Social protection: Improving its contribution to preventing households falling into poverty

Lucy Scott with Vidya Diwakar

(2016)
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List of acronyms

ARC      African Risk Capacity
ASP      Adaptive Social Protection
CCT      Conditional Cash Transfer
CFPR-TUP Challenging the Frontiers of Poverty Reduction-Targeting the Ultra Poor Programme
DFID     Department for International Development
HSNP     Hunger Safety Net Programme
IBLI     Index-Based Livestock Insurance
IFPRI    International Food Policy Research Institute
ILO      International Labour Organization
ILRI     International Livestock Research Institute
LEAP     Livelihood Empowerment Against Poverty
LIC      Low-Income Country
MGNREGS  Mahatma Gandhi National Rural Employment Guarantee Scheme
MIC      Middle-Income Country
MoH      Ministry of Health
NBS      National Bureau of Statistics
NGO      Non-Governmental Organisation
NHIA     National Health Insurance Authority
NHIL     National Health Insurance Levy
NHIS     National Health Insurance Scheme
OPM      Oxford Policy Management
P4H      Providing for Health
PJH      Programa Jefes de Hogar
PSNP     Productive Safety Net Programme
PWP      Public Works Programme
RCT      Randomised Control Trial
RFM      Risk Financing Mechanism
SHI      Social Health Insurance
UCT      Unconditional Cash Transfer
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>UHC</td>
<td>Universal Health Coverage</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
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<td>WHO</td>
<td>World Health Organization</td>
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Executive summary

The journey out of poverty is not necessarily a smooth one. While some households move out of poverty, others slip into poverty and yet others escape poverty only to return to living in it again. Ending extreme poverty, and staying there, requires not just improving the conditions of households currently living in poverty but also preventing those living just above the poverty line from falling into it.

This Policy Guide focuses on role of social protection policies and programmes in preventing households from falling into poverty or in preventing their impoverishment. In doing this, it:

1. Brings together evidence about the drivers of impoverishment and the role and effectiveness of social protection in preventing descents into poverty;
2. Provides guidance for national policy-makers, their donors and other development partners on the design and implementation features of social protection policies, programmes and allied investments in order to minimise the likelihood of people falling into poverty.

The guide also investigates how, or through which transmission channels, social protection (specifically social assistance and social insurance) can minimise the likelihood of people falling into poverty. In the short and medium terms, social protection can build absorptive capacities (enabling households to secure their basic needs during and following a shock or stress) and anticipatory capacities (enabling households to plan in anticipation of a shock or stress). These, in turn, can reduce the likelihood of households resorting to erosive coping strategies or adopting risk-averse behaviour. In the longer term, social protection can contribute towards building household resilience capacities. Some social protection approaches, though, are better suited than others to building longer-term resilience capacities. In acknowledgement of this, some social assistance programmes have evolved over time to adopt a more integrated approach.

From the outset, the guide highlights the potential trade-offs that policy-makers, programme designers and implementers face in using social protection with the specific objective of preventing impoverishment. These trade-offs reflect a fundamental tension at the core of the definition of social protection – whether it is to protect basic levels of consumption among the poor or to prevent vulnerable households from slipping into poverty. Key considerations are whether the same policy instruments can, or should, incorporate both objectives and what the respective roles of social assistance and social insurance can be in contributing to these. In particular, in contexts of constrained national, and donor, budgets and where social assistance for the poorest is inadequate in terms of both the amount given and national coverage, a focus on using social assistance to prevent impoverishment could lead to a shift in priorities away from social assistance for the poorest.

The guide highlights the following design and implementation features of social protection programmes as being particularly important to build household absorptive and anticipatory capacities:
Adequacy: The support offered needs to be sufficient, in terms of the size of the transfer (and how it maintains its value over time), the insurance pay-out or, in the case of social health insurance, the quality of health care delivered. The key is that social protection should support beneficiaries so they do not have to resort to erosive coping strategies. Larger social assistance transfers, meanwhile, can also enable households to invest, so contributing to building resilience capacities and their ability to absorb a shock even if they are no longer receiving social protection benefits.

