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Do social assistance programmes reach the poor? Micro-evidence from 123 countries

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Photo: Jekesai Njikizana/AFP via Getty Image

Governments around the world rely on social assistance to reduce poverty, but the poorest are left behind.

There has been a sharp reduction in global poverty over the past 25 years, from 36% in 1990 to 10% in 2015. Yet, 736 million people continue to live on less than USD 1.90 a day (World Bank, 2015), most of them in middle-income countries. In recent years, the largest reductions in extreme poverty worldwide have resulted from substantial economic growth in many emerging economies, particularly China and India (Page and Pande, 2018).

While future growth should continue to reduce poverty, it will not solve the problem by itself – both because sustained economic growth over decades of the type seen in China is the exception and not the norm, and because economic growth has excluded a large share of the population as illustrated by the still high poverty levels in rapidly growing countries (Jones and Olken, 2008). Is the latter because of a lack of redistribution mechanisms such as social assistance programmes or in spite of them?

Annually, developing countries spend 1.5% of their GDP on social assistance programmes (World Bank, 2018). Yet, there is limited evidence on how effective these programmes are in reducing poverty and inequality. Further, in times of crisis such as during the COVID-19 pandemic, there have been large increases, and calls for further increases, of social assistance transfers to cushion the economic impact on the poor. Without clear evidence, it is difficult for policymakers to assess how effective these increases will be in assisting target populations.

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To help fill these knowledge gaps, this brief presents three key findings on the effectiveness of social assistance. These messages are based on our analysis of a rich World Bank dataset – ASPIRE (The Atlas of Social Protection Indicators of Resilience and Equity) – that covers 123 developing and transitioning countries. Our findings are restricted to this set of 123 countries. This work adds to and corroborates previous analysis (Margitic and Ravallion, 2019) that found that prevailing poverty measures have proved inadequate in reaching the poorest.

KEY MESSAGES:

1 **Social assistance is the main tool to reduce poverty.**

Of all the different forms of social protection and labour programmes, social assistance is the tool that reaches the largest number of people and lifts them out of poverty. Across the 123 countries we analyse, social assistance programmes reach 2.7 billion people and lift 7% of them out of poverty.

2 **Yet, the poorest are left behind.**

Social assistance fails to reach the poorest in low-income countries across sub-Saharan Africa and South Asia.

3 **Failure to reach the poorest is correlated with informality and data quality.**

Mistargeting of social assistance transfers is positively correlated with informality and statistical capacity in a country. But only 14% of the difference in targeting across different countries can be explained by these factors.

KEY MESSAGE 1

Social assistance is the main tool to reduce poverty.

There are different types of social programmes such as social protection, labour market interventions, and health and education programmes. Social assistance schemes are non-contributory interventions (i.e. the government or other providers pay the full amount of the assistance) designed to help individuals and households cope with chronic poverty, destitution, and vulnerability. Examples include unconditional and conditional cash transfers, non-contributory social pensions, food and in-kind transfers, school feeding programmes, public works, and school fee waivers.

Of the different kinds of social programmes, this brief focuses on social assistance because it:

