question is whether economists should continue to study mean effects with high probabilities, or change their focus to calculating the costs and benefits of avoiding possible extreme effects. In terms of policymaking, this would be compared to buying 'climate insurance' or using the precautionary principle.

Despite the uncertainties involved in climate change cost–benefit analysis, it is important to highlight the existing converging points, such as the need to establish some sort of carbon price and the recognition that not only mitigation but also adaptation is an important issue and that whatever mitigation path is chosen, it is necessary to find economic instruments and incentives to minimise its costs.

Besides that, climate change cost–benefit analysis has already provided important insights to inform decision-makers, international negotiators and public opinion. Even though these studies are often not explicitly cited, they underpin opinions of various stakeholders in the national and international arena, guide the positioning of most countries and will probably become even more important in the near future.

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The Targets of the Copenhagen Accord and the Cancun and Durban Agreements

by Ronaldo Seroa da Motta, Jorge Hargrave and Gustavo Luedemann, Institute for Applied Economic Research (IPEA)

Adopted in 1992, the United Nations Framework Convention on Climate Change (UNFCCC)—or simply the Convention—today has nearly universal membership, with 195 parties. However, it was only after 1997, when the Kyoto Protocol was approved, that its implementation started. Foreseeing the end of the first commitment period of the Kyoto Protocol, in 2005 the Convention agreed on a new negotiation platform, the Bali Action Plan, which should go beyond the first commitment period.

The aim of the 15th Conference of the Parties of the Convention (COP 15) in Copenhagen was to conclude the agenda for negotiations under the Bali Action Plan: a shared vision for long-term cooperative action, including a long-term global goal for emissions reductions; enhanced action on mitigation of climate change and adaptation to it; enhanced action on technological development and transfer to support action on mitigation and adaptation; and enhanced action on the provision of financial resources and investment to support these actions.

However, the results achieved at COP 15 were far from reaching these targets; there was no agreement on a document capable of binding all parties. Negotiations reached only the establishment of the Copenhagen Accord, signed by many, but not by all parties, which therefore lacked a legally binding status. As a result, the mandate of the negotiation process was extended to COP 16 in Cancun, Mexico, in 2010.

The main achievements in Cancun were related to improvements and the inclusion of principles, objectives and mitigation goals from the Copenhagen Accord into the Convention text, restoring some confidence in the process and promoting a solid base for the following meeting (COP 17) in Durban, South Africa, in 2011.

Even considering the results of COP 15 and 16 as important steps forward, studies show that the quantitative targets of the Copenhagen Accord and the Cancun agreements, even if implemented in their strictest sense, represent an insufficient reduction in emissions to achieve the global goal of 2°C. On the contrary, current targets not only leave a gap in emissions reductions by 2020 of 5.9 GtCO₂eq per year but also leave great uncertainties about emissions patterns after 2020. As a complicating factor in the negotiations, the existence of various forms of measurement in the targets and actions submitted to the Accords greatly complicate an evaluation of the compatibility and comparability of mitigation efforts among countries (see Table for country-specific commitments).

At COP 17, in Durban, new steps forward were achieved. The main ones were the agreement on a second commitment period of the Kyoto Protocol and the launch of a negotiation process to develop a legal treaty under the Convention that would include all parties. This meant a renewed political

commitment from all parties to pursue new steps to tackle climate change, as well as the restoration of confidence in the multilateral negotiation process. However, it is important to note that nothing concrete in terms of actions or plans of specific actions was reached. Specific numbers on emissions reduction targets for the second commitment period of the Kyoto Protocol are still to be formally incorporated to the Convention text, and the new legally binding agreement necessary to put the world on a 2°C trajectory is still a political plan.

As a result, a variety of national, regional and local actions with different formats endeavour to gain public acceptance—partnerships between the public and private sectors or agreements of local or regional scope. Thus, in spite of possible advances in the next COPs, the world's economic leaders may engage in a market strategy within a new competitive 'green growth paradigm'. This may result in significant indirect effects for all countries because, market failure will persist, and existing regulatory incentives may not be sufficient to avoid an unwanted increase in global temperature.

Goals of the Copenhagen Accord in Developed and Developing Countries

Countries (Annex I)	Emissions reduction targets for 2020 (%)	Base year
Australia	5–15	2000
Canada	17	2005
European Union	20–30	1990
Japan	25	1990
Norway	30–40	1990
United States	17	2005
Russia	15–25	1990
Countries (non-Annex I)	Deviation from the trend of emissions projected for 2020 (in %)	
South Korea	30	
Mexico	30	
South Africa	34	
Indonesia	26	
Brazil	36.1 to 38.9	
	Reduction of CO ₂ intensity of gross domestic product (GDP) projected for 2020	
China	40–45	
India	20–25	

Source: UNFCCC.

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Climate Change Negotiations from an Industry Perspective

by Paula Bennati, Climate Change Senior Advisor in the Environment and Sustainability Department of the Confederação Nacional da Indústria (CNI – Brazilian Confederation of Industry)

The negotiations within the United Nations Framework Convention on Climate Change (UNFCCC) have had an increasing impact on domestic policies in developing countries, especially the largest emitters among them, such as India, China, South Africa and Brazil (member countries of the so-called BASIC group).

These negotiations are affecting the Brazilian private sector as well as the nature of its participation in these negotiations, given the themes currently being negotiated and the country's socioeconomic situation. Overall, it is clear that to make effective progress in negotiations, increased business involvement is necessary in the drafting and implementation of foreign and domestic policies.

Bennati (2011) argues that the current negotiating agenda is of special interest to the private sector for two main reasons. The first reason is due to the private sector's responsibility for covering most of the costs of mitigation through massive investments in clean energy and technology. The second reason is related to the implementation of the decisions taken in the UNFCCC arena, which is an indicative pathway for countries to establish domestic policies.

Thus, it is clear that to make progress in negotiations, greater involvement from business is necessary. Governments could take advantage of the structure and experience of the private sector, and this, in turn, could expand its portfolio of activities. Cooperation between the private sector and the state would facilitate the implementation of mitigation and adaptation to climate change, and would promote the adoption of adequate policies in these areas.

The private sector has been highlighting the importance of integrated policy approaches, recognising that there is no one-size-fits-all approach for different sectors and economies. This is why the UNFCCC meetings have been increasingly seen as important channels of dialogue to conduct business of various magnitudes, for the establishment of partnerships between businesses and non-governmental organisations (NGOs), and for the expansion of social networks.

Bilateral and regional agreements have been responsible for projects associated with significant reductions in greenhouse gas (GHG) emissions, technology transfers, capacity-building, and strengthening the market for carbon credits, which have gained internal, regional and global strength.

International cooperation should serve to build capacities and transfer new and additional financial resources and clean technologies on a two-way route between developed and developing countries, based on relative availability, namely demand. Here, emphasis is placed upon the importance of South–South cooperation, bilateral agreements between countries and private entities, the strengthening of regional blocs, and public–private partnerships.

Many international decisions directly impact the strategies that domestic industries must develop to meet challenges related to managing GHG emissions. It is important to follow a standardised methodology to establish the baseline year and metrics for gases, and to ensure at the outset the use of criteria for Monitoring, Reporting and Verification (MRV), which are still not completely defined under the UNFCCC.

A new definition of commitment periods for emissions reduction targets for developed countries under the Kyoto Protocol is a fundamental element for industry to continue to invest in Kyoto market mechanisms, in particular the Clean Development Mechanism (CDM), whose maintenance and improvement are of great importance to the Brazilian industrial sector.

The State's regulatory role and support for the development of low-carbon technologies are crucial, as is stimulating the use of renewable energy, encouraging energy efficiency programmes, and developing specific technologies, among other examples.

The use of tools such as tax incentives and tradable permits to promote green innovations and investments is also essential, as is investment in capacity-building, training and education. It is important to strengthen international governance and global mechanisms to support the transition.

The world is confronted by a new, complex theme, with decisions reverberating in all sectors of the economy. Scientists, technicians, engineers, managers and entrepreneurs must all be trained. Hence, it is imperative to increase awareness and promote quality debate on the issues throughout Brazilian society. We are increasing understanding along the way; we are all learning by doing.

Internal policies should be established based on national growth objectives, in sync with overall mitigation targets, so that they can be transformed into effective actions across the country.

For industry, it is essential to choose more practical and positive directions which clearly demonstrate pathways to achieving a new low-carbon economy without affecting sector competitiveness. Strengthening technical skills and building intellectual networks across business lines are essential and indispensable in the transition to clean technologies and new ways of doing business (CNI, 2011).

In the Brazilian context, external commitments must be compatible with those established by the National Policy on Climate Change (Federal Law 11.127/2010): voluntary targets of 36.1 per cent to 38.9 per cent emissions reductions, based on projected emissions growth by 2020.

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Regression Discontinuity Impacts with an Implicit Index: Evaluating El Salvador's *Comunidades Solidarias Rurales* Transfer Programme

by Alan de Brauw, International Food Policy Research Institute (IFPRI)¹

IFPRI and the *Fundación Salvadoreña para El Desarrollo Económico y Social* (FUSADES) collaborated between 2007 and 2010 to evaluate the impacts of the *Comunidades Solidarias Rurales* (CSR) programme in El Salvador. CSR includes two types of conditional transfers: an education and a health transfer. Households are eligible for the education transfer if they have a member between six and 15 years of age who has not yet completed primary school; and for the health transfer if any pregnant women lived in the household at the time of the inception census or any children aged up to five years live in the household. The education transfer is conditional on school enrolment and attendance; the health transfer is conditional on growth monitoring check-ups, receiving timely vaccinations, and antenatal monitoring check-ups for pregnant women. The transfer amount is USD15 per month per household for the education or health transfer, and USD20 per month if households are eligible for both types. Payments do not vary by the number of eligible children in the household.

The impact evaluation strategy was shaped by rolling entry into CSR. To determine the order of entry, all municipalities in El Salvador were initially grouped into 'extreme poverty groups', and municipalities within the severe and high extreme poverty groups entered the programme between 2005 and 2009. Within each extreme poverty group, municipalities were ranked by a 'marginality index' to determine the order of municipal entry into the programme. As a result, regression discontinuity design (RDD) was the only potentially valid design for identifying impacts. To measure impacts among the poorest municipalities (the 2006 entry group), treatment municipalities from the severe extreme poverty group entering in 2006 were compared with control communities from the high extreme poverty group entering in 2007. The groups were formed using partitioned cluster analysis, so multiple variables were used to group municipalities into 'like' groups—in this case, a poverty headcount and the severe stunting rate in first grade were used. So the use of partitioned cluster analysis needed to be translated into a single index with a threshold before RDD could be applied.

De Brauw and Gilligan (2011) show that by making three reasonable assumptions, the distance measure used to cluster observations in partitioned cluster analysis can be used as a forcing variable in RDD. The underlying concept is that each observation is assigned to a cluster, which is defined by its centre. A set of points exists that defines a boundary between any two clusters equidistant from the two cluster centres, which becomes the RDD threshold.

The estimator is used to show the impacts of CSR on school enrolment for children aged from six to 12 years, which corresponds to kindergarten through 6th grade. Using El Salvador's 2007 census, the

paper finds that the programme increased enrolment for children aged six by about 19 percentage points between the 2006 and 2007 entry groups, for those aged seven by 8.9 percentage points, aged eight by 4.2 percentage points, and aged nine by 4 percentage points. Enrolment for children aged 10–12 was not significantly different as a result of the programme. So CSR led to school enrolment at younger ages, implying that children will be able to complete primary school sooner.

De Brauw and Peterman (2011) use the same methodology to study four outcomes related to maternal health around the time of birth, using the IFPRI-FUSADES evaluation data. They study whether women receive adequate antenatal visits, whether qualified personnel attend their births, whether births took place in hospitals, and whether or not they receive a post-natal check-up. Of these outcomes, cash transfers are only conditional on receiving antenatal care, and only for women who were pregnant at the time of the eligibility census. The paper finds robust impacts on skilled attendance at birth and on birth in a hospital setting, but no impacts on ante- or post-natal care. The paper argues that impacts are a result of a combination of supply-side improvements and gains in women's decision-making agency. The latter argument was a primary conclusion of the qualitative study conducted as part of the evaluation. More importantly for maternal health in El Salvador, after all municipalities in our data set entered CSR, women who were not eligible to be beneficiaries were just as likely as women who were in the treatment group to both have births attended by qualified personnel and for births to occur in hospitals. Therefore, CSR appears to have catalysed healthier outcomes in the longer term for women around the time of childbirth.

The results are important for policymakers in El Salvador, but there is at least one further important implication. Even when an explicit forcing variable does not exist, the impacts of a conditional cash transfer (CCT) or another type of programme can be measured using the methods described in de Brauw and Gilligan (2011). Partitioned cluster analysis may be an attractive way for governments to target interventions to populations with specific needs—for example, it could be used to target areas for agricultural interventions with high poverty and high agricultural potential.

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What is Happening with El Salvador's CCT Programmes?

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El Salvador's Red Solidaria was designed in 2005 as a Conditional Cash Transfer (CCT) programme with the traditional objectives of short-term poverty alleviation and incentives for investment in human capital. In addition to the CCT component, it had two other components: one related to improving the supply of social services and infrastructure, and another related to increasing the productivity and diversification of the income sources of poor families (Britto, 2007).

Red Solidaria was implemented in rural areas of the 100 poorest municipalities (out of 262) according to a poverty map. These municipalities were classified into four groups: 1) very high extreme poverty; 2) high extreme poverty; 3) moderate extreme poverty; 4) low extreme poverty. This classification was used to phase municipalities into the programme between 2005 and 2009 using a 'marginality index' that ranked them within each group. Moreover, households in very high extreme poverty municipalities (32 of the 100) that had the demographic profile of the target beneficiaries—pregnant women and children up to 18 years old who have not completed 6th grade—would all be invited to register for the programme regardless of their poverty status as measured by the proxy means approach adopted by the programme for potential beneficiaries in the other 68 municipalities. Local non-governmental organisations (NGOs) that were hired to support and follow up beneficiary families monitored the conditionalities and provided lifelong training sessions.

The new left-wing government that took office in mid-2009 brought a much more universalistic approach that led to some changes in the design of *Red Solidaria* as well as an attempt to insert it into a broader social protection system. With regard to the latter, the Executive Decree of 9th October 2009 enacted the *Comunidades Solidarias* programme as the component of the universal social protection system responsible for its non-contributory dimension. *Red Solidaria* was renamed as *Comunidades Solidarias Rurales* (CSR), and *Comunidades Solidarias Urbanas* was created with the aim of covering 412 informal urban settlement areas in 25 municipalities. It has similar components to CSR, adapted to an urban context, and is due to be implemented gradually according to budget availability and the planning state of each component and intervention (STP, 2012).

Among the changes in the design implemented by the new government, it is worth mentioning: 1) the inclusion of another programme component, 'territorial management', which aims to strengthen local government through technical assistance as well as to support local committees to promote their participation in the implementation and oversight of the programme; and 2) the introduction of an old age pension which has led to an increase into its budget. People older than 70 years living in the 100 municipalities of *Red Solidaria* are eligible for the 'universal basic pension'. The beneficiary would receive USD50 per month, whereas the CSR beneficiary family would receive a maximum of USD20.

At the end of July 2012, the Technical Secretariat of the Presidency of the Republic (STP) and the Social Investment Fund for Local Development (FISDL) promoted an international workshop to discuss the redesign of CSR. This redesign will be facilitated by the new poverty map that is being finalised, and by the introduction of the Single Registry of Beneficiaries (RUP).

During the workshop it was pointed out that despite the universal and rights-based approach adopted by the current government, some important steps could be taken to improve the programme design and implementation as well as to strengthen its horizontal equity.

For instance, it has been suggested that the value of the transfer should be revised according to past inflation and the cost of opportunity of the activities related to the programme's focus on human capital. Moreover, the budget for the social pension should not be accounted as part of the CCT programme so that it does not give the false impression that the programme has been growing.

The programme should be expanded to all eligible members of the population regardless of the poverty incidence of a particular municipality (horizontal equity). The programme could also take advantage of the implementation of the RUP to reassess the eligibility status of all current beneficiaries of the programme and insert a dynamic approach to the selection of beneficiaries. Note that neither new families nor new members of beneficiary families have been incorporated into the programme. As a result, from a maximum of 111,777 beneficiary families, the programme had only 84,818 beneficiary families in January 2012 and soon will not have any children below the age of five.

With regard to the implementation of the RUP, it is important to involve different actors and institutions to cut down costs and widen access to this registration process. Of course, all should follow the same protocol. A similar approach could be adopted with regard to monitoring the conditionalities and supporting families, given the relatively high administrative costs of the NGOs. In the health sector, this is clearer because of the adoption of a preventive health care service that includes an information system that could potentially be cross-referenced with the database of beneficiaries.

Such changes are in line with the government's universalistic approach and should be facilitated by recent changes in the health and education sectors.

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Progresas as a Response to the 1994 Crisis

by Fernando Cortés and Rosa María Rubalcava, Colegio de México

In December 1994, Mexico experienced a profound economic crisis that drove up poverty to its highest levels in 20 years. Between 1994 and 1996, food poverty as a percentage of the population grew from 21.4 to 37.4, and asset poverty from 52.4 to 69.0 per cent. The Government that had come to power at the beginning of December 1994 adopted a number of measures in order to protect the poorest segment of the population, one such measure being the 1995 launch of a pilot programme in the Mexican state of Campeche known as the Food, Health and Education Programme (PASE). As Cortés and Rubalcava note, the results of the pilot phase of PASE were unsatisfactory, compelling the Technical Secretary of the working group of President Zedillo's Social Development Cabinet (GDS) to request the assistance of CONAPO (National Population Council) in an assessment of its pitfalls.

CONAPO carried out a review of PASE and found it had a number of inherent shortcomings. This included the fact that the Municipality as a territorial unit was too large for the Programme's purposes, and also that individuals from the registers of the 'Liconsa' and 'Diconsa' programmes had been used despite the fact that the actual intention of PASE was to benefit not individuals but families (and indeed Liconsa and Diconsa were at that time considered to be regressive in nature anyway). More broadly, PASE gave little attention to the particular socio-demographic realities faced by Mexico's poorest people. As a standout example, support was provided in the form of money deposited on debit cards, yet in the poorest communities there were no ATMs to be found.