Appropriateness: Households living just above the poverty line are likely to require slightly different forms of support to that required by those currently living in poverty. This is most evident in terms of health services and so has implications for the types of condition covered by social health insurance.

Convenience: This is a particular barrier to increasing uptake of social insurance. Convenience refers to the time, cost and documentation required to enrol, make a claim, receive a pay-out or reach health services.

Reliability is important for households to be able to anticipate and plan for a shock. For social assistance, this includes the reliability and predictability of receiving transfers. For index-based agricultural insurance, it relates to the relationship between the insurance paying out and actual household losses.

Timeliness of response following a shock or on-going stress is particularly important in the case of agricultural insurance as well as shock-responsive social assistance. What constitutes a ‘timely’ response will vary according to the nature of the shock (whether it is slow- or rapid-onset). What is important is that households do not have to resort to erosive coping strategies before receiving support.

If social protection is to contribute to building longer-term resilience capacities, or those that mean households are able to maintain improvements in their lives over time, then, as important as the design and implementation of particular social protection instruments is how these relate to each other and to other forms of support and investments. Particularly important considerations here are:

Adaptability: This includes the ability of programmes to adapt and evolve over time as well as to be able to offer flexible support for beneficiaries to manage in the event of idiosyncratic and covariate shocks.

Integration and linkages: Integration takes place primarily within a policy or programme, whereas linkages operate across them. Both imply that households are able to access more comprehensive forms of support than that which one instrument alone can offer. Examples of integration to build resilience capacities could include promoting savings products alongside regular income transfers. In terms of linkages, development of registries can mean that households eligible for one form of support can be automatically enrolled onto another.

Tailored support: Different types of household (whether in terms of household composition or engagement in particular livelihood activities) require and prioritise different forms of support. Graduating premiums for insurance according to either wealth status or health condition are one
example of this. Providing training opportunities or advice on occupational health and safety, meanwhile, are likely to be more relevant for certain groups.
1. Introduction

The journey out of poverty is not necessarily a smooth one. Analysis of panel data, which track households over time, reveals that while some households move out of poverty, others slip into poverty and yet others escape poverty only to return to living in it again (Scott et al., 2014). While a household may have just crossed a poverty line, and therefore is no longer classified as poor, it may remain vulnerable to slipping into poverty if facing a shock or stress.

Through the Sustainable Development Goals, the world is committed to ‘getting to zero’ extreme poverty. Achieving this requires development efforts to (i) tackle chronic poverty; (ii) prevent impoverishment, or descents into poverty and further into poverty; and (iii) ensure escapes from poverty are sustained over time (Shepherd et al., 2014). ‘More of the same’ is insufficient if we are to achieve the goal of getting to zero extreme poverty, and staying there.

In this Policy Guide we concentrate on (ii), or how to minimise the likelihood of households becoming impoverished. In doing this, we focus on the segment of the population that lives just above national (consumption or expenditure) poverty lines and so remains vulnerable to falling below them in the event of a shock or stress.

1.1 Scope

From the outset, we acknowledge that no one policy or sector can prevent all impoverishment; or ensure all households living out of poverty remain out of it over time. Readers are pointed to the 2014/15 Chronic Poverty Report, which highlights the range of policy measures that, depending on the context, can all contribute to reducing impoverishment (Shepherd et al., 2014).

In this guide we focus on the role social protection policies and programmes can play in reducing vulnerability to poverty, or the likelihood of slipping into poverty in the future. We present evidence around the role of social assistance and social insurance (see Box 1) in reducing vulnerability to poverty and discuss the design and implementation features that can improve the effectiveness of these two approaches in preventing descents into poverty.