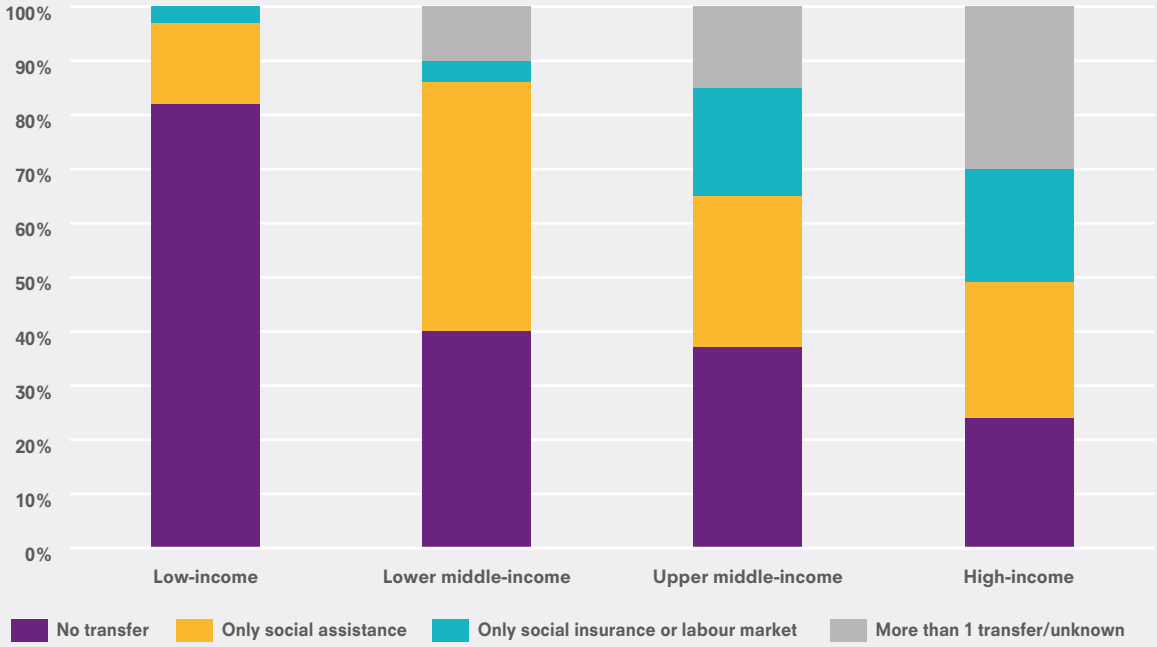
1. **Lays the foundation of all social spending.**
   Social assistance aims to reach the poorest and/or most vulnerable sections of society and provide a minimum basic standard of living.

2. **Reaches the largest number of people.**
   Of all the different social protection and labour schemes (social insurance, labour market interventions, and social assistance), social assistance has the highest levels of coverage. As shown in the figure below, social assistance covers 46% of the total population in lower middle-income countries and 15% in low-income countries. It also constitutes 16% of the total income of the poorest 20% of the population.

3. **Reduces poverty.**
   Social assistance has made a substantial contribution to poverty reduction. In developing countries across the world, the poverty headcount ratio (i.e. the percentage of the population below the poverty line) is 7% lower and the poverty gap falls by 14% once social assistance transfers are factored in.

Of the different kinds of social assistance, unconditional cash transfers have brought the greatest number of people out of poverty (3.7%), followed by social pensions (2%), and conditional cash transfers (0.8%).

FIGURE 1: COVERAGE OF SOCIAL PROTECTION SCHEMES BY INCOME GROUP



Source: Based on authors' own calculations using the World Bank ASPIRE database, 2019.

KEY MESSAGE 2

Yet, the poorest are left behind.