CONAPO's critical analysis was influential in the later design of *Progresas*. CONAPO's insight with respect to the key determinants of fertility rates, as well as its calculation of the marginalization indices for each locality using the 1990 Census, were themselves crucial inputs to *Progresas*' development, as were CONAPO's geo-referenced schools and health centres, which allowed for locating these institutions in the field and likewise creating maps in order to provide information about the accessibility of communities in terms of topography and the quality of roads. Indeed all of this data augmented in-depth knowledge of the survival strategies—for example the use of domestic labour, including child-labour (which results in school dropout, especially for girls)—typically adopted by poor families, that Mexican social researchers had already been accumulating since the late 1970s.

The background studies used in the design of *Progresas* brought together a range of professionals from fields such as Anthropology, Demography, Economics, Statistics, Geography, Mathematics, Medicine and Sociology, *inter alia*, that were in a position to provide the most up-to-date empirical research.

This multidisciplinary approach stands in contrast with the conventional use of professionals from merely one or two disciplines in each Ministry; specialization which would ultimately have a restrictive effect on the social programmes that are proposed by each Ministry.

At the same time, an Extended Social Cabinet was created to deliberate progress of *Progresas*' development while simultaneously providing a forum for political dialogue between, on the one hand, emerging civil servants giving primacy to the role of the market in social policy and, on the other, traditional civil servants proposing that actions should be kept in the hands of the State. The 'new' civil servants, in effect, proposed the distribution of money (such as with PASE in the Mexican state of Campeche) and that each beneficiary be given personal latitude to decide on the use of this money, while the other school of thought—the traditionalists—effectively maintained that the State should provide the goods and services required by the population. In the case of education, for example, the first of these philosophies leaned toward monetary transfers and the second called for the State to facilitate the provision of uniforms, books and useful, educational materials.

Judging by the results, these discussions ended in a number of general compromises. With respect to education, for example, *Progresas* ultimately gave grants in cash, differentiated by gender, but the Ministry of Education provided the supply side. With respect to health and nutrition, *Progresas* provided food support by way of cash deliveries but the Ministry of Health was responsible for providing basic health care in the communities.

To sum up, the analysis of the process that led to the design of *Progresas* demonstrates the advantages of, indeed need for, multidisciplinary and (hence) multiple perspectives and approaches. The complex realities of poverty cannot be fully captured by any single discipline tackling problems with a particular viewpoint. The design of the Programme incorporated various theories research methodologies. That said, it is nevertheless also important to recognize those involved in building the Programme (policy makers, researcher, etc.) were not evenly matched in terms of resources and power, which in turn played a role in affecting the solutions that were given to the various obstacles that arose in *Progresas*' design.

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Poverty, Family Dynamics and *Oportunidades*: an Evolutionary Perspective

by Mercedes González de la Rocha, CIESAS Occidente

Mexico's well-known *Oportunidades* Programme sought to modify certain survival strategies of poor people that development practitioners associate with the intergenerational transmission of poverty. The tendency of young people from impoverished homes to drop out of school and prematurely join the labour market, for example, is commonly perceived as preventing youth from reaching the productive stages of their lives both in good health and with the necessary qualifications to obtain jobs that can cover their basic needs.

Utilizing Mexico's National Commission for the Evaluation of Social Development Policy (CONEVAL) poverty estimates, González de la Rocha (2012) explores poverty trends during the period 1996-2008, placing emphasis on assessing the impact of *Oportunidades*. The principal question that drives González's analysis is whether changes observed among *Oportunidades* beneficiary households, both in rural areas and small towns, actually contributed to the improvement of poor peoples' lives, especially in terms of vulnerability as a basic mark of poverty.

González's analysis sees her identify four main changes that have occurred within beneficiary households over the course of *Oportunidades*' twelve-year (1998-2010) lifespan: 1) the extension of purchasing power and creditworthiness occurring as a result of what became the regular and predictable flow of income; 2) increase in dietary consumption; 3) diversification of consumption as a result of the increase of household income and the control of this income by female members of the family; and 4) the increase in school enrolment and a longer period of time spent at school for the beneficiary children (teens or pre-teens).

Nevertheless, the impact of *Oportunidades* on beneficiary households does vary. In any given household, the family composition, differences in the labour force participation of the various members of the household, and the degree of diversification of income sources are all factors that shape any given household's well-being levels, and thus the Programme's ultimate influence as a whole. Family composition is especially critical, for it determines how many members of the household can carry out activities that generate income. Larger families, notes González, can achieve higher levels of well-being, principally in terms of economic prosperity, as they may enjoy economies of scale especially with regard to shelter costs and, in addition, may count on a larger number of adults who can contribute with income.

Factors associated with increased vulnerability of households are likewise fourfold: 1) insufficiency and high-turnover rate of wage jobs and the low returns of subsistence agriculture; 2) illness; 3) the feminization of domestic economies (women's wages are very low and irregular); and 4) the disproportionate time commitment on the part of women culturally burdened with the task of carrying out domestic chores.

Conversely, there are number of distinct factors associated with reduced vulnerability that can increase the capacity of families to better deal with, among other things, negative economic shocks: 1) the diversification of sources of household income that results from the participation of many members of the domestic group in various niches of the existing employment options (including as migrants to the USA); 2) women's engagement in the labour force when this coexists with participation by men in paid employment; and 3) households that are secure, in terms of property titles/rights, and enjoy access to basic services and public utilities. For González, the greatest impact of *Oportunidades* in fact can be witnessed in those households that, in addition to receiving Programme cash transfers, constitute environments which combine each of these factors.

To make her study more rigorous, González also focused on the features, including family compositions and employment activities, of a sample of vulnerable households that were incorrectly 'graduated/ excluded' from the Programme during the process of re-evaluation of their eligibility status. Many of these households display a cluster of factors that are patently associated with situations of vulnerability.

These include old age, illness and the associated 'drying up' of the individual's capacity to generate resources, the irregularity and lack of sources of income and workers, the deterioration of social networks or the impoverishment of family bonds, and the disappearance of assets (either sold or lost). Further still, as would be anticipated, when these households include either young children or adolescents there is indeed a greater risk that these youth will drop out of school prematurely in order to devote themselves to either family tasks or waged employment.

González's conclusion is that despite the fact that *Oportunidades* is in a position to reduce vulnerability, in isolation the Programme is by no means sufficient as 'the' poverty eradication tool. In order to be more effective in bettering the lives of poor people it is essential to improve beneficiaries' other sources of income. That said, without the Programme transfers in place, the subsistence of poor households would prove to be even more at risk.

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Public Policy and Society: Two Essential Mediating Factors for Conditional Transfer Programmes

by Agustín Escobar Latapí, CIESAS and CONEVAL

The evolution of *Progres/Oportunidades* program demonstrates that Conditional Cash Transfer programmes (CCTs) do not function in an isolated manner. The program is implemented by a national authority that consolidates information relating to programme conditionality compliance, decides who to target as beneficiaries, and distributes resources to such beneficiaries. Considering that health and education services are fundamental elements of the *Oportunidades*, programme success is dependent upon the quality and effective provision of such services when they finally reach their intended beneficiaries, at the local level.

Escobar's (2012) study takes this observation as its guiding premise. He analyzes two particularly salient circumstances which underscore the inherently dynamic and multi-dimensional interface of a given CCT.

The first of these relates to public policy. As Escobar explains, at the outset the *Oportunidades*' operations, its high-levels of political support that ensured that the provision of intended services was extended to areas identified as isolated, indigenous and historically marginal. These 'compensatory' policies already existed, but due to the implementation of *Oportunidades* they attracted greater attention and budgetary resources.

This is significant because it helps explain an apparent paradox that has long interested those involved in studying the Mexican CCT. On one hand, the quantitative impact evaluation of the Programme show positive, but modest impact with respect to the increase of school attendance among beneficiaries. On the other hand national level statistics reveal a substantial increase in the school attendance of young people living in rural areas since the Programme began. What explains these results? For Escobar, the explanation has much to do with the fact that the Programme was part of a wider strategy that increased the supply of educational and health services in marginalized rural areas. As such, both beneficiaries and non-beneficiaries of the *Oportunidades* could spend more years studying at school, which explains the attenuation bias in the impact evaluation estimates. In contrast to the conventional wisdom on the subject, the Programme, and the broader strategy from which it was part, has affected both the supply and the demand of services.

The second circumstance analyzed by Escobar is that of social structures and institutions, as reflected by how young people perceive the possibility (or not) of upward mobility based on available information, and social networks accessible by such young people. With the change of the economic-institutional model that commenced in 1988, the Mexican employment structure became more rigid and unequal. *Progres/O*

Oportunidades may have modified this situation in favour of poor young people living in rural areas by way of their increased access to education.

Escobar illustrates the steps that these young people have taken, the factors that have had a substantial effect (negative and positive) on their success, and the lack of public policies to support them upon finishing their studies and exiting the programme. In line with the findings of Sánchez and Jiménez (2012), the author finds that leaving one's social class behind is a process in which a set of identifiable resources need to be mutually reinforced to facilitate the ease for young people to study, on the one hand, and to decrease financial dependencies on their families to support their studies in the move towards adulthood on the other.

A number of serious setbacks for these young people along with some noteworthy achievements were highlighted between the end of the qualitative evaluation of 2007 and the current study. Taken as a whole, the design of the Programme appears to have overlooked the significance of the rigid class structure characterizing contemporary Mexican society. Public sector occupations seemed to present the most likely opportunity to move towards upward in terms of occupation. As a matter of fact, no one in the sample used in this qualitative study managed to work in professional activities in the private sector. Although one would expect they will do so as soon as some of the members of this cohort of former beneficiaries graduate from university courses such as law, agrarian sciences, dentistry, nursing, and engineering. Thus, the full impact of the programme should be better captured when former beneficiaries reach the age bracket of 25-30 years old and those who obtained a university degree start working as professionals.

The setbacks that were experienced by these young people do not however warrant the conclusion of programme failure. The occupations of former beneficiaries are somewhat better than those who never participated in the programme to begin with, as is shown by the 2007-2008 qualitative evaluation. This evaluation also shows that competencies acquired at school are important in most of these occupations. Thus, even though the impact on their career prospects seems modest at this point, one could expect larger impacts to reveal themselves in the forthcoming years.

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The Social Production of Conditional Cash Transfers' Impacts

by Alejandro Agudo Sanchiz,
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It is often assumed that the mere implementation of a Conditional Cash Transfer (CCT) policy model, with its emphasis on altering recipients' behaviour or preferences via co-responsibilities, can bring about a desired new social order. However, this assumption obscures relatively autonomous power relations operating at the local level between myriad CCT stakeholders, policy intermediaries and recipients included, which influence a CCT's ultimate impact. Conventional theories of change that inform the causal models underpinning most CCTs overlook how different actors in a given socio-cultural arena actually defend their vested interests, producing their own contexts and thus altering CCT results in ways unanticipated by policy-makers (Mosse 2005).

In this chapter, Agudo Sanchiz (2012) discusses the results of a qualitative research study aimed at assessing the impacts of Mexico's *Oportunidades* anti-poverty programme. He gives particular focus to how different rural communities in Chiapas and Oaxaca were exposed to the ideas behind the notion of contract and co-responsibility and, in turn, how exactly these communities responded when the programmes were put into operation.

Some of the social relationships affecting *Oportunidades'* implementation at the local level were influenced by the long-established institution known as '*tequios*'—collective work wherein men, traditionally, contribute unremunerated labour for the benefit of their community. The implementation of *Oportunidades* in rural areas, Agudo Sanchiz finds, actually altered the nature of *tequios* in many indigenous communities in Chiapas and Oaxaca. The *tequios* increasingly came to rely on *Oportunidades'* beneficiaries, themselves primarily women, under the logic that they must contribute some work on behalf of their communities precisely because they are recipients of Government transfers. Likewise, staff at local health centres and schools came to assume that beneficiary mothers had the 'duty' to supply a certain amount of work hours. Thus, even though such work was never an official part of *Oportunidades'* co-responsibilities, female *tequios* have now become an essential component in negotiations with local doctors, nurses and teachers, who, in turn, often reward and hence reinforce the 'unofficial contract' by promising, for example, to not report beneficiaries' failure to attend the health check-up sessions and workshops otherwise required as conditions of the CCT programme.

To make the matter even more complex, besides doing some work for their communities, beneficiary mothers are compelled by local public service providers to make payments to cover the costs of services and infrastructure that have nothing to do with *Oportunidades*. And while this occurs, non-fulfilment of the actual co-responsibilities is often informally penalised with fines not stipulated by the programme. In this latter case, the fines are administered by the *vocales*, beneficiary women whom the others elect as their official representatives and who are at the

same time in charge of organising female work teams in coordination with local authorities and service providers. The amount of such fines is set according to local conventions: larger sums apply to parents who miss workshops or cannot take their children to school or to medical check-ups because they are working outside rather than within the community, which follows the logic of sanctions imposed on those skipping community assemblies not related to *Oportunidades*. Programme rules are thus informally adapted by the use of informal mechanisms of coercion already in place in the community.

Vocales, like the local doctors, nurses, teachers and other service providers, illustrate the new and changing hierarchies of knowledge and authority that both shape and are shaped by development interventions based on the principle of co-responsibility. These women show some features of the long-established yet flexible frameworks of leadership that, in many Mexican rural communities, can accommodate new figures of authority. *Vocales* have even come to assume responsibilities in matters normally restricted to men, which is sometimes seen as an indication of women's empowerment in the 'public sphere' in many impact assessments.

Altogether, Agudo Sanchiz has found that pre-existing sanction and duty systems informally modify programme rules and their logic but at the same time have the effect of ensuring the fulfilment of co-responsibilities. In practice, rather than introducing the idea of agency and equal partnership with the government (which is traditionally associated with the notion of co-responsibilities in the design of the programme), the CCT transfer is seen by beneficiaries as a subsidy that is in fact mediated through uneven power relations between local operators of the programme—e.g., doctors, nurses, teachers, and *vocales* and recipient mothers. This demands of CCT policy makers a more nuanced understanding of the 'self-regulation' principle imparted by the programme's trainers in the capacity building sessions undertaken at the local level.

The co-responsibility discourse in which families and the State are responsible for improving the human capital of the children of the poorest families based on equality-restitution principles are actually drastically changed by the local subjectivities and power relations. The latter rely on a different notion of reciprocity that is essentially based on *clientelistic* practices in which patrons dispense favours in exchange of the gratitude of their clients to guarantee the desired 'outcome' of the policy.

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Ethnicity as a Prerequisite for Inclusion in Conditional Transfer Programmes: The *Oportunidades* Programme in Mexico

by Juan Luis Sariego, Escuela Nacional de Antropología e Historia, Unidad Chihuahua

Public policies aimed at Mexico's indigenous population traditionally viewed the communities themselves as their primary beneficiaries. Breaking with this convention, the anti-poverty programme known as *Oportunidades*, with its specific focus on supporting not communities but in fact discrete family units experiencing acute poverty, disregarded the specificities of the indigenous population and treated indigenous people as any other impoverished segment of Mexican society. *Oportunidades* fully embodied an increasing tendency by the government to overlook critical aspects of ethnicity in favour of broader categories such as marginalization, poverty and capabilities. 'Indigenous' ceased to be considered a category in its own right, or as a special factor with direct relations to poverty, and consequently the programmes designed to combat poverty have largely eliminated this term from their working vocabularies, even going so far as to cite appeals to 'equity' (according to which the use of ethnic criteria implied a veiled form of discrimination).

As a result, by denying the uniqueness of the social, political and economic conditions faced by indigenous peoples, the policies for eradicating poverty were homogenized; brought into line with the policies applied to the rest of the marginalized population in general. By the same token, the community components were no longer considered to be a strategic cultural input for use in the pursuit of ethnic development strategies.

A 2008 a qualitative evaluation of *Oportunidades* undertaken by a group of anthropologists, says Sariego, underscores some especially troubling problems with this new 'family instead of community' approach. With its focus on 118 municipalities located in 11 indigenous regions throughout Mexico, the study demonstrated, alarmingly, that the new targeting criteria in fact resulted in a number of biases in the selection of communities and families living in precarious conditions (De La Rocha, 2009).

Specifically, it was found that the indigenous families living in indigenous geographically dispersed regions and communities with low populations, lacking in education and health services, have a lower probability of being selected as beneficiaries of the Programme. Furthermore, there is evidence that in states with a lower proportion of indigenous peoples, the indigenous families and regions receive a lower per capita transfer when compared to indigenous families and regions located in states with a higher proportion of indigenous populations. This indicates discrimination against the indigenous populations in states where they are dispersed and not numerous, even if they live in areas with a very low human development index.

Taken as a whole, this situation, says Sariego, has led to a particular phenomenon within indigenous regions of Mexico that can be referred to as a 'second tier' of poverty. Composed of those regions, and families that inhabit them, that do not have access to the Programme, this 'second tier' signals a widening gap even between the 'poor' and the 'poorest of the poor', whereby the most needy individuals from the target population are in fact increasingly excluded.

In order to remedy these disparities, and in view of the clear historical correlation between poverty and the ethnic condition in Mexico, Sariego (2012) advises that the *Oportunidades* Programme return to recognizing and addressing those complex realities within indigenous communities which extend far beyond that of the family unit. Specifically, he proposes the inclusion of two criteria in addition to the current targeting procedures of the Opportunities Programme, the first being of a geographical nature and the second of a community nature.

With regard to the first procedure, it is important, says Sariego, to take into account the human development indices of each one of the 25 indigenous regions that other federal agencies have identified in Mexico, based on cultural, historical and linguistic criteria. Doing so allows for the application of a 'positive discrimination' criterion that favours those ethnic regions that have historically faced greater deprivation, and in which discrepancies in the targeting system of the *Oportunidades* Programme are the most flagrant.

With regard to the second procedure, Sariego suggests that the implementation of the Programme could benefit from the organizational strength and social capital that many indigenous communities maintain through various forms of extended cooperation, leadership and internal government.