Box 1: Defining social assistance and social insurance

<table>
<thead>
<tr>
<th>Social assistance: non-contributory, means-tested or categorically targeted programmes for vulnerable groups. This includes cash and in-kind transfers, integrated programmes and social (non-contributory) pensions as well as direct employment generation (e.g. public works, employment guarantee schemes).</th>
</tr>
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<tbody>
<tr>
<td>Social insurance: state-led contributory programmes that protect people from certain risks and catastrophic expenses.</td>
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</table>

Some definitions of social protection also incorporate labour market policies, or measures for the working poor to gain employment or to improve the conditions of this work (e.g. ILO, 2001; Cook and Hujo, 2014). While we acknowledge the importance of labour market policies in preventing descents into poverty, we do not explicitly discuss these, given the predominant focus of the guide on low- and middle-income countries (LICs and MICs) where, particularly in the former, only a small proportion of the population are in formal employment (McCord, 2013). Universal health coverage (UHC), a component of the International Labour Organization’s (ILO’s) Social Protection Floor, is also not addressed, though social health insurance (SHI), as a contributory mechanism to achieving UHC, is.
1.2 Background

It has been argued that the rise of social protection policies and programmes in LICs and MICs since the turn of the century constitutes a ‘new paradigm shifting antipoverty policy thinking in the global South’ (Barrientos and Niño-Zarazúa, 2011: 1), with social assistance said to have represented the most significant change in this thinking (ibid.). Examples of the spread of social assistance include the fact that, today, 130 LICs and MICs implement at least one non-contributory unconditional cash transfer (UCT) programme. Such schemes are increasingly popular in sub-Saharan Africa, where 40 out of 48 countries now have a UCT programme, double the number in 2010 (Honorati et al., 2015). Meanwhile, globally, 63 countries now have at least one conditional cash transfer programme (CCT), up from two countries in 1997 and 27 in 2008 (ibid.).

At the same time, social insurance is increasingly moving onto the policy agenda in LICs and MICs, partly because of the fiscal constraints involved in extending social assistance to large numbers of vulnerable workers in the informal economy (see Holmes and Scott, 2016) and partly because of a realisation that a significant proportion of informal economy workers are willing to pay ‘affordable and fair’ contributions (van Ginneken, 2009).

In the majority of developing countries, social protection started as a set of subnational transfer programmes, with pilots and programmes that have been scaled up gradually over time (Samson and Taylor, 2015). More recently, in addition to the introduction and expansion of specific national social protection instruments, there has been a move towards social protection systems, or a transition from a programme to a systems orientation (ibid.). This can include developing national coordinating mechanisms as well as the integration of delivery mechanisms down to the local level. The focus on systems is an acknowledgement that the impacts of social protection will be greatest when coordinated within a larger planning framework (ibid.). There are, however, political, financial and administrative challenges in the systematisation of social protection.

Despite the expansion of social protection in the past decade, less than 30% of the world’s population has adequate coverage (ILO, 2014). Coverage is particularly low in developing countries, and varies by region. Recent World Bank analysis indicates that effective coverage may be as low as 1% of the population in sub-Saharan Africa (Rizbein et al., 2013, in Samson and Taylor, 2015). Social insurance in particular tends to be designed for workers in the formal economy, which limits its coverage, especially in LICs. In sub-Saharan Africa, social insurance covers only 5–10% of the population, principally in the form of pensions for civil servants and employees of large, formal enterprises (van Ginneken, 2009).

1.3 Objectives and structure

The overall objective of this guide is to provide national policy-makers and their development partners with guidance on the challenges, approaches and policy and intervention options in using social protection to prevent households sliding into poverty.

The specific objectives are to:

1. Consolidate and expand the evidence base on the role and effectiveness of social protection policy and programme approaches to prevent descents into poverty;
2. Provide guidance for national policy-makers, their donors and other development partners (such as non-governmental organisations, NGOs) on the design and implementation features of social protection policies, programmes and allied investments in order to minimise the chances of people falling into poverty.
This guide also investigates how, or through which transmission channels, social protection can reduce vulnerability to poverty. It investigates (i) how social protection can directly tackle vulnerability through focusing on supporting households to address the covariate and idiosyncratic shocks that can push them into poverty; and (ii) how policy strategies that focus on getting poor people out of poverty can also contribute to mitigating their future likelihood of falling back into it.