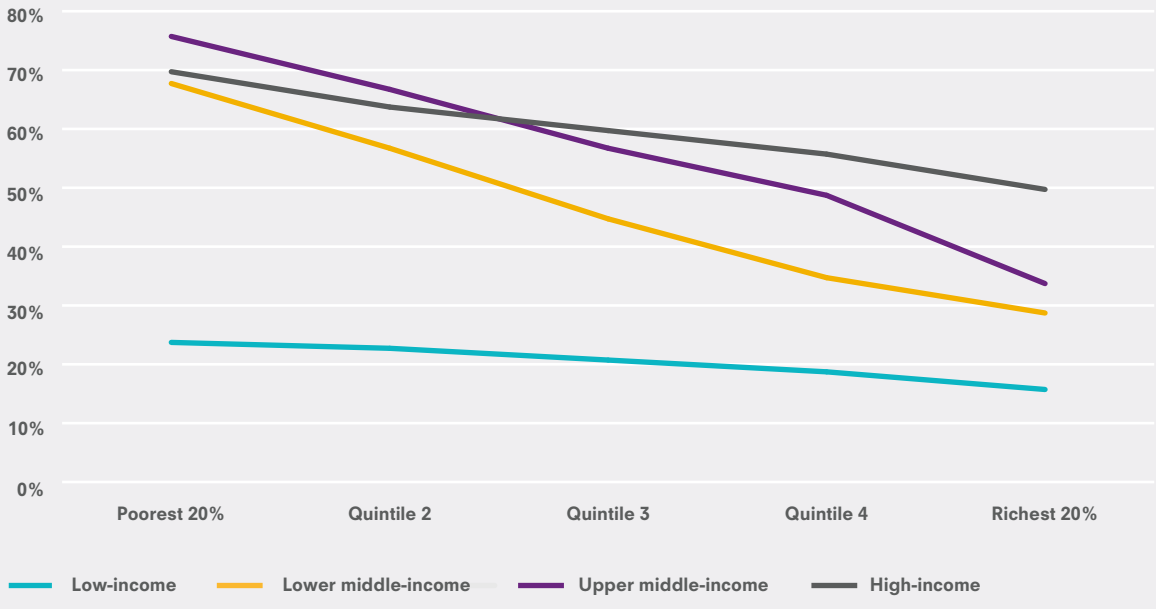
The decreases in poverty described in Key Message 1 are driven by high-income countries. The difference in poverty reduction between low- and high-income countries is stark. Once social assistance transfers are factored in, the poverty headcount – the total number of people living in poverty – reduced by 3% in low-income countries, as opposed to 6% in lower middle-income, 8% in upper middle-income, and 16% in high-income countries.

Further, social assistance in lower-income countries is also less cost-effective. Social assistance in low-income countries delivers approximately 14 cents in poverty gap reduction for each USD spent on social assistance programmes, as compared to 45 cents in high-income, 32 cents in upper middle-income, and 29 cents in lower middle-income countries.

This is likely because poorer countries have been worse at targeting the poorest people, as alluded to in Ravallion (2016). As the following figures show, coverage is low in low-income countries and a large proportion of the benefits from social assistance are not received by the poorest. Figure 2 demonstrates that only 21% of the poorest receive social transfers as opposed to 73% in high-income countries. Further, figure 3 illustrates that in low-income countries, the bottom 20% receive 28% of total social assistance benefits, only slightly more than the 26% received by the richest 20%; by contrast, in high-income countries, the poorest 20% of the population receive 44% of total benefits, more than 6 times the proportion received by the richest quintile (i.e. richest 20% of the population).

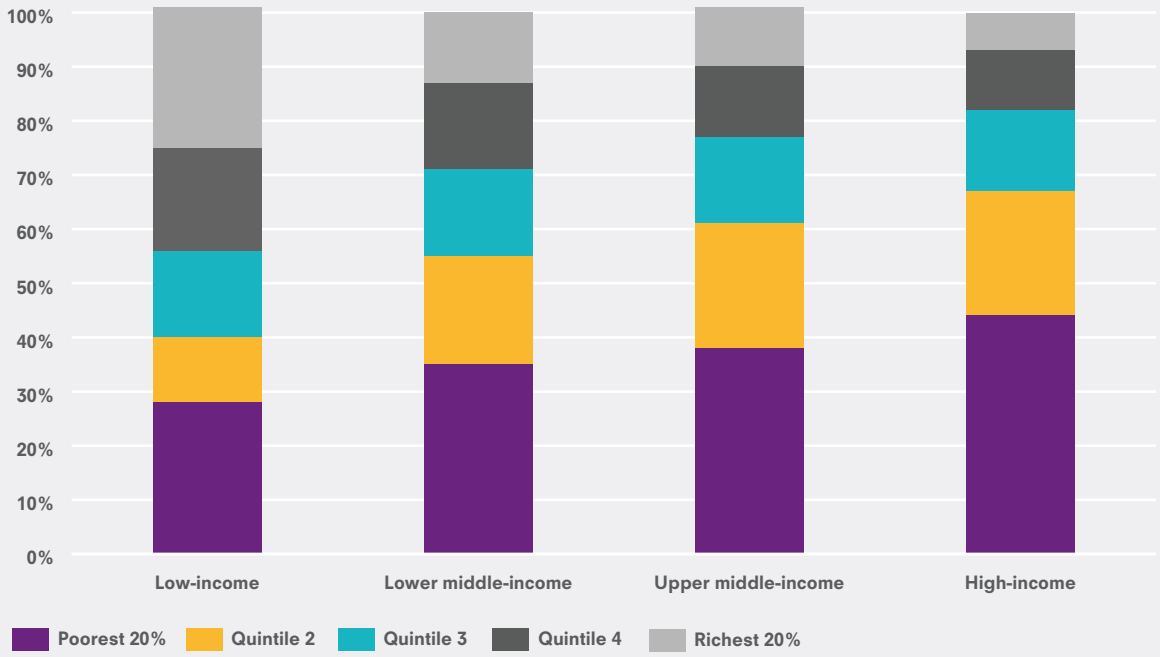
These findings are mirrored across different regions with less developed regions of sub-Saharan Africa and South Asia being worse at targeting. Figure 4 shows that the lowest coverage of social assistance is found in sub-Saharan Africa and South Asia (excluding India), particularly among the poorest. Only 22% and 26% of the poorest in sub-Saharan Africa and South Asia respectively, receive any social assistance. This implies that 78% of the poorest people in sub-Saharan Africa receive no social transfers from the government.