The combination of these two correctives to the targeting system will allow the *Oportunidades* Programme to reconcile the family-based and community-based criteria that have until now been at loggerheads in terms of logistical operations.

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School Achievement and the Labour Market Insertion of Young Beneficiaries of the *Oportunidades* Programme

by Mercedes González de la Rocha, CIESAS Occidente

With the notion that educational achievement is related with a wider spectrum of labour market opportunities as its guiding premise, the objective of the *Oportunidades* Programme is to prolong educational trajectories and thus help break the intergenerational transmission of poverty. González de la Rocha (2012) assesses the validity of this poverty reduction strategy by analyzing the Programme's impact on the labour performance of rural Mexican indigenous and mestizo peoples, comparing those who became grant holders upon the Programme's inception in 1998 with those who did not.

Her analysis was based on a 2008 field research study that covered a number of ethnically diverse areas in Mexico in which a population of indigenous and mestizo peoples have similar access to public services. With a specific interest in these historically marginalized populations, González gathered a sample of 192 households, approximately half of which were long-term beneficiaries and the other half non-beneficiaries. A pre-condition for selection was that each indigenous or mestizo household had a son or daughter who in 1998 was attending the third or the fourth grade in primary school. Further, in half of these households the school-going child was first-born while in the other half the child, of an equivalent school age, was the youngest in their family at the time of joining the Programme. The reason for making this second 'split' was because it allowed González to give due regard to the culturally embedded privileges that children who are the youngest members of their families typically enjoy as compared with those who are first-born, who frequently leave school in order to devote themselves to work. About 80 per cent of her sample of young people of both genders were between 18 and 22 years of age (the boys and girls who in 1998 were approximately 8 to 12 years old and started as grant-holders of the Programme) because this cohort received greater exposure to the Programme as beneficiaries relative to people outside this age range.

Comparison of these two sample sets reveals a strong correlation between school achievement and grant holding. The greatest improvement occurred among indigenous peoples, especially women. The generational gap in school achievement increased in all cases but that between indigenous mothers and their daughters is particularly marked.

The generation of the parents is characterized by two kinds of inequality: ethnic and gender. The ethnic gap, says González, has narrowed—i.e., for boys it still slightly favours mestizo, but for girls it has changed in favour of indigenous people. In terms of gender gap, it appears that girls are now more educated than boys, which is effectively opposite of the way things were in the parents' time.

As it is, a significant percentage of beneficiaries between 15 and 25 years of age now indicate 'formal study' to be their main occupation. This is especially the case among young indigenous people (men: 26.6 per cent; women: 28 per cent) and among mestizo women (32.7 per cent).

Likewise, there is an increasing number of university students, especially among indigenous and mestizo women. What this shows, says González, is that the Programme has had some success in keeping young people in school, in turn delaying the age in which they typically enter the labour market.

In order to weigh length of schooling against occupational achievement, González constructed an occupational scale. Categories of 'achievement' were aggregated in terms of occupational strata. Young people who had not been exposed to the *Oportunidades* Programme thus ended up clustered in the lowest stratum; a circumstance which did see a high representation of males. Occupational change was concentrated in the middle stratum, with a significant presence of indigenous men and women who were beneficiaries. Ultimately, female indigenous beneficiaries emerged with the highest representation in the top stratum (though their presence here is still relatively limited).

In addition to length of time spent in the school system, the position a given beneficiary occupied in the reproductive cycle of their household (first born/last born) also had a significant influence on occupational achievement. First born children, González finds, tend to enter earlier into the labour market, whereas their counterparts—last born children—tend to continue to their studies and thus delay the onset of their working lives.

Altogether, despite indigenous peoples facing more difficulties than mestizos with respect to continuing as beneficiaries of the *Oportunidades* Programme, the Programme's operation in Mexico has generally proved to be a milestone at the local level in the lives of families and young people who held a grant. The most significant results were the bridging of the gender-based educational gap so that trends now favour indigenous women, the reduction of the ethnic educational gap between male beneficiaries and female beneficiaries, and the fact that the educational gap in the case of women has shifted in favour of indigenous women. Such a phenomenon has not occurred in the segment of the population that is not exposed to the programme.

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The Life Development of Young People Engaged in the *Oportunidades* Programme

by Gabriela Sánchez López and Daniela Jiménez Rodríguez, CIESAS

The *Oportunidades Programme* has a significant impact on the life trajectories of rural indigenous and mestizo youth in Mexico. Cash transfers are provided to those taking part in the Programme under the agreement that recipients comply with a number of conditions aimed at developing their human capital through investments in education, health and nutrition; the ultimate goal being to contribute to the central objective of breaking the intergenerational vicious circle of poverty.

In order to assess the impact of *Oportunidades*, Sánchez and Jiménez (2012), twelve years after *Oportunidades'* implementation, juxtaposed Programme participants against non-participants, utilizing a sample of forty-one youths born between 1987 and 1989, the first generation cohort to be placed under the Programme's auspices. In addition to being generally balanced in terms of exposure (23 youths are former grant holders and the remaining 18 were either never beneficiaries or at least had very short-lived Programme exposure), the sample analyzed was also balanced with regard to ethnicity and gender.

Life histories of the individuals in the sample provide insight as to how young people develop survival strategies even in contexts of high marginalization that undermine or impede the investments in their skills. One of the key findings made by Sánchez and Jiménez was that the Programme created high expectations among young people and their families with respect to school achievement as a social mobility mechanism. Grant holding households implement complex strategies in order to support the continuation of their teen/preteen child's schooling. However, according to Sánchez and Jiménez, high expectations of a successful career for the youth after finishing school are more often than not at odds with the stark reality that work opportunities, in local communities or even in the national or international contexts in those cases where youth, upon graduation, might have migrated, are genuinely meagre.

Social inequalities, particularly as manifest in these limited opportunities, are a source of considerable despair for Mexico's rural indigenous and mestizo youth; a situation compounded by their greater day-to-day exposure to violence as compared to non-minority Mexican youth. Further still, the jobs to which these young people do have access, whether those jobs are in Mexico or the United States, are for the most part temporary in nature. Despite their efforts to achieve higher levels of education, success in these efforts does not seem to translate into an asset guaranteeing a 'good' (stable, safe, decently paid) job; the only exception apparently being those cases wherein high school is fully completed. Youth often get involved in informal and illegal activities as the State fails to implement policies that would promote formal jobs and economic activities. Young indigenous women are especially vulnerable given their reduced ability to make their own decisions with respect to staying in school longer or to potential employment opportunities.

The patterns found in the life trajectories of the young people Sánchez and Jiménez studied are influenced by their decision to either migrate or indeed settle in the very communities they were born and raised in. Youth perceive migration as the ideal means for obtaining employment and thus economic independence. Moving away may also be considered part of a strategy to get to a university or other alternatives involving educational and/or labour continuity (mostly linked to teacher training). But migration, argue Sánchez and Jiménez, is also a common response to crises.

In cases in which young people 'stay on' in their communities of origin, the only 'strategy' is to survive. In most cases, say Sánchez and Jiménez, these youth continue to live in the household of origin even after having started a new family. Rural indigenous and mestizo young people, compared to their parents, are more successful in delaying the beginning of their reproductive lives, increasing the average number of years of education. Nevertheless, they are not successful in finding better occupations. They still work in traditional economic activities that are poorly paid.

For Sánchez and Jiménez, the life history of the young people in the sample shows that the most complex strategy, requiring intensive investment on the part of their families, occurs when a given youth manages to have access to a university. In the sample analysed, this strategy is mostly adopted by long-term beneficiaries of the Programme who have benefited from the capital accumulated by their families (González de la Rocha, 2010b). These households are domestic units in the 'consolidation phase'—households with older children—or in the 'dispersion phase'—when offspring start leaving.

Moreover, these households, though featuring strong family bonds, often have diversified economies as well as 'untraditional' domestic compositions, such as homes made up of grandparents and grandchildren (without the generation in between), female 'heads', and/or homes fragmented on account of migration.

The educational grants of *Oportunidades*, Sánchez and Jiménez conclude, have had a significant impact by acting as a guarantee, securing the permission of the parents to allow their children to stay longer in school—at least to the extent that the schools are available in their communities. *Oportunidades* promotes the accumulation of human capital by the younger generations in marginalized areas. However, to achieve its long-term goals, the State should also assume its responsibility in developing opportunities and in supporting productive diversification that demand and include a more educated generation.

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Replicating a Conditional Cash Transfers Programme: Reflections Based on the Experience of the *Oportunidades* Programme

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Over the course of the first decade of the 21st century, with the support of a number of international organizations, Conditional Cash Transfers (CCTs) programmes became one of the social policy instruments most widely used to combat poverty in Latin America, Africa and Asia. Because of its widely recognized success, Mexico's *Oportunidades* Programme (formerly known as *Progresá*) was commonly employed as a model for creating programmes in other countries. The fundamental components of the 'copy models' are basically the same, but there are variances in terms of objectives, selection of target population and specific lines of intervention.

Yashine (2012) looks at the *Oportunidades* with an aim toward identifying factors instrumental in the achievement of its set objectives, especially with regard to the improvement of human capital as a means toward breaking the intergenerational vicious cycle of inequality and poverty. These factors present themselves as potentially critical lessons for the design and implementation of CCTs in other parts of the world.

For Yashine, key features that have contributed to the *Oportunidades*' capacity to increase coverage, generate positive impacts and stay in operation for more than 15 years include:

- Strong national ownership during all stages of the programme, including both human and financial capacity.
- Political and financial support from the highest level of Mexico's federal government.
- The progressive construction of consensus about the programme between the main political and social actors.
- Technical, operational, and policy capacity at the national level.
- Expansion (both prior to and subsequent to the programme) of the coverage of education and health services.
- Rigorous multidisciplinary diagnostic and piloting of the programme as a way to improve its design.
- A design that is informed by a long-term vision focused on the breaking of the intergenerational cycle of inequality and poverty.
- The aligning of educational, health and dietary components.
- The ability to 'translate' the theoretic-conceptual design into an institutional and operational design that is both viable and efficient.
- The creation of coordinating tools that facilitate systematic communication between the social development, education and operational health sectors.
- The establishment of a monitoring and evaluation system since the design phase of the programme and its use as a learning tool for the continuous improvement of the programme.
- The existence of a basic communications infrastructure.

Perhaps the most considerable replication challenge, says Yashine, is successfully adapting the CCT model to local circumstances. Several of the 'new' programmes have arisen in response to a sense of political urgency that calls for immediate results, and this tends to minimize the importance of an in-depth diagnostic assessment. Overly hasty approaches can engender the creation of programmes characterized by negligible conceptual and technical clarity and that encourage only a short-term response to combating poverty.

In many cases there is no alignment between the components of the development of human capital. In other cases one observes only a tenuous local political support for the programme while, simultaneously, more and more ground in terms of decision-making and sources of technical and financial resources is yielded to international participants. Such a phenomenon favours designs that are to a considerable extent outwardly-directed, and this could create impediments to creating domestic agreements and ensuring national ownership of a given programme.

Weak technical and managerial capacity, the lack of statistical information for diagnosis, design and planning, and constraints in the supply of services and basic infrastructure limit the potential impact of many new programmes and their long-term sustainability.

Given the characteristics outlined, 'copy' programmes will perhaps be successful in providing short-term positive results in view of the fact that transfers will increase the income and consumption of families as well as school attendance (in those programmes with an educational component) and attendance at health clinics (in cases in which a health component is present). However, such results will possibly be less broad than what could be achieved if better conditions for design and implementation of the programme were initially in place. Either way, it is quite unlikely that there will be observed impacts on the intergenerational transmission of poverty and inequality. Better results in these dimensions would require a long-term vision and the inclusion of a comprehensive social policy and development strategy.

It is worth asking where, when and how to implement an *Oportunidades*-style programme and how to ensure that it has objectives more in keeping with a longer-term conceptual framework. Or perhaps it is the case that this obsession with a long-term vision stems from an outlook that is too firmly rooted in the Mexican experience. That is, in some countries the national priorities may actually shift the centre of gravity of the CCTs towards programmes with a short-term perspective. However, we should recognize that there are root causes and features of poverty that do not respond to the CCTs and that, indeed, call for the use of other policy instruments.

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Oportunidades and Bolsa Família: a Comparative Perspective of their Evolution

by Fábio Veras Soares, International Policy Centre for Inclusive Growth

Soares (2012) argues that differences in the original design of *Oportunidades* and *Bolsa Família* as well as the distinct role these programmes play in the broader social protection systems of México and Brazil respectively are key in helping illuminate the nature of the incremental changes that both programmes have experienced over the years.

Whereas the design of Mexico's *Oportunidades* Programme was based on direct demands on the part of the national government and used small pilots to test the proposed design's parameters, the roots of CCTs in Brazil can be traced to municipal-level experiences stretching back to 1995, each of which were critical to the eventual design of the national-level programmes. Brazil's Federal Government only accepted the idea of national CCTs after a long debate involving both Congress and civil society. In fact, it was only in 2003, in Lula's first term as President, that the decision was finally taken to implement a large national programme—*Bolsa Família*—constituting a consolidation of all CCT programmes to that point administered by different ministries.

Both *Oportunidades* and *Bolsa Família* share certain core features: *i*) the existence of targeting mechanisms; *ii*) the idea of co-responsibilities (especially with respect to health and education); and *iii*) the fact that the payment is made in cash. They also share two overriding goals: namely, poverty alleviation and breaking the intergenerational transmission of poverty. Yet despite these commonalities the two programmes do differ in several fundamental aspects. These differences are mostly determined by two factors: the emphasis placed on either the short-term or the long-term and the way the shared core features find themselves, over time, inherently transformed or transfigured by the realities of the broader social protection systems operating in the two respective countries.

In the case of *Oportunidades* the key role that co-responsibility monitoring has had since this Programme's inception reveals a clear priority given to long term impacts. For *Bolsa Família* the opposite occurs. Its major concern has always been poverty alleviation; which is the main explanation for this Programme's rapid expansion between 2004 and 2006. To accomplish this expansion a number of changes were made in *Bolsa Família*'s original design. Modifications to the composition of the '*comités gestores*' (managing committees) aimed at giving municipality officials a stronger role, the fact that mechanisms for monitoring co-responsibilities were only put in place in a proper way only in 2007, and the Programme's utilization of a 'minimum duration of the benefit' policy as opposed to the 'maximum period' common in other CCT programmes in Latin America all speak to how *Bolsa Família* has been primarily geared toward short-term, 'poverty alleviation' objectives. The fact that the Programme was expanded when poverty was shown to be actually decreasing is also evidence of this short-term focus.

Similar to what happened to *Bolsa Família*, *Oportunidades*' managers took advantage of the fuel and food price crisis of the late 2000's to justify the expansion of *Oportunidades* as a way to mitigate the effects of the crisis on the poor. The crisis was also used to justify the increase in amounts transferred to Programme beneficiaries. However, as stated above, the emphasis in the notion of co-responsibility is still very strong, as exemplified by the fact that even families without children have to fulfill some co-responsibilities. Besides *Oportunidades*' direct expansion, indirect expansion also occurred. Specifically, eligible families who did not receive the *Oportunidades* transfers because they lived in localities without adequate supply of schools and health centres were nevertheless eventually incorporated into another cash transfer programme—*Programa de Apoyo Alimentario* (Food Support Programme).

Bolsa Família's targeting mechanism, based on self-reported income (means testing), is quite unique in Latin America. *Oportunidades* uses 'proxy means testing', which is a more stable indicator than income. Moreover, the eligibility reassessment in *Oportunidades* takes place every three years, while effective consequences—i.e., the gradual phasing out of benefits—takes place only 4 years after incorporation in rural areas (6 in urban areas). Given this timeframe, the Mexican Programme thus ended up having a much lower turnover rate than its Brazilian counterpart, whereby, for *Bolsa Família*, the beneficiary information needs to be updated and validated every two years.

With regard to the role of the Programmes in the broader social protection systems of Mexico and Brazil respectively, it seems that *Oportunidades* tends to be overwhelmed by the shortcomings of Mexico's system. The first evidence of this process was the inclusion of an old age benefit for families who were *Oportunidades* grant holders. The absence of a more structured social protection system with a comprehensive income transfer programme for those who cannot work (e.g. old age, disability), even if targeted to the poor, as in the case of Brazil, ends up putting considerable pressure on *Oportunidades*. As Yashine and Orozco (2010) argue, the main challenge faced by *Oportunidades* is to become part of a social protection strategy that would lead to an integrated approach based on different initiatives and programmes.

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From Universalism to Targeting and Back Again: Conditional Cash Transfers and the Development of Social Citizenship

by Bryan Roberts, University of Texas at Austin

Moving forward from the premise that poverty is not simply a lack of resources, but in fact at the same time a relation through which the poor come directly under the control of the State, Roberts (2012) explores the place of Cash Transfer Programs (CCTs) such as Mexico's *Oportunidades* Programme in the evolution of social policy and citizenship in Latin America, assessing the impact of these programmes in terms of poor peoples' perceptions of their rights and the quality of their civic participation. In the industrialized world, poverty reduction policy was initially strongly influenced by concern that schemes intended to help poor people might in fact have the ultimate effect of generating disincentives among the poor to engage in paid work. It was only later, and in developing countries particularly, that policy discourse began to focus on building poor peoples' capabilities, in broad terms, as a means toward breaking the vicious cycle of poverty.

As targeted policies, poverty reduction programmes inaugurate special relations between the state and a particular segment of its citizenry, which, intentionally and unintentionally, affect perceptions of rights, responsibilities and citizenship. Consequently, the evaluation of the impact of CCTs on citizenship needs to focus not only on results, including increases in levels of educational achievement or the reduction of infant mortality, but also on the manner in which CCTs are implemented. Implementation means identifying who is poor, providing these people with resources, and monitoring their compliance with the conditions of the program. In turn, this involves demonstrating to the public and relevant funding agencies alike that the programme is working effectively. Tandler (1997) shows that the way social policy is implemented influences not only the success of the programme in achieving its goals, but also the value that beneficiaries put on the programme and their trust in government. Evaluating the effect of implementation for the quality of citizenship is more difficult than statistically measuring the extent to which stated programme targets are met, but it is equally important.