In doing this, the guide highlights the potential trade-offs that policy-makers, programme designers and implementers face in using social protection with the specific objective of preventing impoverishment. These trade-offs reflect a fundamental tension at the core of the definition of social protection: whether it is to protect basic levels of consumption among the poor or prevent vulnerable households from slipping into poverty. A key consideration is whether the same policy instruments can, or should, do both.

The research methods used for this guide include the following:

- Analysis of three-wave panel data from rural Ethiopia, rural Bangladesh and Uganda to investigate the associations between different household capacities and descents into poverty;
- Analysis of life history interviews from these three contexts to investigate the drivers of impoverishment and sources of resilience that enable households to escape poverty and remain out of it over time;
- Review of the existing evidence from social protection programme assessments and evaluations, including systematic reviews. We used bibliographic databases to search the published literature as well as reviewing grey literature, particularly that focused on specific social protection programmes. The focus of the review is on evidence on the reduction of impoverishment as well as on programme assessments that report outcomes in relation to the capacities that the panel data analysis reveals to be associated with a reduced likelihood of falling into poverty.

The paper is organised as follows. Section 2 introduces the extent and drivers of impoverishment, drawing on recent mixed-methods research from rural Bangladesh, rural Ethiopia and Uganda alongside existing evidence. It investigates the shocks and stresses that can drive impoverishment and presents evidence about different impoverishment pathways and the capacities that mean some households can avoid becoming impoverished.

Section 3 then draws on a wider synthesis of evidence on social protection and allied investments and policy areas that can prevent impoverishment. The guide discusses the design and implementation choices that have enabled social protection programmes and policies to contribute to reducing impoverishment. In doing this, it also discusses other measures and investments that, in different contexts, can maximise the impacts of social protection. In particular, it focuses on how social protection instruments can combine with, and link to, other measures and initiatives in order to increase effectiveness in relation to preventing impoverishment.

Section 4 concludes.
2. The extent and drivers of impoverishment

The focus of development efforts has very much been on improving the conditions for households currently living in poverty so they move to a situation above the poverty line.\(^1\) However, just as some households are improving their situation, or escaping from poverty, the situation of others can be deteriorating, or they are falling into poverty. We refer to this second process as impoverishment – or the process whereby somebody who is non-poor slips into poverty.\(^2\) There is therefore a need for policies to go beyond an approach that focuses on moving households out of poverty to one that also addresses risks in order to prevent poverty (Samson and Taylor, 2015).

Measuring the extent of impoverishment requires, ideally, nationally representative household panel data, or surveys that revisit the same household at more than one point in time.\(^3\) Analysis of nationally representative household panel data reveals that, in certain contexts and over particular periods of time, descents into poverty, as measured in consumption terms, can be significant:

- Nepal: Between 2003/04 and 2010/11, 13% of households escaped from poverty while 9% of households fell into poverty (Mascie-Taylor, 2013).
- South Africa: Between 2008 and 2012, 20% of households escaped from poverty while 10% fell into poverty (Finn and Leibbrandt, 2013).

In some instances, as over the periods below in Tanzania and Uganda, descents into consumption-based poverty can outnumber escapes from it:

- Tanzania: Between 2008/09 and 2010/11, 12% of households fell into poverty while 7% escaped from poverty (NBS, 2011).
- Uganda: Between 2006 and 2010/11, 20% of households fell into poverty while 10% escaped from poverty (Scott et al., 2014).

Transitory poverty escapes, meanwhile, refer to individuals or households that used to live in poverty, succeeded in escaping poverty and then subsequently fell back into poverty. In other words, they are unable to sustain their escape from poverty over time. Measuring the extent of transitory escapes again ideally requires nationally representative household panel data from the same household at three points in time.\(^4\) Evidence on the extent and nature of transitory escapes is more limited than that on impoverishment, given that household panel data collected in three waves, particularly those that are nationally representative, are not widely available. However, where nationally representative and non-representative data are available, analysis again suggests that, in certain contexts and over particular periods of time, escapes from poverty are transitory for some households:

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1 Throughout this paper, unless otherwise stated, the poverty lines referred to are national poverty lines.