FIGURE 2: COVERAGE OF SOCIAL ASSISTANCE BY INCOME GROUP



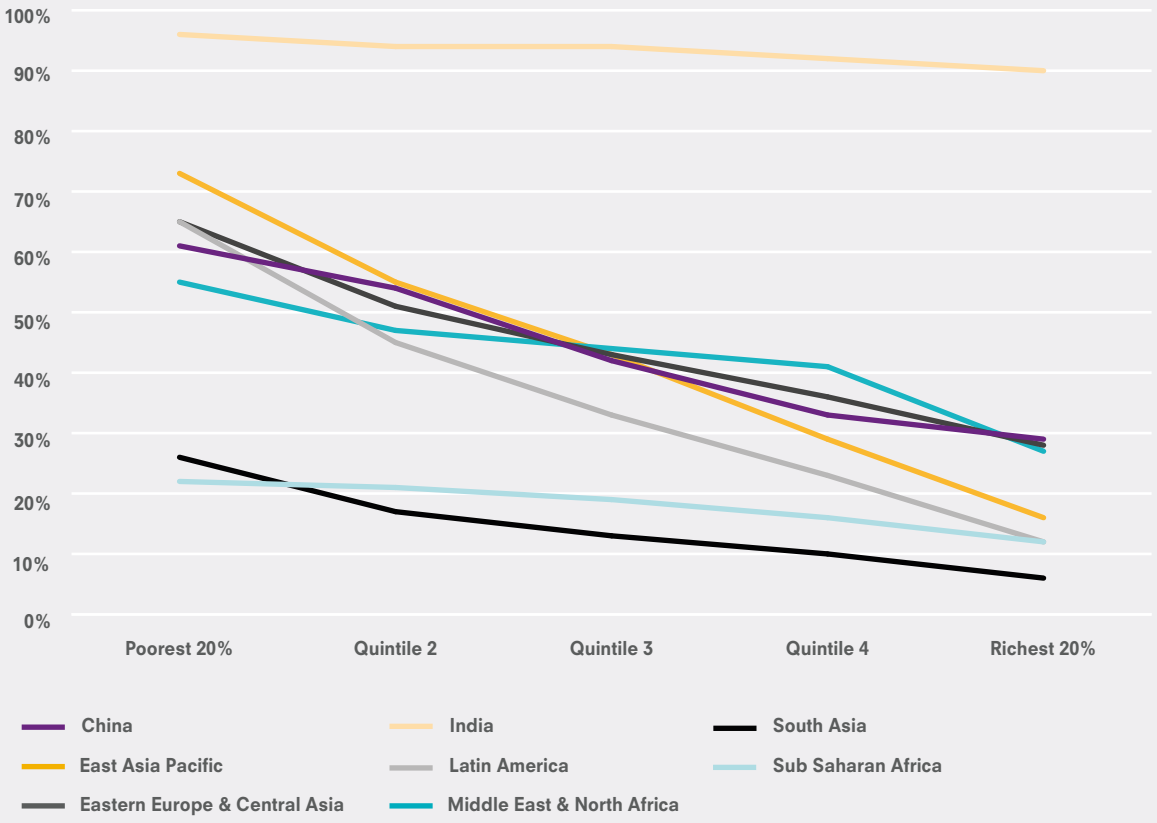
Sources: Based on authors' own calculations using the World Bank ASPIRE database, 2019.