CCTs use cash incentives directed at the education of children and at maternal and preventative health programmes to enable the poor to rise permanently out of poverty. Mexico's *Oportunidades* Programme is attaining near universal coverage of the country's rural and urban poor through direct cash transfer relations between the central government and *Oportunidades* grant-holders. There is relatively little mediation in the relations between these two sides; nor is community involvement a central part of *Oportunidades*. The lack of opportunities for beneficiaries to contact officials and to negotiate with them is a clear *Oportunidades* shortcoming, argues Roberts; as is the inherent danger that the Programme can ultimately be hostage to an 'audit culture'. The emphasis

on minimizing administrative costs implies that central Programme officials are not numerous enough to ensure that *Oportunidades* is administered effectively locally. However, the overall transparency of *Oportunidades*, as well as its relative lack of clientelism, says Roberts, stand as especially positive aspects of its design.

Different socio-economic contexts, including migration, ethnicity, and the urban/rural contrast, affect the implementation of the Programme. These three particular contexts create both possibilities and difficulties. Migration, for Roberts, can disrupt family relations and weaken the local basis for social and economic development, particularly since government programmes designed to make use of migrant remittances are not well coordinated with *Oportunidades*. It is easier for *Oportunidades* to work in rural as opposed to urban areas, since in the latter beneficiaries may be harder to identify and information about the Programme is less accessible, especially in densely populated areas characterized by high anonymity versus smaller rural places where people know each other. The disadvantage of rural areas is that they are unlikely to have the jobs that will persuade the youth educated by *Oportunidades* to stay; a circumstance which speaks to the importance of fifth-generation poverty reduction policies that combine cash transfers and conditionalities with programmes geared toward local development and job creation. The cohesive, long-standing relationships among members of rural indigenous communities can make *Oportunidades* more effective, but equally the social heterogeneity and impersonality of urban areas can be a barrier to participation in *Oportunidades* for indigenous migrants.

Ultimately, *Oportunidades* can create a more equal and participative citizenship, but the social and economic heterogeneity of communities means that the Programme needs to institute procedures for adapting to local circumstances and catering to special needs. One institutional solution is to create intermediaries between communities and Programme officers who reside in the community and are employed by both State and community. *Oportunidades* must also seek to co-ordinate institutionally with other local development policies, particularly those aimed at creating local jobs and housing. The challenge is to combine local involvement in the design and implementation of policies while retaining an effective central co-ordination of the health, educational and social development agencies responsible for providing services and benefits.

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South-South Cooperation for Inclusive, Green Growth

by Kishan Khoday, UNDP and Leisa Perch, IPC-IG

Two critical megatrends are of central importance in implementing the green economy agenda launched at the recent Rio+20 Summit on Sustainable Development: the rise of emerging economies across the South, and the global challenges of resource security and ecological change. At the converging point of these trends are surging levels of outward investments by emerging economies, bringing social and ecological risks to resource-rich, vulnerable communities around the world, but also bringing opportunities for achieving global goals for inclusive, green growth.

2012 not only marks 20 years since the Rio Earth Summit, it also marks 20 years since the official launch in 1992 of China's socialist market economy policy, setting the stage for the rapid emergence of China at the centre of the world economy. China has now become the primary driver of new South-South natural resource flows (Moyo, 2012). Its Outward Direct Investment (ODI) rose from USD33 billion in 2003 to USD230 billion in 2009, with over USD2 trillion of overseas assets. China is a potentially important force in shaping prospects for a global green economy, as its Overseas Development Assistance (ODA) and technical cooperation activities expand. The largest share of China's ODA, about 40 per cent, has gone to civil engineering projects via grants and loans in the infrastructure, industry, energy, power, transport, water and agriculture sectors—all key sectors in the future for a green economy transition (China State Council, 2011).

While China's resource-based cooperation is welcomed by many as a new source of growth, capital and technology, many are also concerned about serious issues of social exclusion and ecological degradation (Khoday and Perch, 2012). Its growing ecological and resource footprints will also drive a shift in the public policy landscape of countries around the world. China's own 12th Five-Year Plan (2011–2015) sets a vision for China to emerge on a path of inclusive, green growth. By 2015, the government plans to invest USD468 billion in green sectors, with the green economy expected to grow at 15–20 per cent per annum, with output reaching USD743 billion by 2015, from just USD166 billion in 2010 (CCICED, 2012). This is meant to catalyse a 'green leap forward' domestically, and it could also support the greening of outward investments.

To do so, efforts will be needed which target policy convergence and coherence, in particular:

- Accelerating green economy pilot initiatives under new green economy directions from the Forum of China-Africa Cooperation (FOCAC) process (WWF, 2012);

- Strengthening regulatory regimes—mandatory and voluntary—within China to ensure that overseas ODA and ODI into developing countries achieve goals of social inclusion and environmental sustainability—for example, greening of contracting and investment agreements and providing impacted communities with direct access to remedial services;
- Using Strategic Environmental Assessment (SEA) in greening ODA and ODI, building on China's own pioneering of SEA in recent years as well as lessons learned from using SEA in the ODA frameworks in countries that are members of the Organisation for Economic Co-operation and Development (OECD);
- Supporting the integration of green economy approaches into newly emerging Special Economic Zones in Africa and elsewhere, and exploring the potential for new 'Green Economic Zones' as hubs for China-Africa cooperation;
- Supporting capacity development to enhance local institutional frameworks for sustainable development and improve the compliance of Chinese investors with local regulations to reduce social and ecological impacts; and
- Expanding South-South knowledge exchanges between China and partner countries on China's new green economy policies and institutional frameworks for sustainable development.

Such shifts which mobilise home-grown advances in green economy to improve the nature of outward investments will call for new South-South institutions and processes that engage the South as the engine of global development. Green economy approaches to South-South ODA and ODI can align with emerging post-2015 development goals, the new Sustainable Energy for All initiative, the emerging post-2015 climate change regime, and initiatives to achieve greater food, water and energy security for all. This can benefit China, and the entire world, as China seeks a greater role as a global environmental citizen, and as countries seek a more multi-polar form of global cooperation towards an inclusive, green economy.

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The Welfare Impacts of Changes in the Brazilian Domestic Work Market

by Edson Domingues and
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Domestic workers, who are mostly women, are among those who have benefited most from increases in real wages in Brazil. However, despite their salaries having risen more than those of other work categories, they are still far lower than those of other occupations. In this context, Domingues and Souza (2012) investigate the economic consequences of the changes that took place in the domestic services market between 2005 and 2011.

To do so, the study uses a recursive dynamic computable general equilibrium model, encompassing 117 products, 60 sectors and 10 representative families defined by income deciles. The model was developed by Cedeplar (Domingues et al., 2011; 2012). It was adapted to include specific data about the consumption of domestic services, thus enabling us to map both the distribution of the demand and the distribution of domestic workers by income decile. This allowed us to identify the effects of the higher incomes received by domestic workers on families under different economic conditions.

A simulation was carried out under the framework of general equilibrium models and based on the macroeconomic scenario observed from 2005 to 2011, using three components: i) the number of domestic workers, which remained fixed; ii) the rise of domestic labour prices, set at 10.95 per cent per year; and iii) the increase in domestic workers' income, set at 10.95 per cent per year, distributed according to the participation of these workers in each income decile.¹

The simulations allowed us to calculate the effects that these changes in domestic services had on production, employment, wages and consumption in the Brazilian economy. The results obtained show that 0.58 per cent of the cumulative growth in gross domestic product (GDP) observed between 2006 and 2011 (baseline scenario)—or about USD19 billion at 2011 prices—can be attributed to the rising incomes of domestic workers, despite the rise in the costs of these services. The effect on aggregate employment was 0.77 per cent—or about 630,000 jobs.

The increase in the income of domestic workers and the real income increases in the economy as a whole are reflected in the 1.9 per cent increase in household consumption, benefiting mainly the lower income deciles, as they receive most of the earnings generated by domestic work. Around 6.61 per cent of the increase in real consumption in the first decile between 2006 and 2011 can be attributed to the effects triggered by the rise in income for domestic work, despite the higher prices of these services. This figure goes down as we move through the deciles, reaching 0.13 per cent in the richest decile.

Monetary Welfare Gains per Household, resulting from changes in the incomes of domestic workers and in the price of domestic services, and the average monthly income per household, for each income decile in Brazil's economy—simulated results (in BRL at 2005 prices)

Decile	Average Income per Household, in BRL (1)	Average Gains in Welfare per Household, from 2006 to 2011, in BRL (2)	Welfare Gain in Proportion to Average Income (2) / (1)
1	210.71	469.71	2.23
2	379.11	550.86	1.45
3	523.81	641.49	1.22
4	674.80	630.84	0.93
5	859.31	704.21	0.82
6	1103.00	556.86	0.50
7	1431.09	714.14	0.50
8	1954.89	375.88	0.19
9	3000.83	325.53	0.11
10	8000.76	169.14	0.02

Source: In-house creation.

As a result of rising incomes and consumption, as well as their multiplier effects on the economy, there has been an increase in production—mainly of durable consumer goods and services, such as home appliances and health services. Monetary gains from welfare payments amounted to USD25 billion between 2006 and 2011 and were distributed progressively through income deciles. According to the table, in the first decile, those monetary gains from welfare payments represent more than twice the monthly income earned by these families.

Thus, the economic impact of the increased income of domestic workers, a group consisting predominantly of women, suggests a path forward for public policies. The value added to job categories traditionally relegated to the margins of the Brazilian economy improves the living conditions not only of the low-income population but of the economy as a whole and contributes to improving income distribution.

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Note:

1. The values used in the simulation were taken from data observed in the Monthly Employment Surveys from 2005 to 2011.

Financial Flows can Create Exchange Rate Issues

by Raquel Almeida Ramos, International Policy Centre for Inclusive Growth

Developing countries have been receiving increasing amounts of finance-related flows, which are also becoming more volatile—two features that increase the importance of such flows in determining exchange rates. This process is part of broader changes in the relationship between the ‘financial’ and the ‘real’ sectors, characterised by the increasing importance of financial assets and motives. These changes have been referred to as financialisation.

A core policy that allowed the emergence of this process was the broad implementation of policies to liberalise capital accounts. In addition to this policy decision, other developments also played a crucial role, such as improvements in communications and information technology and the emergence of investment funds—which play a major role for being so few in number—which trade very large amounts of capital among several countries.

Studies on the consequences of financialisation are recent and relatively scarce, but the consequences of capital account liberalisation have been well analysed, revealing that this policy had worse results in developing countries than in developed ones. Indeed, these countries have suffered from different episodes of sudden capital outflows, which were triggered not only by issues in their domestic economies but also in other recipients of capital flows and in ‘funding’ economies. The impacts of liberalisation on developing countries can be associated with the specificities of these countries’ entry into the international monetary system and with the different effects of exchange rates in these countries (Ramos, 2012).

The international monetary system is characterised by a hierarchy of currencies, where the ones used in international trade and as a reserve of value are the most liquid. As more liquid assets are preferred in periods of higher uncertainty, when it is more difficult for agents to assess their expectations about the return of an asset, capital flows to developing countries only in periods of high international liquidity; otherwise it flows out.

Developing countries can face policy challenges in these two different periods. In a long period of high international liquidity, developing countries might receive significant amounts of capital flows, which leads to an exchange rate appreciation that might become an exchange rate misalignment. In periods of high risk aversion, developing countries will face significant volatility of flows, which translates into volatility of the exchange rate. These two exchange rate issues—misalignment and volatility—are major issues for both developed and developing countries, but their impact can be amplified in developing countries due to their specific circumstances.

The importance of the exchange rate lies in its major role in determining the competitiveness of a domestically produced good. Thus, the exchange rate has significant impacts on the level and on the composition of international trade and, therefore, also on the productive structure and employment. This is even more important for developing countries, where competitiveness is mainly price-driven. A change in the exchange rate also affects inflation; this is especially important in developing countries, where the exchange rate pass-through to inflation is higher.

As a consequence of these multiple links through which the exchange rate affects the real economy, its instability has a notable effect on the level of uncertainty of its economic agents, harming fixed investments. Exchange rate volatility can also have important effects in developing countries in the case of currency mismatch—which is common due to their difficulties in issuing debt in their own currencies.

With regards to misalignment, although its definition and measurement are subject to considerable debate, there is a consensus on the use of the concept to indicate an exchange rate that does not reflect a country’s fundamentals. Some features of the financial capital flows and of their relationship with a country’s currency might indicate whether a process leading to exchange rate appreciation or depreciation resulted in misalignment. One of these features is the importance of push factors in determining capital flows—which could be examined, for instance, by the path of peer countries’ currencies.

Another feature is the cyclical nature of portfolio flows themselves. This would happen if foreign investors expected a currency appreciation to continue and saw a possibility of higher returns with an investment in the country—thus increasing the capital inflows, which feeds back to more appreciation. An exchange rate misalignment has important consequences in an economy. An over-appreciation can affect the economic structure in a Dutch disease style, and an undervaluation might be a misleading incentive for assuming risks related to external debt.

Thus, the increased weight of finance-related flows in determining exchange rates and the specific dynamic of these flows to developing countries intensified problems of exchange rate volatility and misalignment. These have had significant negative effects on emerging developing countries, which are cycle takers and the recipients of significant and volatile finance-related flows.

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Poverty Where People Live: What do National Poverty Lines tell us About Global Poverty?

by Ugo Gentilini, WFP and Andy Sumner, IDS

Debate about national and international poverty measurement continued to evolve (see for example Abu-Ismael et al., 2012). The international poverty lines of USD1.25 and USD2/day are, respectively, the average of the national poverty lines for the *poorest* 15 countries and the average for *all* developing countries. While those lines allow us to compare countries in monetary terms, at national level, all countries define poverty, using various approaches. So what difference does it make if, instead, we look at how many poor people there are in the world, based on how poverty is defined in the countries where those people live (rather than by international poverty lines)?

To answer this, we added up all the country-level poverty data based on national poverty definitions to produce a new and different perspective on global poverty, based on national poverty measures in 160 countries (see Gentilini and Sumner, 2012). Three major findings emerge.

First, there are 1.5 billion people living in nationally defined poverty, 1 billion of whom are in middle-income countries (MICs). This corroborates the findings that global poverty—whether defined by international or national poverty lines—has become an MIC phenomenon, although much of this is in just five countries—i.e. Pakistan, India, Nigeria, China and Indonesia (henceforth the PINICs).

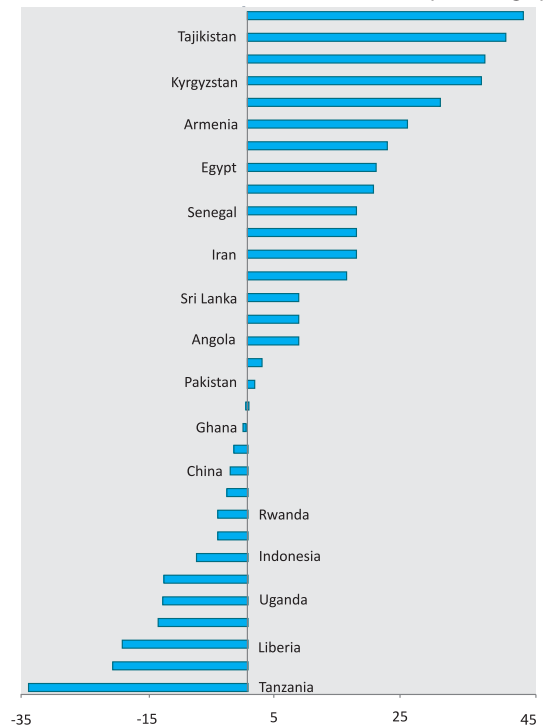
Second, when poverty is defined nationally, one in 10 (170 million) of the world's poor people live in high-income countries. (Of course, one could question comparability of absolute and relative poverty so when we present the global poverty data we do so with and without high-income countries). By its own definition, the USA has 45 million poor people.

Third, while global totals are the same, the overall number conceals some big national variations in poverty numbers depending on whether national or international lines are used. In Mexico and Bolivia, for example, poverty rates according to national lines are more than 40 percentage points higher than based on the international measure of USD1.25/day (see Figure). In Africa, by contrast, for various countries (such as Uganda, Tanzania, Liberia, Burundi, Nigeria and Malawi) poverty rates resulting from international lines are much higher than from national measures (for example, about 35 percentage points higher in Tanzania and 20 in Malawi). And in India 45 million people are missing from national poverty estimates that would be counted by international poverty measures.

Why might a focus on nationally defined poverty be useful? We set out three reasons. First, such a focus might fit better with the domestic task of forging national social contracts, as poverty increasingly becomes about national inequality as the world's poor increasingly live in middle-income countries. Further, national poverty measures tend to be those tracked by policymakers in-country. And those domestic measures are moving closer to the international USD1.25 line in some countries—for example, in China.

Second, expressing poverty in national terms implies a greater degree of involvement of national actors in defining what poverty is in a given context. That has practical consequences: in a number of cases, countries are testing how to better connect national measures with eligibility for domestic social protection programmes for example.

Difference Between National and International Poverty Rates, Selected Countries (percentage points)



Third, the recognition that poverty (relative or absolute) exists everywhere entails a shift in thinking about poverty—framing poverty as a universal issue relevant to all countries, rather than a 'them and us' question.

As the discussion on poverty measurement and classification evolves, it would be interesting to broaden the range of countries, so that highly populated MICs and LICs where most poor people live—become the basis for the calculation of international standards for absolute poverty. This could entail establishing global poverty lines (such as the current USD1.25/day) not on the average of those of the poorest countries, but on the average of the countries with the highest numbers of poor people—80 per cent of the world's poor people live in just 10 countries, and 90 per cent in 20 populous countries (most of which are not currently part of the current USD1.25 calculation). Such a process would perhaps better synchronise global measurement to the changes in global poverty towards MICs too.