2 The analytical part of this paper uses living below national poverty lines to define and conceptualise whether a household is poor or not.

3 In addition to analysing poverty dynamics using panel data, important methodological developments are innovations in the area of synthetic pseudo panels that have evolved from the seminal work of Deaton (1985), and that are relevant for the analysis of vulnerability to poverty. Relevant contributions in this area include Gibson (2001); Bourguignon et al. (2004); McKenzie (2004) and Dang et al. (2014).

4 Also see previous footnote.
Social protection: Improving its contribution to preventing households falling into poverty

- Rural Bangladesh: Across three survey waves in 1997/2000, 2006 and 2010, 10% of all survey households escaped poverty and returned to living in it (Scott and Diwakar, 2016). These data are not nationally representative.
- Rural Ethiopia: Between 1997 and 2009, 15% of households escaped poverty and then returned to living in it (Mariotti and Diwakar, 2016). These data are not nationally representative.
- Uganda: Between 2005 and 2011, 9% of all households escaped and then returned to living in poverty (Scott et al., 2016).

It should be noted that, from the three longitudinal surveys whose findings on the extent of transitory poverty escapes are presented above, just the Uganda data are nationally representative (see Box 2 for more details of these three surveys). However, the analysis does still provide useful insights into the transitory nature of poverty escapes and particularly the drivers of this process.

**Box 2: Details of the three panel surveys**

**Bangladesh:** This panel dataset was collected in 1997/2000, 2006 and 2010 as part of the Chronic Poverty and Long-Term Impact Study in Bangladesh. This impact study was conducted by the International Food Policy Research Institute (IFPRI), in conjunction with the Chronic Poverty Research Centre and Bangladesh’s Data Analysis and Technical Data Ltd. It was created to assess the impact of certain anti-poverty interventions on poverty trajectories in the country. Specifically, the Micronutrients-Gender/Agricultural Technology dataset explored the introduction of new agricultural technologies, the Food for Education/Cash for Education dataset the impact of educational transfers and the Microfinance dataset the short-term effects of the introduction of microfinance in the survey site. While together the impact study is not nationally representative, the areas chosen do ‘broadly characterize the variability of livelihoods found in rural Bangladesh’ (Quisumbing, 2007).

**Ethiopia:** The Ethiopian Rural Household Survey spans seven rounds of data collection from 1989 to 2009. Supervised by Addis Ababa University, the Centre for the Study of African Economies at the University of Oxford and IFPRI, it covers individual, household and community-level data. While the original 1989 round spanned seven peasant associations in three regions, subsequent rounds expanded this coverage to 1,477 households in 24 villages, chosen largely for their diversity of farming systems. The survey is representative for households in non-pastoralist farming systems in Ethiopia. However, given that it sampled such a small number of communities, generalisations to the whole of rural Ethiopia can be made only with caution (Dercon and Hoddinott, 2011; Dercon et al., 2012). Findings presented here are based on analysis of the most recent four rounds of the survey, spanning 1997–2009.

**Uganda:** The Uganda National Panel Survey, undertaken by the Uganda Bureau of Statistics, has seen five rounds to date (2005/06, 2009/10, 2010/11, 2011/12, 2012/13). It is a nationally representative dataset that provides information on changes and transitions in poverty dynamics and other welfare indicators.

The main finding emerging from both nationally representative and non-nationally representative panel data is that impoverishment and transitory poverty escapes, in certain contexts and over

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particular periods of time, are taking place. We cannot get to zero extreme poverty if we do not tackle these two processes through appropriate programmes and policies designed to prevent people who have moved out of poverty (by crossing the poverty line) from falling back into it, or the non-poor from becoming poor.

Section 2.1 draws on analysis of panel surveys in rural Bangladesh, rural Ethiopia and Uganda (see Box 2, above), as well as findings from life history research in those same contexts (see Box 3), to investigate further the drivers of impoverishment.