FIGURE 3: BENEFIT INCIDENCE OF SOCIAL ASSISTANCE BY INCOME GROUP



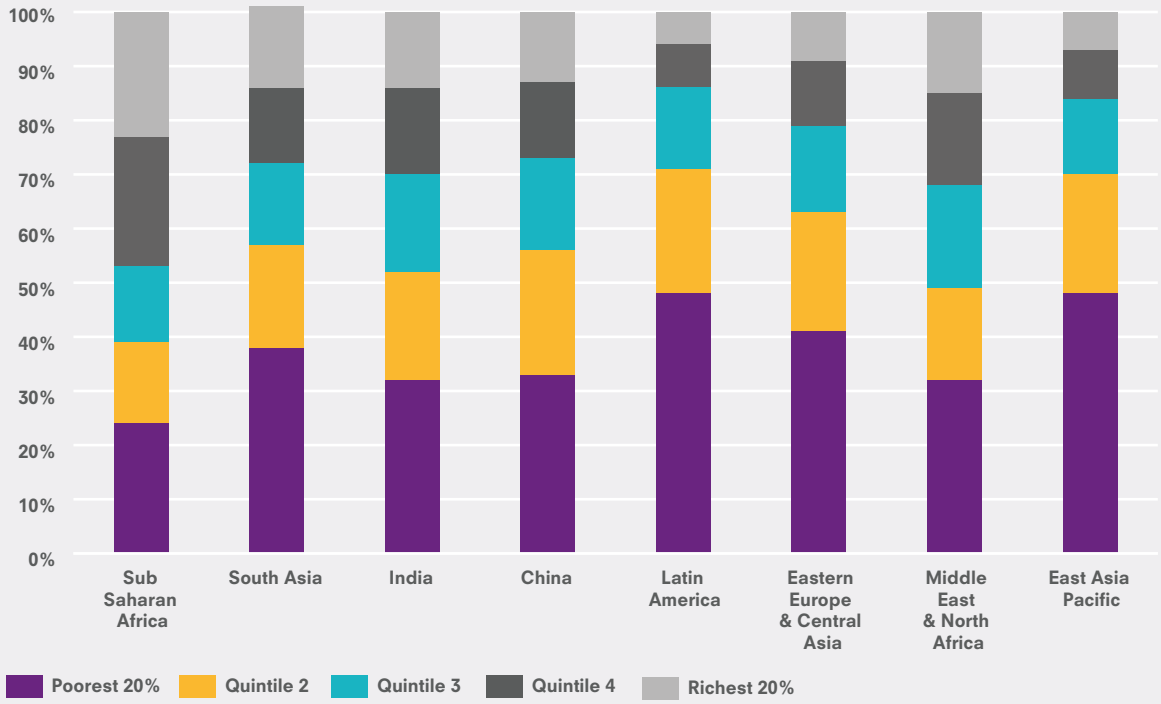
Source: Based on authors' own calculations using the World Bank ASPIRE database, 2019.
Note: This figure shows the percentage of total social assistance expenditure received by different income quintiles.

FIGURE 4: COVERAGE OF SOCIAL ASSISTANCE SCHEMES BY REGION



Sources: Based on authors' own calculations using the World Bank ASPIRE database, 2019.
Note: This figure shows the percentage of people in different income quintiles that receives social assistance.