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A Methodology for Local Economy-wide Impact Evaluation (LEWIE) of Cash Transfers

by J. Edward Taylor and Karen Thome, Department of Agricultural and Resource Economics, University of California, Davis

There are a number of cash transfer (CT) programmes in sub-Saharan Africa intended to aid the most vulnerable households. Because targeting strategies limit eligibility to resource-constrained and labour-poor households, the design of these programmes would seem to work against the creation of positive production spillovers. CTs may have significant productive impacts, but impact evaluation research which focuses on beneficiary households may be looking for these impacts in the wrong places.

From a local economy-wide perspective, beneficiary households are a conduit through which new cash enters the rural economy. As they spend their cash, the beneficiary households unleash general equilibrium (GE) effects that transmit programme impacts to others in the economy, including non-beneficiaries. Most households that do not receive CTs are ineligible because they fail to meet the poverty-related criteria and are not labour-constrained; they may be better positioned to expand production when demand is stimulated by CTs.

The local economy-wide impact evaluation (LEWIE) methodology is designed to understand the full impact of cash transfers on local economies, including on the productive activities of both beneficiary and non-beneficiary groups; how these effects change when programmes are scaled up to larger regions; and why these effects happen. All of these aspects are important for designing projects and explaining their likely impacts to governments and other sponsoring agencies.

The traditional starting point for constructing GE simulation models for project impact evaluation is to build social accounting matrices (SAMs). The LEWIE method bypasses this step; the simulation model is built directly from the data. An advantage of LEWIE over traditional GE models is that by using data to directly parameterise the model, it also allows for the construction of confidence bands based on the distribution of the econometrically estimated parameters.

LEWIE: the model: A LEWIE for a CT programme begins by nesting household- farm models for eligible and ineligible households within a region of interest. The household models describe each group's productive activities, income sources and expenditure patterns. In a typical model, households participate in activities such as crop and livestock production, retail, service and other production activities, as well as in the labour market.

Productive activities use different factors (e.g. hired labour, family labour, land, capital), as well as intermediate inputs; the production functions for each activity are estimated econometrically. Household groups can purchase goods and services locally or outside the region; these preferences can also be estimated econometrically.

Household groups in a given village are linked by local trade, and villages are linked by regional trade. The whole region also interacts with the rest of the country, importing and exporting goods and selling labour. Weaker interactions with outside markets mean fewer leakages, making it more likely to detect impacts within the local economy.

Survey data have two main purposes in the construction of LEWIE models: they provide initial values for all variables in the model as well as the data to econometrically estimate model parameters for each household group and sector, together with standard errors. The initial values and parameter estimates are organised into a data input spreadsheet designed to interface with GAMS, where the LEWIE model resides.

LEWIE: markets and assumptions: Validation is always a concern in GE modelling. Econometrics provides us with a way to validate the model's parameters: significance tests provide a means to establish confidence in the estimated parameters and functions used in our simulation model. If the structural relationships in the simulation model are properly specified and precisely estimated, this should lend credence to simulation results.

Econometric estimation of model parameters opens up a new and interesting possibility in regard to validation: the estimated standard errors for all parameters in the model can be used together with Monte Carlo methods to perform significance tests and construct confidence intervals around project impact simulation results.

The LEWIE also takes into account non-linearities and local price effects in the region of interest. Simulations require making assumptions about where and how prices are determined (i.e. market closure, which is usually not known). Sensitivity analysis, combined with the Monte Carlo method described above, allows us to test the robustness of simulated impacts to market-closure assumptions.

LEWIE and experiments: Evaluating project impacts with an experiment may be difficult if GE effects are present, because these effects can transmit impacts from treated to control households. Effects of programmes on control groups frequently confound experimental research in the social sciences.

If GE linkages are strong and positive, and if they extend to control households, it may be difficult to identify the income impact of the programme, because income will rise in both the treated and non-treated households. This is a form of control-group contamination.

Well-designed experiments can capture some of the spillover impacts of programmes (i.e. on the ineligible households at the programme sites). However, they generally do not tell us why these spillovers occur (e.g. through local price effects), how we might be able to influence them, or how GE effects may alter impacts once a programme is scaled up. Experimental economists often ignore the effects of programmes on ineligible groups, instead focusing on the average effects of treatments on treated households. Ignoring GE effects can give an incomplete and often biased picture of how CTs affect local economies, including productive activities.

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This One Pager is a partnership between the IPC-IG and The Transfer Project.

Qualitative Research and Analyses of the Economic Impacts of Cash Transfer Programmes in Sub-Saharan Africa

by Benjamin Davis and Pamela Pozarny, Food and Agriculture Organization of the United Nations (FAO)

The From Protection to Production (PtoP) project aims to identify the productive impacts of cash transfer programmes on household economic decision-making and the local economy. It takes advantage of ongoing impact evaluations of cash transfer programmes in seven sub-Saharan African countries to analyse the impact of these programmes on broader household economic activities, including labour supply and risk-sharing mechanisms and networks, as well as the local economy. The project is led by the Food and Agriculture Organization of the United Nations (FAO) and uses a mixed-methods approach, combining econometric analysis of impact evaluation data, simulation modelling of the village economy and qualitative methods.

Qualitative research guide. The research guide on qualitative methods (OPM, 2012) provides an overview and guidance on four thematic areas of research, training, fieldwork preparation and research process to be implemented in each case study country. The guide introduces participatory tools used to collect and analyse information and includes guidance for conducting key informant interviews (KIIs) and facilitating focus group discussions (FGDs).

Key evaluation questions and hypotheses. For each of the four main thematic areas of the research, the guide presents hypotheses and corresponding research questions:

- **Household economy:** The introduction of a small but predictable flow of cash income improves livelihood choices and productive investments, although vulnerable households will be more constrained in their decision-making on how to use additional cash.
- **Local economy:** The whole community, including non-beneficiaries, will benefit from the injection of cash through multiplier effects on local goods, services and labour markets, although this will be mediated by the political, economic and social context.
- **Social networks and economic impacts 1:** Cash transfers increase beneficial risk-sharing arrangements and economic collaboration underpinned by social capital.
- **Social networks and economic impacts 2:** Changes in social networks linked to cash transfers positively affect the most vulnerable and least powerful members of a community by improving their inclusion in decision-making processes and increasing their entitlement set and livelihood choices.
- **Operational issues:** Cash and in-kind transfers can be improved through a better understanding of likely household and local economic impacts.

The research process, step by step. To ensure a degree of commonality across countries and communities, the guide presents a simple and clear research 'roadmap', broadly outlining the sequencing and timing of the research process, from preparation to report writing. Guidance is also provided on ethical considerations and general behaviour, including community entry, obtaining consent, respect and confidentiality and stressing the research teams' independence. The guide provides practical advice on recording and organising data and analysis, including during daily debriefings. In all cases, flexibility and adaptation to local contexts are recommended.

The fieldwork phase is planned for 20 days in each country, including training of the field team, finalisation of logistics and sampling (with government counterparts), piloting of research methods, collection of data in the field, and a final debriefing with government and development partners. The fieldwork data collection covers four communities: two from two different districts. In each district, the team splits into two sub-teams which cover each 'treatment' community for four days. On the fifth and final day of fieldwork, both sub-teams converge and work together in a selected nearby 'control' community. The team conducts daily debriefings and at the end of the five days of fieldwork organises a 'consolidation and synthesis' to generate a draft field report with the main points of analysis under each of the four research themes. As part of an ethical approach to field research, and to validate findings and preliminary conclusions, a feedback session is conducted with community members in each district at the end of the fieldwork.

The two principal qualitative methods used in the field are FGDs and KIIs.

Participatory tools used during FGDs include:

- social mapping and community well-being analysis with a group of key informants on the first day in each treatment community, to identify the social characteristics, main actors and institutions in the community, as well as the distribution of well-being among community members;
- household income and expenditure analysis;
- livelihood analysis with non-beneficiary groups, particularly to identify occupational groups and their importance; and
- institutional mapping with beneficiary and non-beneficiary groups.

FGDs are conducted separately with men and women, sometimes stratified by age or other grouping criteria. According to the context and programme characteristics, these core FGDs are often complemented by other group discussions, based on social groupings, networks and livelihoods. KIIs are conducted with a variety of key informants, including community leaders, non-governmental organisation workers, religious leaders, health workers, teachers, elders, local traders and farmers.

Ascertaining the economic impacts of cash transfer programmes is a new area of research for impact evaluations of cash transfer programmes. It has important implications for policy, given the increasing popularity of cash transfer programmes in sub-Saharan Africa. The time is ripe for understanding the full impacts—intended and unintended—of these programmes. This in-depth qualitative type of research, as part of a mixed-methods approach, can further inform understanding and ongoing policy debates by documenting the full contribution of cash transfer programmes to hunger reduction, poverty reduction and inclusive growth, addressing concerns about the sustainability and productive and economic contributions of social assistance.

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Oxford Policy Management (OPM) (2012). 'Qualitative Research and Analyses of the Economic Impacts of Cash Transfer Programmes in Sub-Saharan Africa', *IPC-IG Working Paper*, No. 100. Brasilia, International Policy Centre for Inclusive Growth.

This One Pager is a partnership between the IPC-IG and The Transfer Project.

Analytical Framework for Evaluating the Productive Impact of Cash Transfer Programmes on Household Behaviour

by Silvio Daidone and Benjamin Davis, Food and Agriculture Organization of the United Nations (FAO)

Cash transfer (CT) programmes have become an important tool of social protection and poverty reduction strategies in low- and middle-income countries. However, most of their impact evaluations pay little attention to economic and productive activities. The From Protection to Production (PtoP) project aims to study the impact of CT programmes on household economic decision-making and the local economy.¹ This research project is implemented jointly by the United Nations Food and Agriculture Organization (FAO) and UNICEF, and builds on ongoing or planned impact evaluations in seven sub-Saharan African countries: Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia and Zimbabwe.

As discussed in Asfaw et al. (2012), livelihoods in sub-Saharan Africa are still based in subsistence agriculture. A common approach toward investigating household decision-making in these contexts is to employ a model where households are both utility-maximising consumers and profit-maximising of agricultural goods, and potentially face market constraints (Singh et al., 1986). Most CT beneficiaries live in places where markets for financial services, labour, goods and inputs are lacking or do not function well. This forces agricultural households to adopt low-risk, low-return strategies.

Households that receive regular and predictable CTs may overcome the obstacles that limit their access to credit or cash. This, in turn, can bring about changes in household behaviour, increase income-generating investments, influence beneficiaries' role in social networks, increase access to markets and inject resources into local economies. Thus, CTs can serve not just as a means of social protection but also as a means of promoting farm-level production gains.

The objective of an impact evaluation is to attribute an observed impact to the programme intervention. The identification of the counterfactual tells us what would have happened to the beneficiaries if they had not received the intervention. A control group that is very similar to the intervention group is necessary to estimate this counterfactual.

The most direct way of ensuring a comparable control group is via an experimental design (randomised control trial, RCT), in which households are randomly allocated between control and treatment groups. This guarantees that the treatment status is uncorrelated with other observable and unobservable variables, and as a result the potential outcomes will be statistically independent of the treatment status.

Experimental designs are often difficult to implement in practice. When this happens or when RCT fails to achieve observable balance among groups, non-experimental design techniques have to be used. In RCTs, the average treatment effect of the CT can be identified simply as the mean difference in outcomes between the two groups. When panel data are available, impact estimates can be improved by applying a difference-in-difference (DD) methodology. By taking the difference in outcomes for the treatment group before and after receiving the CT, and subtracting the difference in outcomes for the control group, the DD estimator controls for unobserved heterogeneity that may lead to selection bias.

With weakened experimental designs or non-experimental settings or when panel data are not available, other techniques are used.

Propensity score matching (PSM) methods constructs a statistical comparison group by matching individual treatment households with control households based on similarities in the probability $P(Z)$ of participating in a CT programme, where Z represents observed control variables measured before programme implementation. Inverse probability weighting (IPW) is a closely related alternative that involves weighting control households using $P(Z)$.

The impact evaluation designs in the seven countries included in this study cover the full range of RCTs, weakened experimental designs and non-experimental designs.

In addition to examining the overall mean impacts it is important to understand how CTs affect different types of individuals and households. For those programmes with fixed transfers, the impact is likely to vary by household size, as the value per capita of the transfer is greater for smaller households. Labour allocation decisions at the individual level are likely to vary between males and females, and between adults and children. Production decisions may vary according to the availability of household labour, geographic location and/or by access to key assets such as land.

To identify the economic impacts of CTs, data collection encounters two main challenges: gathering more detailed information in the context of an already overcrowded survey instrument, and the trade-off between in-country and cross-country comparability. The first priority should be standardisation with existing national instruments. When appropriate, one should push towards greater details of relevant modules along the lines of emerging international good practices, such as the Living Standards Measurement Study-Integrated Surveys on Agriculture (LSMS-ISA) project in sub-Saharan Africa. Impacts on income generation strategies are captured in part through the investment and agricultural production impacts, but they must be triangulated with changes in the labour allocation of household members and net income from household non-agricultural enterprises.

Ascertaining the productive impacts is a new area of research among impact evaluations of CT programmes. It has important implications for policy; given the increasing popularity of CT programmes in sub-Saharan Africa, the time is ripe for understanding their full impacts—intended and unintended. This can help inform the ongoing policy debate by documenting the full contribution of CT programmes to hunger reduction, poverty reduction and inclusive growth in addressing concerns about sustainability and analysing the productive and economic contribution of social assistance.

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Note:

1. See <<http://www.fao.org/economic/ptop/en/>>. The PtoP project forms part of the larger Transfer project: <<http://www.cpc.unc.edu/projects/transfer>>.

This One Pager is a partnership between the IPC-IG and The Transfer Project.

Inequality in Post-independence Namibia: the Unfinished Agenda

by Sebastian Levine, UNDP and Benjamin Roberts, Human Sciences Research Council

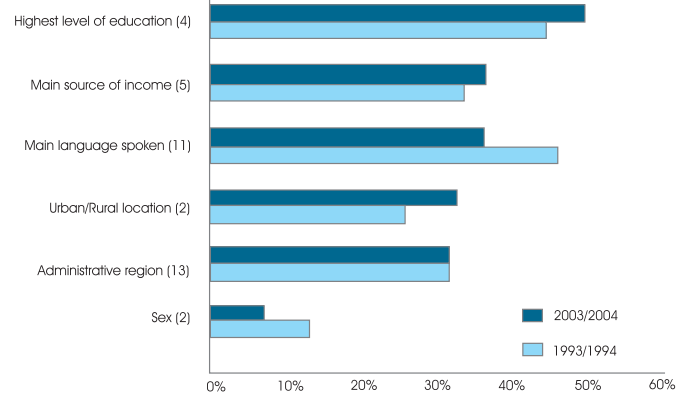
The economic, political and social transition of Namibia over the past two decades has been remarkable. From being mired in a protracted guerrilla war and after a century of colonial rule—until 1990 as a *de facto* annex to the South African *Apartheid* state—the country is now widely regarded as one of the more stable and well-governed democracies on the continent. Moreover, it is classified as ‘upper middle income’, with a per capita gross domestic product (GDP) almost three times the average for sub-Saharan Africa. Nevertheless, because of extreme levels of inequality, average GDP remains a particularly deceptive measure of welfare in Namibia.

New estimates of levels and changes in household consumption show that in spite of the post-colonial era of democracy, and free-market economic and social policies aimed at redressing historical injustices, the overall level of inequality remains stubbornly high. The new estimates are based on official household survey data from the Namibian Central Bureau of Statistics but seek to improve comparability of this data over time. According to the new estimates, inequality fell between 1993/1994 and 2003/2004, but the fall is too small to be statistically significant. The Gini coefficient is estimated at 0.6 in the most recent survey, ranking Namibia among the most unequal societies in the world. On the other hand, thanks to growth in household incomes, and despite the persistently high levels of inequality, the incidence of poverty fell significantly from 49 per cent of the population in 1993/1994 to 38 per cent in 2003/2004.

Even if inequality has remained high, there have been important changes between different social groups. For instance, the share of overall inequality that is explained by inequality between the country's 11 main language groups has fallen from 47 per cent to 37 per cent between the two surveys (see Figure). Moreover, the share of overall inequality that can be explained by inequality between different levels of educational attainment has increased from 45 per cent to 51 per cent. It is also notable that while between-group inequality by administrative region has not changed, the degree of between-group inequality between urban and rural areas has increased. This is further evidence of the lingering effects of the geographical segregation of communities that underpinned *Apartheid*.

A key implication of these results is that inequality in Namibia appears to be increasingly driven by differences in levels of education and less by differences related to linguistic group, which is sometimes used as a proxy for ethnicity and race. It is striking that we are able to explain more than half of total inequality in Namibia by partitioning the population according to just four sub-groups of educational attainment. This is testament to the historical backlog in the provision of education to the majority of the population resulting from the *bantu* system of education and the challenges that persist

Relative Contribution to Between-group Inequality in Namibia



Source: Levine and Roberts (2012).

Note: Inequality is measured by the Mean Log Deviation (MLD). The relative contributions of the MLD are expressed as a share of the maximum between-group inequality, rather than as a share of total inequality following Elbers et al. (2008), thus taking into account the different number of partitions (in brackets) for each social group and their relative sizes.

in redressing its perverse outcomes more than a decade after the formal end of minority rule.

While Namibia has seen a remarkable transition since independence, a substantial amount of ‘unfinished business’ remains in terms of reducing the country's extreme inequality. However, the finding that post-independence efforts at expanding education may have contributed to higher inequality should not lead policymakers to abandon further improvements in access to and the quality of education as a primary public policy objective. Focus should remain on raising learner outcomes at primary level, ensuring higher completion rates at the secondary level and enhancing vocational skills.

Education remains central to reducing poverty and advancing an inclusive social development process, irrespective of the short- to medium-term impacts on measures of monetary inequality. But these effects need to be managed—for instance, through better targeted measures for social protection and a fairer allocation of public expenditure. In the longer term it is critical that investments in education are accompanied by policies and reforms that expand opportunities for a growing number of educated young people and generate jobs in sectors with higher productivity and better pay.

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Poverty and Inequality in the Non-income Multidimensional Space: A Critical Review in the Arab States

by Abdel-Hameed Nawar, Faculty of Economics and Political Science, Cairo University, Egypt

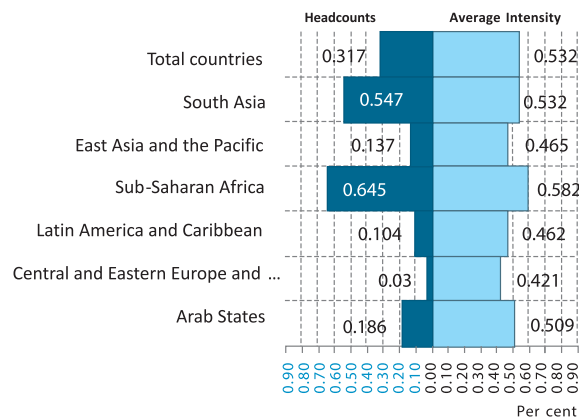
Oxford University's Poverty and Human Development Initiative (OPHI) recently developed a multidimensional poverty index (MPI), a composite measure from micro surveys with a set of indicators that has overlapping areas with the Millennium Development Goals (MDGs). A household is identified as being multidimensionally poor if, and only if, it is deprived in some combination of 10 indicators (also called dimensions and denoted by *d*) whose weighted sum exceeds a cut-off $k=3$ or 30 per cent of deprivations. The dimensions cover three equally weighted areas, namely: health (child mortality and malnourishment), education (less than five years of schooling, and school-aged children out of school in years 1 to 8) and standard of living (no electricity, no improved drinking water, no improved sanitation, dirt/sand/dung flooring, wood/charcoal/dung cooking fuel, and poor assets).

Despite the large degree of subjectivity in selecting the dimensions and the cut-off threshold determining the minimum number of dimensions required to identify whether or not a household is multidimensionally poor, the MPI has an important advantage of capturing more dimensions of human deprivations and includes both the level of human deprivation and a measure of the intensity of poverty using micro survey data. The MPI also provides a single achievement index, whereas the MDGs do not. Moreover, the introduction of the MPI extends the frontiers of measurement and significantly enriches policy analysis and debate. Indeed, making it theoretically viable and empirically applicable to 104 countries across the globe was a significant success, and the index has been included in the *Human Development Report* since 2010.

Using survey data from 13 Arab countries—Comoros, Djibouti, Mauritania, Somalia and Yemen (Arab Least Developed Countries – LDCs), Morocco and Tunisia (Arab Maghreb) and Egypt, Iraq, Jordan, Occupied Palestinian Territories and Syrian Arab Republic (Arab Mashreq)—with a combined population of 221.2 million in 2007, the OPHI estimated that 41.2 million people, representing 18.64 per cent of the combined population, were living in multidimensional poverty in 2007, with an average intensity of 50.9. It is shown that the average intensity has a strong positive correlation to headcount in the Arab Region. Somalia has the highest MPI value, 81 per cent of the population, with deprivation concentrated in indicators of living standard. The United Arab Emirates, the only Gulf Cooperation Council state considered here, has the lowest MPI value, 0.57, with deprivation concentrated in education. Arab Mashreq countries have highest deprivation in both education and health, while Arab Maghreb countries have low deprivation in health and education but also in standard of living compared to both Arab LDCs and Arab Mashreq countries. Non-income multidimensional poverty is mostly greater than the extreme income poverty evaluated at the international purchasing power parity poverty line of USD1.25/day and sometimes at the respective national poverty line, if there is one.

Taking the ratio of rural to urban MPI as a measure of multidimensional inequality, analysis of data in the Arab Region shows that rural populations suffer from deprivation rates far higher than urban populations. In particular, huge variations of multidimensional inequality exist within

Components of the MPI, by Region



Maghreb countries and between the countries in that sub-region. Moreover, investigating inequality in each dimension in the Arab Region shows that deprivation rates are generally much higher in living standards than in health and education dimensions, with the multidimensional rural–urban inequality unthinkable large in the Arab Maghreb countries.

Having found that, what can be done differently and what can be made better in development policy debate and intervention? By and large, reduced income poverty does not necessarily coincide with reduced multidimensional poverty. Thus, while there is much to gain from improving levels of income and the delivery of basic public services, national and local development policies should be balanced, in the sense of taking equal responsibility for the welfare of rural and urban areas in the same country and being more sensitive to rural–urban inequality in the multidimensional space of deprivations, to deliver the right kind of development. This is particularly critical in the general course of economic development where a large part of the population lives in rural areas and where income poverty is largely a rural phenomenon, i.e. where income and non-income poverty intersect. Since imbalanced development has been going on for many years, it is certainly going to be a major challenge for current and future governments, given the mounting social pressures demanding distributive justice—fair distribution of incomes, assets, basic infrastructure and access to opportunities within the population.

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After all, What is Inclusive Growth?

by Rafael Ranieri and Raquel Almeida Ramos, International Policy Centre for Inclusive Growth (IPC-IG)

The concept of inclusive growth was quickly integrated into the development literature and policymaking, virtually becoming *sine qua non* of any discussion about improving living conditions in the developing world. This has happened despite the lack of a consensus on what inclusive growth is—with the term's widespread usage based on the shared intuition that it refers to generating life improvements without discrimination, but involving diverse conceptualisations. Such diversity indicates that the debate remains fairly exploratory, still far from a convergent path potentially leading to a clear and concise consensual definition. Yet, whereas inclusive growth 'remains an intuitively straightforward and yet elusive concept' (Ranieri and Ramos, 2013), it is possible to discern a few core features that help to envision how to move forward in specifying the meaning of the concept of inclusive growth.

To begin with, inclusive growth is intimately related to pro-poor growth, particularly with its relative conceptualisation that requires that both poverty and inequality be reduced for growth to be pro-poor. Although some inclusive growth definitions are interchangeable with absolute pro-poor growth, most understand that reducing both poverty and inequality is at the heart of the meaning of inclusive growth. There is no clarity about what the relationship between poverty and inequality reduction should be, nor about whether a certain rate of change should be achieved. But the understanding prevails that both matter, wherein inclusive growth has a central dimension pertaining to the outcomes of economic activity in terms of levels of poverty and inequality.

The distinction between pro-poor and inclusive growth with respect to poverty and inequality reduction has been suggested to lie in 'pro-poor growth [focusing] on people below the poverty line, while inclusive growth is arguably more general: it wants growth to benefit all stripes of society, including the poor, the near-poor, middle income groups, and even the rich' (Klasen, 2010: 2). According to this conceptualisation, inclusive growth is growth that reduces the disadvantages of the most disadvantaged while benefitting everyone, whereas pro-poor growth may be obtained either in the absence of benefits to one or more groups or at the expense of one or more groups.

Another distinguishing feature of inclusive growth is that rather than being limited to income outcomes, as pro-poor growth is, it also includes the manner through which growth takes place. The concern with the process of growth is based on the understanding that in addition to sharing the benefits of growth, people must actively participate in the growth process. Accordingly, with respect to process, inclusive growth can be thought of as entailing the expansion of opportunities for participation, which can include both engagement in productive

economic activities and having a say on the orientation of the growth process. The latter has so far received little attention, whereas the former has been gaining prominence generally tied to the concept of productive employment.

The inclusion of dimensions other than income has also marked the debate on inclusive growth. Whereas it has been argued that inclusive growth refers to the distribution of improvements in income while inclusive development involves improvements in dimensions other than income, in fact the operationalisation of definitions of inclusive growth has typically involved several dimensions besides incomes (for example, McKinley, 2010). Indeed, given its usage, inclusive growth has been thought of as growth that promotes development, with development understood as comprehensive improvements in multiple dimensions contemplating both living conditions and empowerment. This implies that improvements in such dimensions constitute inclusive growth. However, it remains unclear whether or how these dimensions might or should combine to compose a coherent measure of inclusive growth.

In fact, a central issue in need of clarification with respect to defining inclusive growth is how to account for the interrelationships among its constitutive elements. This involves both how elements pertaining to what is meant by inclusiveness relate to each other and, most fundamentally, how each of them relates to growth. Most attempts to measure inclusive growth have in fact assessed changes in inclusiveness accompanying growth, with no particular relationship between growth and inclusiveness specified. Is that enough to identify inclusive growth episodes or is it necessary to establish a causal relationship between growth and inclusiveness? In the latter case, how do we incorporate the understanding that gains in inclusiveness can be instrumental for growth?

As much as the inclusive growth debate has advanced, a number of questions still need to be answered before a consensus on a cogent definition can be reached. At the forefront of this endeavour is clarifying what inclusiveness means. Is it equity? Empowerment? Opportunities? Participation? Satisfaction? A combination of these? Or something else? Greater clarity about this is essential to making sense of the relationship between inclusiveness and growth to define inclusive growth.

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How Inclusive has Growth Been in the Last Decade?

by Raquel Almeida Ramos, Rafael Ranieri and Jan-Willem Lammens, International Policy Centre for Inclusive Growth (IPC-IG)

The concept of **inclusive growth** plays an increasingly prominent role in steering the development debate in international policy circles. Yet the initial intrinsic obviousness of the concept proves fallacious when one embarks on operationally defining 'inclusiveness' and its consequences in cross-national comparative frameworks.

Although there is no consensus on the definition of inclusive growth, there is agreement that the core elements of pro-poor growth—poverty and inequality—are central to the meaning of inclusiveness (Ranieri and Ramos, 2013). The aspiration for a more comprehensive definition is, however, a distinctive characteristic of the debate on inclusiveness. In this sense, the notion that inclusiveness involves both participating in and benefiting from growth—as in Kakwani and Pernia (2000)—has been contemplated explicitly or implicitly.

Ramos, Ranieri and Lammens (2013) provide an empirical analysis of the state of and the changes in 'inclusiveness' in 43 developing countries between two points in time (around 1996 and around 2006), suggesting the construction of an indicator of inclusiveness. The analysis includes poverty and inequality as proxies for benefit-sharing, and employment as the indicator of participation.

The use of the employment-to-population ratio (EPR) proves controversial. Although a low EPR can generally be deemed negative towards participation, a high EPR cannot be straightforwardly interpreted as positive. In countries with high poverty levels, it actually reflects a high number of 'working poor' people who are forcefully excluded from the

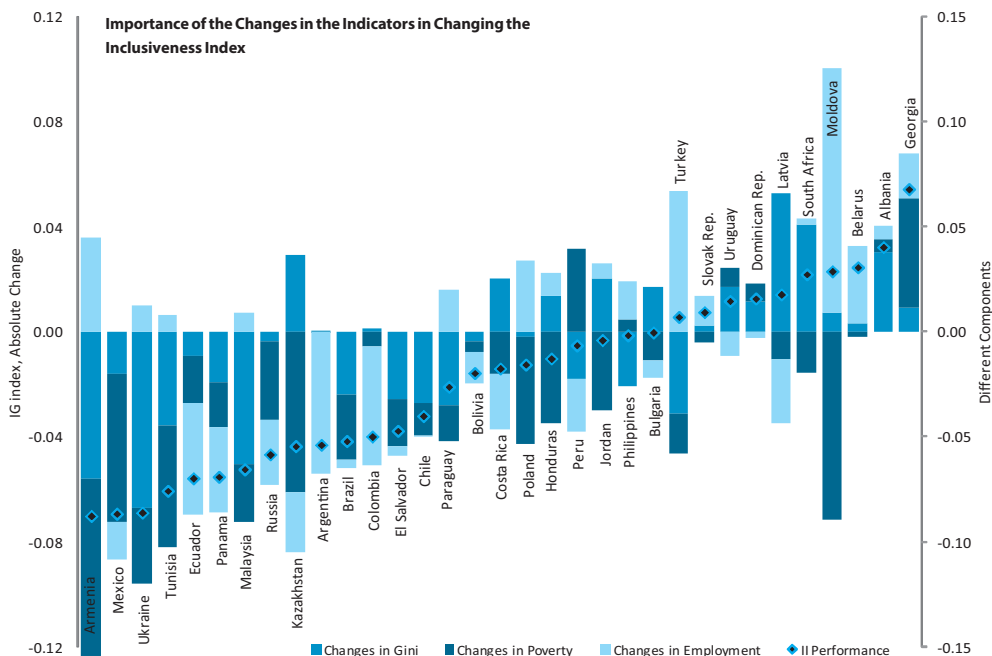
benefit-sharing dimension. The paper suggests that, among the developing countries studied, such a non-linear relationship with the concept of inclusiveness is the case only when poverty rates exceed 65 per cent of the population. The EPR is thus considered uninformative, and inclusiveness is subsequently analysed only through the benefit-sharing dimension.

The outcome of the study paints a mildly positive picture, with most developing countries presenting significant progress in levels of inclusiveness (The figure presents the absolute changes from the indices calculated for 1996 and 2006, with the relative importance of each indicator).

Armenia, Mexico, Ukraine and, to a lesser extent, Tunisia, Ecuador, Panama and Malaysia demonstrated very good performances, for different reasons. Armenia, Ukraine, Tunisia and Malaysia showed progress in fighting poverty and inequality. Mexico, Ecuador and Panama showed improvements in all three indicators. To a lesser extent, but still significant, Russia, Kazakhstan, Argentina, Brazil, Colombia, El Salvador and Chile increased their level of inclusiveness.

Although a small majority of countries managed to achieve better inclusiveness levels, many still presented a negative performance, mostly due to increases in inequality or poverty. Georgia, the only country where all indicators worsened, had the worst performance. In the case of Moldova, a considerable decrease in employment offset poverty reduction. South Africa showed a significant increase in inequality, while poverty reduction remained very low. The negative performances of these countries are worrisome considering their low initial inclusiveness levels.

The study points out the lack of correlation between GDP growth and the foundational aspects of the concept of inclusiveness, thus raising a key issue for the conceptualisation of inclusive growth. Several countries achieved impressive results with low economic growth, and many of those with the worst performances presented high growth rates. This disconnection emphasises the need to shift the focus away from the size of the increase in economic output to how this output is generated.



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Scaling-up Local Development Initiatives: Brazil's Food Procurement Programme

by Ryan Nehring and Ben McKay, International Policy Centre for Inclusive Growth

Brazil aims to eradicate extreme poverty in the country by scaling-up policy initiatives for 'productive inclusion' and incorporating all extreme poor households into the country's non-contributory social protection scheme. *Brasil sem Miséria* (Brazil without Misery), targets the Brazilian population living below the extreme poverty line of BRL70 (USD35) a month—approximately 16.2 million people (Gov. of Brazil, 2012). According to the Brazilian Institute of Geography and Statistics (IBGE) almost 47 per cent of those living below this benchmark are located in rural areas while the Northeastern region of the country has the highest percentage of extreme poverty.

Nehring and McKay (2013) examine Brazil's Food Acquisition Programme (*Programa de Aquisição de Alimentos*, PAA) and the extent to which it is supporting family agriculture and contributing to increased food security by strengthening local food markets. The PAA is a flexible programme with numerous modalities and implementation structures from the federal to municipal level. PAA also stands as a manner for the Government of Brazil's to guarantee access to food in the proper quantity, quality and regularity according to the needs of populations living in food and nutritional insecurity, as well as to promote social inclusion in rural areas by strengthening family agriculture (Chmielewska and Souza, 2010). With this promise in mind, Nehring and McKay thus seek to document the design and operations of the programme, including actors involved in design, implementation and monitoring, and also shed light on the potential for scaling-up the programme both in country and possibilities for South-South knowledge building.

Drawing upon quantitative and qualitative secondary data, as well as primary qualitative data based on field research conducted in Northeastern Brazil in April 2012—a region with the highest proportion of extreme poverty in the country and where one in four rural households live on just over USD1/day (USD35/month) (Gov. of Brazil, 2012)—the authors seek specifically to investigate the implementation and potential for scaling-up of the Direct Purchase with Simultaneous Donation (*Compra para Doação Simultânea*, CDS) modality, which comprises of over 80 per cent of all PAA purchases (Nehring and McKay, 2013). They observed the PAA-CDS modality in the Northeastern states of Piauí and Ceará, which have some of the highest levels of rural poverty and inequality in the country. Their interviews ranged from federal policymakers to local food producers selling through the PAA. At the state level, Nehring and McKay engaged with the implementation of the programme and interacted with municipal managers as well as institutions receiving food through the PAA.

While most of the programme's benefits appear to go to the producers many other outcomes were observed to improve the local economy and municipal participation. The authors noticed that when the municipal government was involved with the organization of the programme, there were unintended results that strengthened farmer cooperation, municipal engagement and market knowledge. The PAA projects provide a mechanism of governance to connect food insecure populations with

their municipal government while also integrating the participation of local producers in the programme, and by extension, establishing linkages between stakeholders; urban-rural and citizens-policy-makers. Further, by establishing a price reference, the PAA allows producers to be aware of local, fair prices for their produce and organize production around an assured and consistent market, reducing uncertainty.

Based on their research findings, Nehring and McKay highlight four key issues that need to be carefully and rigorously considered to not only strengthen and scale-up the PAA, but potentially for other food procurement programmes: (1) Targeting and coverage; (2) timely payment delivery; (3) organization of farmer capacities; and (4) transportation. These issues, both collectively and individually, represent common weaknesses identified by family farmers and community leaders participating in the PAA in Brazil's Northeast.

The PAA operates a relatively small annual budget (currently around USD500 million) and is a more than viable option for the Government to strengthen smallholder production and incorporate them into local, and even national, economies. Current expansion under *Brasil sem Miséria* has introduced a new payment method via a debit card (overcoming some issues with payment delays in the past) and the programme's budget continues to expand each year. This expansion has the potential to increase the programme's exposure and perhaps integrate the PAA into the national food supply chain that establishes local integration of production and consumption.

To scale-up the PAA, Nehring and McKay offer a framework for expansion based on three different pathways, all of which can work in a synergistic and complementary manner: a 'horizontal' expansion would require covering new areas across the country; a 'vertical' expansion refers to increasing the institutional capacities across local, state, and national levels; and a 'functional' expansion represents the potential for new modalities and/or strengthening existing ones to increase participation.

Scaling-up the PAA is, and should continue to be, a priority of *Brasil sem Miséria*, on its productive inclusion dimension, to not only alleviate hunger and malnutrition, but also to strengthen the productive capacity of family farmers and to create more resilient and sustainable localized food systems.