FIGURE 5: BENEFIT INCIDENCE BY REGION



Source: Based on authors' own calculations using the World Bank ASPIRE database, 2019.
Note: This figure shows the percentage of total social assistance expenditure received by different income quintiles.

Also, the distribution of social assistance is flatter in these two regions implying that the coverage of social assistance is equal across all income levels in these regions. This is especially true in sub-Saharan Africa where, as shown in figure 5, the poorest and richest quintiles receive similar proportions of social assistance transfers. All other regions show a progressive distribution of benefits. For example, in East Asia Pacific, 48% of social assistance goes to the poorest and 7% to the richest.

KEY MESSAGE 3

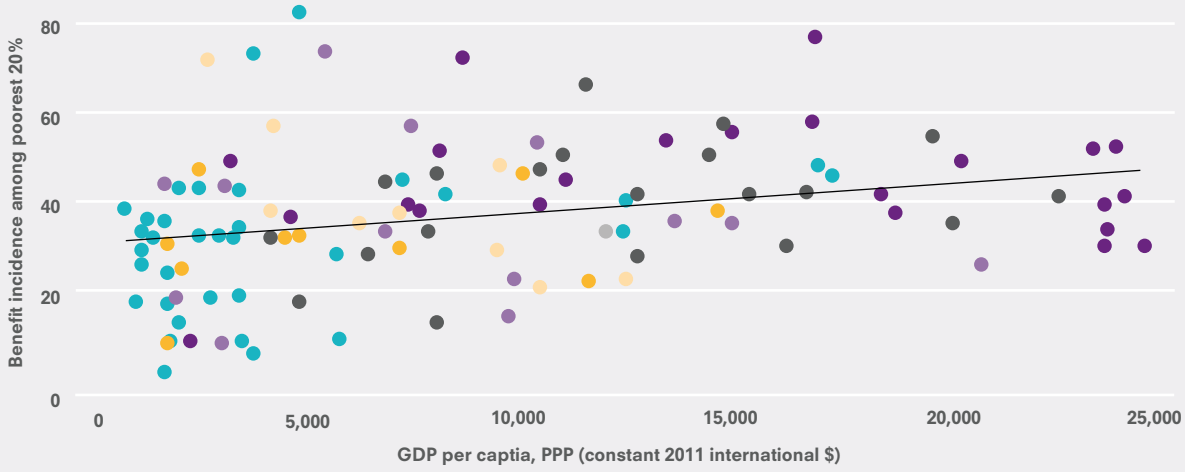
Failure to reach the poorest is correlated with informality and data quality.

This section analyses the correlation between mistargeting of social assistance schemes, national income, and two key determinants of state capacity: data quality and informality.

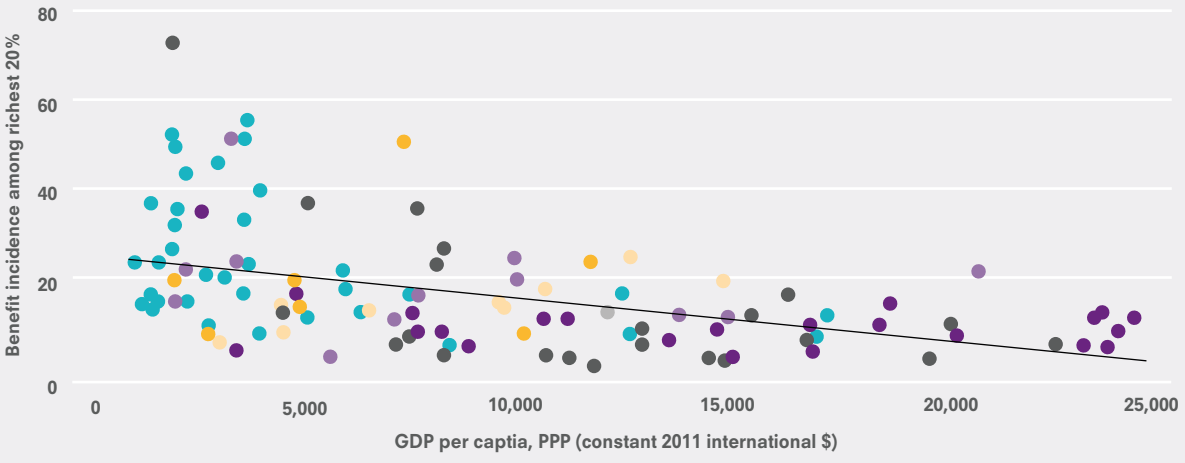
Figure 6(a) below shows a clear positive relationship between GDP per capita and the proportion of total benefits received by the poorest quintile. Similarly, there is a negative relationship between the proportion of benefits received by the richest quintile and GDP per capita as shown in Figure 6(b). This substantiates Key Message 2 with country-level data that demonstrates that the poorest quintile