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Retirement Incentives and Couples' Labour Supply Decisions

by Bernardo Lanza Queiroz, Universidade Federal de Minas Gerais and Laécia Rodrigues de Souza, University of Wisconsin-Madison and International Policy Centre for Inclusive Growth (IPC-IG)

The Brazilian population has been showing signs of major changes in the past few decades. According to the United Nations, the average age of the population in Brazil is projected to be 47.5 years by 2050, compared to 19.2 years in 1950. The length of working life has fallen over time, due to both increases in educational attainment (thus fewer younger workers) and changes in retirement behaviour (fewer older workers). In addition, it is argued that the rules and regulations of the provision of social security benefits affect older workers' retirement decisions (Wise, 2004). The combination of these three elements increases the concern for the sustainability of public social support programmes for elderly people.

The influence of social security rules on labour supply decisions, especially for couples, in developing countries is not well known. People know a great deal about male participation in the labour force in different countries around the world, but we know less about female and couples' retirement behaviour. However, the increasing female participation in the labour force implies that they are also an important part of the labour supply decision and social security problem. In a recent paper, Queiroz and Souza (2012) use Brazilian data from 1998 to 2008 and combine descriptive analysis with regression models to examine how social security financial incentives and personal characteristics affect couples' retirement behaviour.

The figure shows couples' joint participation in the labour force by husband's age in 1998 and 2008. The percentage of both spouses out of the labour force increases rapidly as the husband's age increases. The incidence of households in which only the wife is in the labour force is relatively small, but it increases for older husbands. This figure provides more evidence to support the idea of incentives to joint retirement in the Brazilian pension system, just as observed in the USA and European countries.

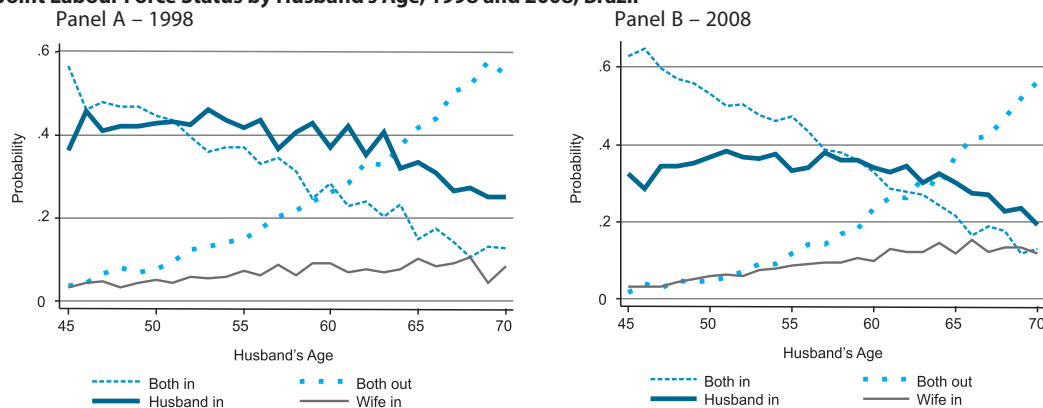
The most striking change between 1998 and 2008 is the decline in the probability of couples with only the husband in the labour force, and the decline in the probability of both spouses being out of the labour force in early ages (of the husband). Those changes might be reflecting the changes in social security regulations, especially after 1998 with the introduction of *Fator Previdenciário*—a discount factor aimed at making early retirement less attractive—and the continuous increase in the participation of married women in the labour force.

There are several important findings in the paper. First, they show evidence that the social security system in Brazil creates incentives to retirement and that they are more beneficial to the wealthier sub-population groups. Second, they observe that males and females respond in the same way to their own characteristics (specifically, age and education). Third, and more interesting, they find that husbands and wives react differently to their spouse's variables. In particular, they find that husbands respond positively to their wife's education, which measures wealth and income, but the opposite effect is negative. Finally, they observe that the effects of health status changed from 1998 to 2008, but it is necessary to further investigate the results.

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Joint Labour Force Status by Husband's Age, 1998 and 2008, Brazil



Impacts of the Continuous Cash Benefit Programme on Family Welfare

by Pedro Rodrigues de Oliveira and Ana Lucia Kassouf,
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The Benefício de Prestação Continuada (BPC – Continuous Cash Benefit) programme grants a non-contributory benefit of the amount of one minimum wage to elderly people (65 or older) and those with disabilities that make them unfit to live and work independently. To qualify, there must be evidence that the monthly household income per capita is less than a quarter of the minimum wage currently in effect. It is, therefore, aimed at very poor families. The BPC is a right guaranteed by the 1988 Federal Constitution and regulated by the *Lei Orgânica de Assistência Social* (LOAS – Organic Law on Social Assistance). The cash transfers began in 1996.

The benefit amount is quite high when compared to other federal programmes, which is reflected by the sheer size of the programme's budget: in 2008 it paid out nearly BRL14 billion, while *Bolsa Família* paid out around BRL7.5 billion. The BPC has benefited almost 3 million people, while *Bolsa Família* benefits around 40 million people. As we can see, the BPC has fewer beneficiaries who receive significantly higher amounts than those of other government transfers.

This study aims to assess the BPC programme in terms of the effects it generates within beneficiary households. Specifically, we will analyse the labour supply among elderly people and co-residents living in the households under consideration, as well as the labour and schooling levels of children living with grant recipients.

Typically, studies on social assistance programmes for elderly people focus on poverty and preventing the beneficiaries from becoming vulnerable. However, such grants have additional effects. Barrientos and Lloyd-Sherlock (2002) cite the promotion of the 'elderly' status within the household, the prevention of extreme poverty and the breaking of intergenerational and persistent poverty, through investments in human, physical and social capital.

Martinez (2005) studied income transfers for elderly people in Bolivia (*Bono Solidario*) and found a significant increase in food consumption within beneficiary families. When analysing transfers for elderly people in South Africa, Case and Deaton (1998) found redistributive effects in the resources allocated for food and education, in transfers to other households and in savings. Duflo (2003) observed that the transfer has improved the nutritional status of children and that the effect differs according to the gender of the recipient and children.

Another effect associated with the grants is the increase in the likelihood that recipients will live alone (Costa, 1999). Paul (2008) shows that the BPC has brought about changes in household composition.

This study uses micro-data from the *Pesquisa Nacional por Amostra de Domicílio* (PNAD – National Household Sample Survey), conducted by the *Instituto Brasileiro de Geografia e Estatística* (IBGE – Brazilian Geography and Statistics Institute). However, this annual survey does not include specific questions about social programmes every year. And even in years when such information is available as a special supplement—in 2004 and 2006—it refers only to households. As such, by using these supplements, one can only determine if a given household is a programme beneficiary but not which individual within that household receives the benefit.

Despite this problem, one can still determine which programme benefits each individual, by relying on eligibility criteria such as wages, household income, age, household composition and the amount paid by each social programme. This procedure can be used for all PNAD survey years, even those without the supplement.

The amounts paid out by social programmes are recorded as PNAD variable 'V1273'; described as: 'interest on savings accounts and other investments, dividends and other income usually received in the reference month'. It is unlikely that anyone receiving interest on investments and dividends will be a beneficiary of social programmes. However, since the amounts paid by these programmes are well known, one can use the amounts declared in this variable to deduce from which programme an individual receives benefits.

Barros, Carvalho and Franco (2007) use the typical amounts of the BPC, *Bolsa Família*, *Bolsa Escola*, *Bolsa Alimentação*, *Cartão Alimentação* (Food Voucher), Programme for the Eradication of Child Labour (PETI) and Gas Stipend to identify the beneficiaries of each programme. All individuals whose 'V1273' variable was one minimum wage were identified as BPC beneficiaries. The combination of the amounts typical of each programme is crucial in identifying individuals who receive benefits from more than one social programme simultaneously.

Regression discontinuity designs, propensity score matching and difference-in-differences have been implemented in an attempt to isolate the programme's effect on the variables of interest.

Results show that BPC beneficiaries are more likely to live alone or only with a spouse, as a result of greater financial independence. We note that individuals living in households that receive the BPC—both seniors and co-residents—boast lower participation rates in the labour market. We also observe a drop in the labour performed by children aged 10 to 15 years who live in households where an elderly person receives benefits from the programme. However, no effects were detected *vis-à-vis* children's educational levels.

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Global Goals as a Policy Tool: Intended and Unintended Consequences

by Sakiko Fukuda-Parr, Professor of International Affairs, The New School University

Despite the increasing use and influence of global goals, little has been written about goal setting as a particular type of policy instrument in global governance. According to the UN intellectual history project (Jolly et al, 2009), goal setting originated in the 1960s and made a major contribution to shaping policy agendas and action. But how and whom does goal setting influence? Goals are set without control over the means of implementation. In an IPC-IG Working Paper, I use ideas from the Sociology of Numbers on 'indicators as a technology of governance' (Merry, 2009) to explore the mechanisms by which global goals create incentives for action and frame thinking, thereby exerting both intended and unintended influence on policy agendas. This One Pager highlights the key points.

Global goals – key features: Policy purpose: Global development goals are international agreements set through diplomatic negotiations in a process to establish norms. They are intended to reaffirm urgent priorities that require international cooperation. **Key strengths:** Goals go beyond qualitative commitments and spell out time-bound and measurable targets. Quantification makes more rigorous monitoring possible. Simplicity of a time-bound target communicates priorities with effect.

The power of numbers – Studies identify two categories of effects they can have: a governance effect and a knowledge effect. These effects can be illustrated with the case of the Millennium Development Goals (MDGs).

Governance effect – Global goals are used in four different ways:

- **communications or a messaging device** to express important priorities, raise awareness and mobilise attention;
- **evaluative framework for monitoring** progress towards important social objectives;
- **accountability framework** to assess compliance with commitments made; and
- **planning targets** to guide programming of resources, efforts and policy design.

The governance effects operate largely through mechanisms of **self-regulation**, where individuals and organisations respond to the message of moral appeal, and where countries seek to do well in international assessments and maintain good standing in the development community. However, the use of goals in **direct control**, either as accountability or planning frameworks, reveals a methodological incoherence.

Knowledge effect – While numbers are used to describe a social condition, the reverse can also take place; numbers can take on the role of defining concepts (Merry, 2009). In the process, they can shift meanings. Quantification expressing social phenomena inherently involves a process of:

- reductionism and simplification of complex phenomena such as 'poverty' or 'development';
- reification of intangible human and social conditions such as 'suffering' and 'deprivation'; and
- abstraction of experiences out of their historical and locational contexts.

The case of the MDGs – The MDGs had positive governance effects as a communications device and a monitoring framework.

Reductionism, reification and abstraction were key MDG strengths that helped build international consensus. They have been effective as a communications tool for raising awareness and advocating for anti-poverty initiatives, and they became the common framework for monitoring development progress across multiple reports.

But when interpreted as planning targets, the MDGs generated much criticism, such as: methodologically incoherent; inadequate as a development strategy; biased against poorest countries by setting a one-size-fits-all target without considering initial conditions. Moreover, they were set through a process of norm setting and by international negotiations without local participation. For these reasons, they are inappropriate as a framework for accountability. Applied as planning targets, the goals have the potential to distort priorities, especially by sidelining important objectives that are not included in the framework. The reductionism, simplification and abstraction of the goals also leave out complex contextual challenges and processes.

The MDGs' knowledge effects could have far-reaching implications for the future of development cooperation. They were introduced to communicate poverty eradication as a priority and to monitor its progress, but they have come to be a substitute for defining poverty and the broader challenge of development. The quantification of these concepts involved reductionism, reification and abstraction, and a reframing of these challenges. Left outside the framework are the complex challenges of ending poverty: the vast array of forms that 'poverty' takes as a social reality; context-specific root causes of poverty that are structurally embedded in power structures; and the intangible condition of poverty as loss of agency, freedom and dignity.

This reframing has important implications for driving the thinking about priority agendas. Thus the MDGs have generated criticism from civil society groups, particularly human rights advocates, for leaving out inequality, participation, accountability and governance from the framework. Similarly, the root cause of poverty in weak productive capacity of economies has also been left out, thus generating criticism from economists for leaving out 'development'.

Intended and unintended consequences – Global goals have proven to be powerful tools of global governance to promote human development. Yet their effects go well beyond drawing attention to important priorities. They also have governance and knowledge effects that have far-reaching implications for development thinking, narratives deployed by governments, donors and other stakeholders, and thus the political economy that drives international economic decision-making. A multi author independent research project—Power of Numbers: Critical Review of MDG Targets for Human Development and Human Rights—is investigating these implications for 11 targets. Findings will be published in 2013.

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Growing Green with Equity: Our Approach¹

by Michael MacLennan, IPC-IG, reporting on behalf of the Green Guide Project Team

The real-time opportunities for sustainable inclusive green growth within the Southern African Development Community (SADC) are being explored as part of the development of a *Green Guide* for SADC parliamentarians. The collaborative partnership between the Rural and Sustainable Development team at the UNDP International Policy Centre for Inclusive Growth (IPC-IG) and the SADC Parliamentary Forum, which has been fully supported by the Climate Development Knowledge Network (CDKN), dates back to July 2011. The *Green Guide*, the primary output of this collaboration, will outline the compelling case for further implementation of context-appropriate inclusive green growth policies to decision-makers from a variety of departments and ministries, with the aim of encouraging inter-sectoral coordination, policy coherence and programme convergence.

By examining sustainable inclusive green growth within this specific region, the results of this partnership should inform discussions on the practice of inclusive green growth. Most efforts to date have focused largely on national processes, however, a gap still exists regarding how countries could coordinate efforts, and how greener economies could be formed at the regional and global levels. The SADC region serves as a fascinating microcosm of the policy and political structures at play regionally and internationally, due to the diversity of its member states (post-conflict states, emerging economies, Small Island Developing States and resource-dependent states among others), their experiences, the structure of their economies and their current human development achievements. Along with the *Green Guide* and a *Principles for Parliamentarians* document, an online companion tool may also be created. These publications may serve as useful models for other regions.

How to 'go green equitably' – By providing a comprehensive list of key questions and considerations that decision-makers from a variety of departments and ministries can draw on regarding the green economy and development, the *Green Guide* seeks to specifically demonstrate ways of mitigating social risks while significantly reforming economies to ensure that the poor and most vulnerable members of society both participate in and share the benefits of development.

The *Green Guide* will also enable parliamentarians to conduct a self-assessment and analysis of which type of context-sensitive development pathway, (see [One Pager No.195](#)) is best suited for them to follow in their pursuit of inclusive green growth. Three important elements of the work conducted by the team include:

- the development of a conceptual framework <<http://www.ipc-undp.org/pressroom/files/ipc671.pdf>> for inclusive green growth;
- comprehensive background research on the social, environmental and economic conditions, focusing on those elements which bring the three together; and
- a Development Pathway Analysis framework relevant to the SADC context.

Contributors – The Core Working Group and the Technical Review Committee (TRC) are composed of colleagues from a variety of organisations and agencies who have contributed to the production of the *Green Guide* by applying their extensive collective knowledge. The role of the Core Working Group has been to

provide technical input for the development of the guide including research, case studies, informal peer review, methodological support, written contributions and analyses. The members of the Core Working Group are as follows:

- Leisa Perch, Principal Investigator, IPC-IG/UNDP;
- Michael MacLennan, Research Associate, IPC-IG/UNDP;
- Paul Msoma, Project Manager, SADC Parliamentary Forum;
- Adeolu Odusote, Independent Consultant/Core Team Member;
- Muhammad Taher, Independent Consultant/Core Team Member;
- Benjamin Butler, Intern, IPC-IG/UNDP; and
- Pablo Burkolter, Intern, IPC-IG/UNDP.

The TRC is expected to provide technical comments and advice to the *Green Guide* project team in terms of *the technical soundness of connections being made between issues, the relevance and effectiveness of the guiding questions and case studies used and the overall clarity of the content of the guide.*

The members of the TRC listed alphabetically are as follows:

- Blessing Chinsinga (Deputy Chair), UNIMA, Malawi;
- James Corre, Climate Parliament, UK;
- Sofi Halling, UNDP, USA;
- Merylyn Hedger,² Global Climate Change Specialist, UK;
- Sheuneni Kurasha, SADC Parliamentary Forum, Namibia;
- Dr. Anna Benardette Lahai (Chair), Member of Parliament, Sierra Leone;
- Collins Magalasi, AFRODAD, Zimbabwe;
- Ian Mashingaidze, FANRPAN, South Africa;
- Auxilia Ponga, UNDP, South Africa;
- Mokhlesur Rahman, CNRS, Bangladesh; and
- Boemo Sekgoma, SADC Parliamentary Forum, Namibia.

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Notes:

1. This Project Note is part one of a four-part series outlining the progress of the IPC-IG production of the *Green Guide* for the SADC Parliamentary Forum.

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2. Merylyn Hedger was also part of the original project design and concept team and continues to provide technical support to the *Green Guide* Project.

This One Pager is a partnership between the IPC-IG, the SADC Parliamentary Forum and the Climate Development Knowledge Network (CDKN).

Considering Growth and Equity in SADC Today

by Michael MacLennan, IPC-IG, reporting on behalf of the Green Guide Project Team

The Green Guide project (see *One Pager No. 194*) funded by the Climate Development Knowledge Network, provides an important opportunity to carry out action-oriented research and to explore some of the innately complex political issues which arise in the process of re-calibrating economies for greener and more inclusive growth. The trajectory of growth within the Southern African Development Community (SADC) presents potential and real opportunities for the guide to provide insight on sustainable and equitable growth. The lessons learned from the project could potentially also be applicable to a broader cross-section of other developing countries.

Background research conducted by members of the Core Working Group (see forthcoming background paper by Butler, Burkolter and Perch) highlights the following patterns and groupings among the region's economies:

- dependent on mineral resources: Angola, Botswana, Democratic Republic of the Congo, Lesotho, Mozambique, Namibia, Zambia;
- dependent on agriculture: Swaziland, Malawi, Tanzania, Zimbabwe;
- dependent on manufacturing: Mauritius;
- dependent on fishing/tourism: Seychelles, Madagascar; and
- mixed economy: South Africa.

The following shared challenges to achieving sustainable and inclusive green growth in the SADC region also emerge:

- **Resource inequality** reinforces and perpetuates **structural inequalities** that forestall inclusive and equitable growth, by maintaining high levels of extreme poverty and preventing millions of people from maximising the potential use of resources and services that exist.
- **Weak governance** exacerbates instances of corruption and rent seeking, withholding the equitable and productive distribution of resource rents within nation-states.
- The **intensification of agricultural practices** as a result of population growth, the greater need for expanded food supplies and the escalation of extreme dependence on agriculture for employment and subsistence strategies throughout the global South have led to the degradation of scarce tracts of land available for agriculture. The role of the agricultural sector in fostering rural growth and development is clear, as is its potential to reduce levels of resource consumption and advance an alternative development trajectory that incorporates climate management strategies.

An evolving Development Pathways approach (developed by Butler, Burkolter and Perch) seeks to enable parliamentarians to assess and consider the present and short-term realities and potential ways to initiate a transformative growth that is low-carbon, resource-efficient, equitable and inclusive that shares burdens equally across society and the economy.

Building on ongoing research in Latin America <<http://nrpathways.scienceontheweb.net/Consolidated%20paper.pdf>> that identifies potential pathways for transforming sectors that are dependent on natural resources, a four-pathway approach was developed (i.e. path-repair, path-transformation, path-transition and path-linking). The critical relevance of this research in Latin America for the *Green Guide* project is its analysis of the structural challenges to transformation of the agricultural, mining and forestry sectors—sectors that are equally dominant in the SADC region.

These four options underpin the conceptual framework of the *Green Guide* and the definition of context-specific policy insights. For example, parliamentarians could consider their country's present readiness for a full-scale transformation and carefully assess the barriers to such a transformation, alongside the nature of such barriers and the level to which they are structural or practical barriers to such transformation and change. The following considerations may apply depending on the context:

- *Do development proposals fit any of the four pathway options? If so, how? Or how do they not?*
- *Within the proposal being discussed, what are the possible trade-offs between the economy, society and the environment in the short, medium and long term?*
- *Can the project or new initiative help deliver educational and/or health benefits at the same time? If so, how?*

Adequately addressing such considerations requires a number of policy, governance and institutional framework reforms. Parliamentarians sit at the crossroads of development policy, decision-making and democratic participation, all of which are elements of the socio-political context within which growth and development are defined, designed and executed. When decisions are being made and debated about growth, parliamentarians are among the most capable of fusing macro-level discussions with local realities, which is vital to ensuring sustainable and equitable green growth across various scales.

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- This One Pager is a partnership between the IPC-IG, the SADC Parliamentary Forum and the Climate Development Knowledge Network (CDKN).

SADC Parliamentarians as Green Growth Leaders

by Michael MacLennan, IPC-IG, reporting on behalf of the Green Guide Project Team

The *Green Guide's* emphasis on 'going green with equity' is not simply a new policy option but, rather, critical to regional survival. Defined largely by mineral-dependent growth, a number of challenges and lessons relating to the inclusiveness of the recent Southern African Development Community's (SADC) regional growth have emerged (see [One Pager No. 195](#)). Challenges to the status quo have emerged from project research findings to date related to:

- the distribution of resource-dependent (-driven) wealth throughout society;
- the benefits (monetary and non-monetary) received by communities where such resources are extracted (and how the resulting burdens such as pollution are also shared); and
- resource governance (people, policies and institutions): workers' rights, business sustainability and the changing conceptions of the role of the state.

These demonstrate the potential for tensions and conflicts to arise which could undermine regional as well as national developmental progress.

Increasingly, evidence shows that 'growing now and cleaning up later' (see [Policy Research Brief No. 38](#)) does not work and, indeed, significantly limits the future opportunities of some segments of society (through illness, influence on mortality rates, lower productivity and other costly externalities). Such unregulated behaviour increases the environmental costs and the subsequent escalation of the social burdens which can result from poor environmental quality and inadequate services. Added to this mix, increasing vulnerability to climate variability and change in the region—in addition to its already visible impacts—heightens the pressure to take swift and game-changing action.

A forthcoming project background research paper (Butler, Burkolter and Perch) makes the case for new policy approaches within the following areas: the Mineral/Extractive Sector; Development Planning; Food Security; Water; and Equity.

Still, clearly all countries, including those within the SADC region, do not possess the same capacities or systems, nor do they have the appropriate tools, with which to change the structure and the shape of their economies. Therefore, parliamentarians must first identify the capacity for change and the degree to which macro-policy transformation pathways are relevant for their country, before applying a number of analytical questions. To begin to respond to the questions of the day, which can also often have significant implications for tomorrow, this framing or self-location in regards to realistic,

forward-looking policy options, combined with other evidence including lessons learned, provides a good starting point to inform decision-making processes.

With both capacity and influence on the policy process, parliamentarians are well placed to be development policy actors, (see [One Pager No. 194](#)) provide an important scrutiny review of legislation and other development policy and also to ensure that social risks are mitigated while economies are reformed, changed and transformed along more sustainable pathways. A forthcoming (project related) journal article will discuss risk management and the implications for decision-making at the national level.

In this vein, parliamentarians need decision-support frameworks which allow them to consider the short-, medium- and long-term impacts of their decisions in regards to inclusive green growth. Key issues will be addressed in the *Green Guide* in a practical but transformative way, while pursuing a holistic approach that integrates the social, economic and environmental. It is here that multi-disciplinary conversations are needed, potentially led by parliamentarians themselves.

This is critical to move away from the isolation of single risks and threats to the acknowledgement of the interconnected nature of modern challenges, to enable better anticipation of and responses to such challenges as they arise. Parliamentarians possess the power to highlight these issues and to bring a diverse range of experts together to hold meaningful discussions.

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Notes:

This Project Note is part three of a four-part series outlining the progress of the IPC-IG production of the Green Guide for the SADC Parliamentary Forum.

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From Research to Results: Greener Pathways for the SADC Region

by Michael MacLennan, IPC-IG, reporting on behalf of the Green Guide Project Team

The prevalence of highly mono-cultural economies within the Southern African Development Community (SADC)—over half the countries in the region have fewer than eight sectors accounting for 75 per cent of exports—primarily agrarian or dependent on mineral resources, have shaped the selection process of five (5) priority policy intersections which define the region's social, environmental and economic development:

- Mineral Extractive Development and Investments in Health: Direct Co-Benefits;
- Food Security and Education;
- Water Security and Energy Access;
- Rural Growth and Development anchored in Natural Resource Management; and
- Climate Resilience and Social Protection.

These themes were approved at the first meeting of the Technical Review Committee (TRC) in March 2012. The cross-cutting nature of the themes and in some cases unusual thematic pairings (e.g. the mineral sector and health, or climate change and social protection), provide opportunities for both parliamentary leadership and learning. Key prevailing structures and trends are also reflected in these proposed themes, which drive the drafting and creative process of the *Green Guide*.

In the follow-up phase, between April and December 2012, the applied research approach to the *Green Guide* called for the identification of opportunities for climate change mitigation and adaptation as well as relevant good practices in the global South. Opportunities for South–South cooperation have also been highlighted. By extracting lessons for green policies from experiences throughout the global South, the guide is able to build reference points for policy and processes in the SADC region. The diverse representation within the region also allows for the lessons learned from the region, in turn, to be applied to a broader set of countries in the global South.

To avoid over-investment in any one social or economic sector to the detriment of others, the *Green Guide* will also consider how to enhance risk management strategies within decision-making processes and, more generally, within the broader political and developmental processes. Good social sustainability examples already exist in the region. For example:

- Mozambique's Poverty Reduction Strategy Paper (PRSP) on job creation in agriculture leading to the reduction of poverty and vulnerability, while promoting inclusive growth;
- Botswana's Labour-Intensive Rural Public Works Programme that prioritises women in programme supervisory roles;
- Zimbabwe's Rural Transport Study that identifies mechanisms to guarantee improvements that will benefit women; and
- Zambia's Micro-Project Utility that enhances participatory methods for women in decision-making processes pertaining to community asset construction.

Building on such multi-sectoral approaches to sustainable development and linking them to opportunities to grow in a more climate-compatible way will also be a key part of our approach to develop the *Green Guide*.

As the project enters its final phase of national and regional consultations it will be tested through engagement with parliamentarians and other stakeholders. The core themes, particularly those identified through feedback from the TRC as those where the links being made are 'less than obvious' or explicit, are to be explored through proposed meetings in three testing countries:

- Zambia: the relationship between the mineral extractive sector and health;
- South Africa: the water and energy security nexus; and
- Mauritius: linking climate change and social protection.

The matching of themes to countries takes into consideration ongoing policy processes, debates and tensions between various elements of development and economic policy and seeks to build on the foundation of ongoing policy discussions <<http://www.oecd.org/dac/environment-development/greengrowthregionalworkshops15-18january2013.htm>> on and efforts towards green growth, such as **Ile Durable** of Mauritius <<http://www.oecd.org/dac/environment-development/Joya%20Bhandhari,%20Mauritius%20Ile%20Durable%20Fund.pdf>> and the **Green Fund** of South Africa <http://www.oecd.org/dac/environment-development/Olympus%20Manthata_South%20African%20Green%20Fund%20presentation.pdf>.

With the *Green Guide's* significant focus on social and political innovations, SADC parliamentarians will be introduced to case-specific decision-making processes that can help to bridge the gap between idealism and realism in transforming developing economies towards a more inclusive and greener path of growth.

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Human Development in India: Costs of Inequality

by M.H. Suryanarayana, Indira Gandhi Institute of Development Research, Mumbai, India and Ankush Agrawal, Indian Institute of Technology Delhi, New Delhi¹

Economic growth with income redistribution has been a basic objective of economic development policy in India. Such a strategy seeks to exploit the potential of development programmes for poverty reduction and welfare gains by reducing the costs due to inequality in income distribution.

The state of Kerala in India provides empirical evidence to show how it is possible to both achieve growth and improve income distribution through human development.

There is ample scope for achieving economic growth, human development and poverty reduction by reducing the extent of inequality in all three dimensions of human development: education, health and income.

The Human Development Index (HDI) proposed by UNDP summarises average levels of achievements in each of its three dimensions in terms of unit-free scores obtained by normalising their respective measures with reference to limits called goalposts. To facilitate international comparisons, UNDP specifies the goalposts in the global context.

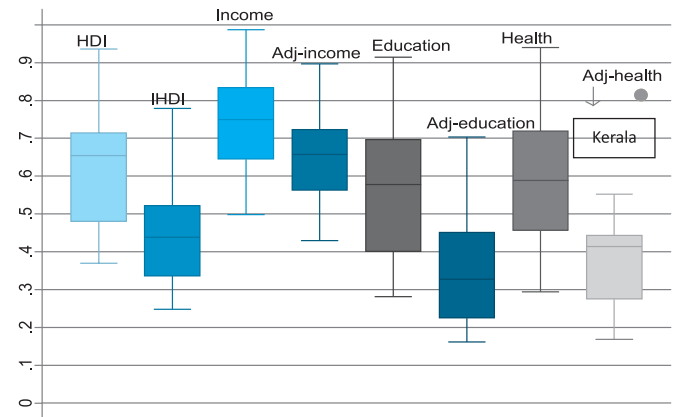
To contextualise the HDI estimates with reference to feasibility defined by the country's potential, we have made appropriate revisions in the methodology for defining goalposts. While UNDP defines goalposts with reference to minimum and maximum values, we define them for an order-based profile of human development indicators for the Indian states using box and whisker plots. We define the benchmark with reference to the central 50 per cent of the ordered distribution as reflected in the inter-quartile range² and displayed by the box at the centre of the plot.

Consistent with this proposal, the goalposts may be measured in terms of the upper and lower inner fences³ of the box and whisker plots of the different indicators, subject to the caveat that the limits for indicators—say, the combined education index—are set at feasible lower and upper bounds, i.e. zero and one, respectively.

We quantify the loss in human development due to inequalities in the three dimensions of human development across states in India using the methodology to estimate a new index called the Inequality-adjusted Human Development Index (IHDI) proposed by UNDP in its *Human Development Report for 2010* entitled *The Real Wealth of Nations: Pathways to Human Development* (UNDP, 2010).⁴

Our estimates reveal substantial losses in human development due to inequality in different dimensions across states in India (see figure).

Profiles of HDI, IHDI and their Dimensions:
Indian States (Domestic Goalposts)



Note: The prefix 'Adj' refers to 'inequality-adjusted' scores.

Among the three dimensions, the potential lost due to inequalities is highest in education. This conforms to the findings in the global context reported in the UNDP *Human Development Report 2010*. Similarly, the extent of inequality is staggering in the case of health. Many studies have pointed out marked differences in access to healthcare and its use. As regards health and education, the results show low levels of attainment characterised by a high level of inequality.

India has experienced significant economic growth during the last decade. It is high time that policies promoting economic growth, education and health are integrated with those addressing their respective distributional dimensions. Thus, our results provide useful policy insights for a strategy seeking to promote human development through a distributive policy option—that is, addressing inequalities across dimensions in different states in the country.

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Notes:

1. Thanks are due to Fábio Veras Soares for useful suggestions on an earlier draft.
2. The inter-quartile range refers to the difference between upper and lower quartiles.
3. The lower inner fence is given by one step (1.5 times the inter-quartile range) beyond the lower quartile, while the upper one is given by one step beyond the upper quartile.
4. For sources of information, methodology and results in detail, see Suryanarayana and Agrawal (2013).

India's Direct Benefit Transfer and Public Distribution System: Can They Work Together?

by Biraj Patnaik, Principal Adviser to the Commissioners of the Supreme Court in India

The recently announced Direct Benefit Transfers (DBT) programme of the Government of India is being hailed as a 'game changer'. Many in the media and social commentators have been quick to compare it with the Brazilian *Bolsa Familia*. Unfortunately both the critics of cash transfers as well as the supporters seem to have got it wrong. The DBT programme merely provides for the efficient transfer of money from existing cash transfers (mostly social pensions and scholarships for students) directly to the recipients' bank accounts, leveraging information technology and the newly launched biometric platform (the Unique Identification/Aadhar Number) and combining it with an innovative banking solution using business correspondents.

The idea of the DBT programme is not just unexceptionable; it is a move in the right direction that was long overdue. Cash transfers are not a new idea, not even in India. The programme is not creating any new cash transfers but consolidating the delivery of the existing schemes.

The real 'game changer' in this is twofold: the idea of universal financial inclusion, and the timely transfer of benefits to entitlement holders without intermediaries and unnecessary paperwork. The use of Aadhar enables authentication and prevents leakages almost by design. The IT and financial architecture of the programme have the potential of transformational change in rural areas, not very dissimilar to the revolution that rural and mobile telephony have unleashed over the past two decades.

As Indian's Supreme Court commissioners, we have repeatedly highlighted to the Court and the Government, through our reports, the abject failure of the both the state and central governments to transfer pension benefits on time to some of the most marginalised sections of Indian society. With the exception of a few states such as Andhra Pradesh and Odisha, pensions often take six months to reach beneficiaries. Over the years we have also documented many cases of duplication and fraud in pension benefits. If these pensions are channelled through the new DBT architecture, it will not only ensure timely delivery to the recipient's doorstep through micro-ATMs, it will also cut down on fraud because of the Aadhar authentication of the entitlement holder. The same holds true for all the other schemes being brought under the ambit of the DCT.

The sticky point here though is the transfer of existing 'in-kind' subsidies through the DBT, especially food subsidies that use the Public Distribution System (PDS). Much of the confusion around this was created by the unclear messages sent out by the government, which has given ammunition to critics of the programme.

There are three distinct possibilities for the food subsidy transfer that the government could potentially use. The first is to replace the food with cash and dismantle the PDS. That proposal has never been considered within the government, though ill-informed comments from some sections of government created an impression that it was imminent. Even without going into the obvious demerits of this proposal, which have been extensively written about, suffice it to say that if the government adopted this approach, it would have to end the state procurement regime. That is neither politically feasible, nor can it be in the realm of

consideration by any government in India, given that more than 60 per cent of the population is still dependent on agriculture.

The second approach could be to create an Aadhar-enabled PDS that is online and allows for the stock positions to be updated in real time, as has been successfully piloted in East Godavari district in Andhra Pradesh. Entitlement holders would buy their food rations from Fair Price Shops (FPS) as they do now, with the only difference being that they would submit their biometric details to the FPS owner through a point-of-sale device that is connected either through a GSM network or through other means to an integrated stock management system. This would not only ensure that the right person gets their rations, but would also free entitlement holders to buy their rations from any FPS and not be tied to a single vendor. In other words, it would ensure 'entitlement portability' that will allow PDS entitlements to be accessed anywhere in the country and bring into the fold of the PDS the millions of people, including migrant workers, who are unable to access their entitlements now. This would revolutionise the PDS by providing genuine choices to entitlement holders. It would also cut down significantly on corruption. This is also an approach which has been piloted (the COREPDS model) successfully in Chhattisgarh, though not with the Aadhar platform but with a biometric authentication system that uses a smart card that was issued for a health insurance scheme (RSBY).

The third approach would be to transfer the subsidy of the PDS benefit (similar to the kerosene subsidy transfer that is being contemplated for fuel subsidies) directly into entitlement holders' bank accounts so that they can pay the full price of the subsidised commodities to the FPS owner. Since the FPS owner would also pay the full price for commodities when collecting them from the government warehouse, the possibility of black marketeering would be eliminated. There is no clear evidence that the subsidy transfer would be better than the second approach discussed above. In reality, it could even lead to the diversion of the money meant for food grains to other household expenditures. I would, therefore, favour the second approach.

As many states in India have now demonstrated, technology is a necessary but not a sufficient condition for reforming the PDS. Instead, focusing on universalising entitlements, bringing in a robust system of greater inclusion of marginalised communities, putting in place an appropriate financial architecture, ensuring greater transparency and accountability and, above all, having the political will to see through the reforms are the most critical elements of reform. In other words, technology should not be seen as a substitute for governance.

The success of the DBT model will depend on its effectiveness in streamlining and delivering existing cash entitlements better, rather than seeking to replace in-kind transfers such as food grains with cash.

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