FIGURE 6A: HOW DOES THE WEALTH OF A NATION RELATE TO SOCIAL ASSISTANCE TARGETING

a) Relationship between GDP per capita and benefit incidence in the poorest quintile



b) Relationship between GDP per capita and benefit incidence in the richest quintile

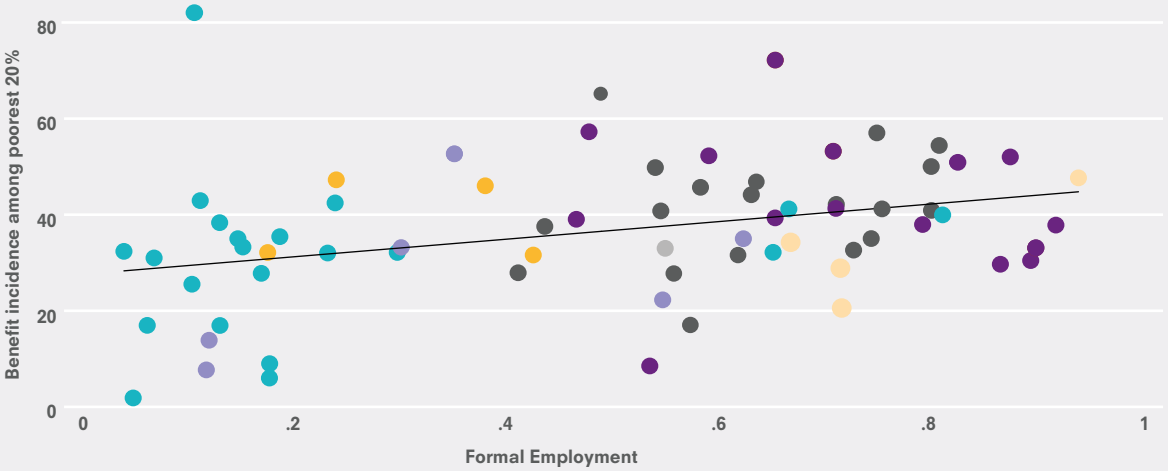


Latin America · Middle East & North Africa · China · East Asia Pacific · Eastern Europe & Central Asia · Sub Saharan Africa · South Asia · Fitted Values

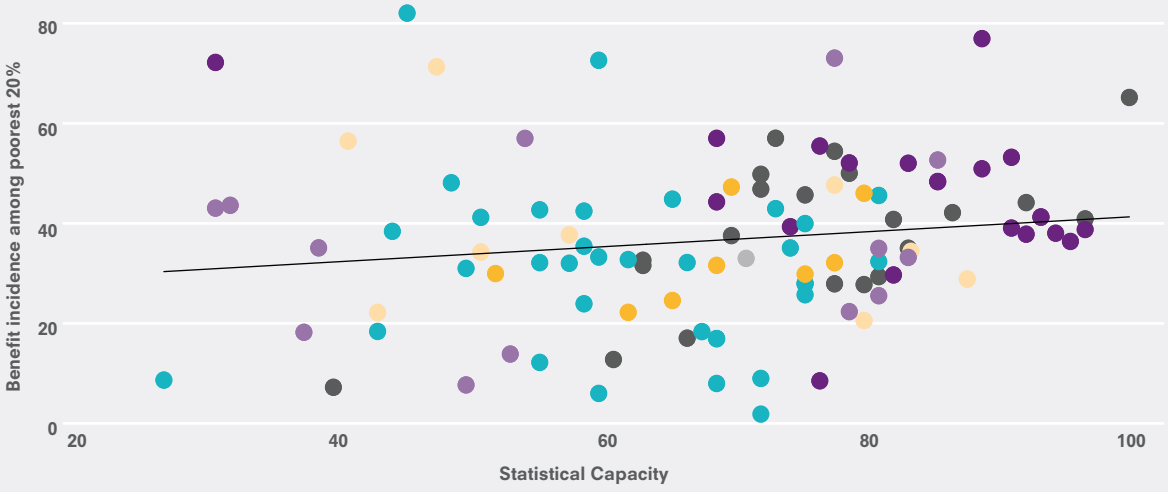
Source: Based on authors' own calculations using the World Bank ASPIRE database, 2019.
Note: This figure shows the percentage of total social assistance expenditure received by different income quintiles.

FIGURE 6B: HOW DO FORMAL EMPLOYMENT AND STATISTICAL CAPACITY OF A COUNTRY RELATE TO SOCIAL ASSISTANCE TARGETING

a) Relationship between share of formal employment and benefit incidence in the poorest quintile



b) Relationship between statistical capacity and benefit incidence in the poorest quintile



Source: Based on authors' own calculations using the World Bank ASPIRE database, World Bank's Statistical Capacity Indicator, ILO's formal employment data and a database constructed by Anders Jensen for his paper, Employment Structure and the Rise of the Modern Tax System.
Note: Statistical Capacity Indicator – a composite score assessing the capacity of a country's statistical system.

in lower-income countries receive a smaller share of social assistance, and the richest quintile a larger share, than they do in wealthier countries.

There is also a positive correlation between targeting the poor and the share of formal employment and statistical capacity in a country. Countries with greater data availability and more formality target the poor better. However, only 14% of the difference in targeting across different countries can be explained by these two factors. Further work needs to be done to understand what other factors lead to poorer countries failing to target the poorest.

POLICY RECOMMENDATIONS

Social assistance is a crucial component of social welfare and can help alleviate poverty and inequality. But poor people are being left behind by the current system due to lack of effective targeting by lower-income countries. To tackle this issue, we offer the following policy recommendations:

1. **Explore social policy designs that reduce exclusion errors, such as self-evaluation, opt-in or universal schemes.**
   In places where cash grants are not reaching the poorest and the costs of universalisation are not feasible, self-targeting mechanisms coupled with small barriers to dissuade the rich from accessing the grant can help overcome mistargeting. For example, a study in Indonesia (Alatas et al., 2016) demonstrated that introducing a small application cost to a transfer programme substantially improved targeting through self-selection.

2. **Increase and improve the efficiency of funding for social assistance programmes.**
   Apart from increasing social assistance spend, which is relatively low in developing countries (1.5% of GDP) when compared to advanced economies (15% of GDP), low-income countries should explore other implementation channels such as digital transfers to reduce administrative costs. A study in Niger (Aker et al., 2016) demonstrated that where infrastructure is available, mobile payments can reduce transaction costs and increase diet diversity making it a simple and low-cost way to deliver transfers.

3. **Use more data to design and implement effective policy.**
   Different social assistance programmes have varying effects on poverty likely due to differences in targeting, coverage, and transfer amount. Governments should collate and harness data from existing programmes with effective targeting mechanisms for other schemes, and to understand the profile of the excluded population.

4. **In times of crisis, do not limit relief efforts to existing programmes.**
   In situations such as during the COVID-19 pandemic, the efficacy of existing social transfers to soften the blow of economic shocks is limited in regions such as sub-Saharan Africa. Please see the IGC blog *COVID-19 underscores need to overhaul social policies across Africa* for COVID-19 specific recommendations based on this analysis.

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