**Box 3: Details of the life history approach**

Life history interviews are a form of open-ended interview that ask people about five key stages over the course of their lives to capture the dynamic reality of poverty over time. Life histories identify periods of improvement, times that have been tough and periods where really not much has changed. Why did people’s situation deteriorate? How did it get better? How, despite illness, drought or some other shocks, did they manage to protect their situation? In taking this long-term perspective, life histories can help identify sources of resilience, and how these have changed over time. They also put the (normally relatively recent) contribution of development interventions to improving people’s lives in the context of broader processes and household activities.

We undertook approximately 25 life histories interviews in each of the three case study countries. These life histories were undertaken with households that had experienced sustained escapes from poverty and those that had become impoverished. In each country, we collected these life histories in three communities, identified through the panel data analysis as containing households that had experienced poverty mobility over time, in particular either sustained escapes or impoverishment.

**2.1 Conceptualising impoverishment pathways**

Households that slip into poverty lack resilience, or the set of capacities needed to enable them to remain out of poverty in the long term and in the event of shocks and stresses (the latter referring to longer processes of change, such as soil degradation or gradual price inflation). This section introduces the shocks and stresses that can drive households into poverty as well as the capacities associated with being able to cope, manage and recover in the face of these. It covers both idiosyncratic events (or those that affect an individual or household, such as an episode of ill health) and covariate shocks and stresses (e.g. drought, which can have impacts on entire communities or regions). Conflict can be a major driver of impoverishment but is not included here as it will be the focus of a future CPAN policy guide.

Figure 1 conceptualises impoverishment pathways, highlighting how not all households are equally susceptible to falling into poverty in the event of a shock or a stress. Instead, households have different capacities to cope, manage and recover from these shocks, and sequences of shocks. For instance, analysis of panel data from Kagera region of Tanzania highlights how the richest households do not suffer negatively from illness or shocks that affect agricultural output (de Weerdt, 2010).

**Figure 1: Conceptualising pathways to impoverishment**
In addition, as highlighted by Figure 1, impoverishment pathways following exposure to a shock or stress can be the result of **direct and indirect** losses. Indirect losses include those that result from adopting erosive coping strategies, and certain types of ‘risk-averse’ behaviour – for example low-return yet low-risk livelihood activities. Impoverishment pathways can also be **short and long in term**. The latter include those experienced by the next generation, such as through ‘intergenerational asset-smoothing’, whereby parents’ coping strategies can penalise the future prospects of their children. Table 1 gives more examples of potential impoverishment pathways and their timing with respect to shocks and stresses.

**Table 1: Examples of impoverishment pathways**

<table>
<thead>
<tr>
<th>Impoverishment pathways from shocks and stress</th>
<th>Examples of this pathway in the face of covariate and idiosyncratic shocks and stress</th>
<th>Timing of impoverishment pathway</th>
</tr>
</thead>
</table>
| Direct losses of income or assets            | • Destruction of assets through flooding or theft  
• Loss of a job and so a source of income  
• Death of an earning member                  | During shock or stress               |
| Indirect losses, owing to:                   | **Erosive coping strategies**  
• Distress sales of assets, e.g. of livestock during a drought or to meet health costs  
• Removing children from school so they can contribute further to household income | During and following shock or stress |
| Changes in the enabling environment reducing returns to existing activities | • Inflation eroding purchasing power  
• Flooding resulting in lower agricultural wage rates  
• Soil erosion reducing yields and economic returns to agriculture | During and following shock or stress |
| Risk aversion                                | • Limited investments in non-liquid assets, e.g. business equipment  
• Saving for future contingencies  
• Diversifying livelihoods activities and assets | In advance of and during shock or stress |
The following sections present more details about the different components of impoverishment pathways, as presented in Figure 1.

2.2 Exposure to shocks and stresses

Analysis of 15 national household surveys reveals that climate shocks, health shocks and economic shocks (especially price changes) are the most commonly self-reported types of shocks across countries (Heltberg et al., 2013). Analysis of surveys from the three case study countries — rural Bangladesh, rural Ethiopia and Uganda — reveals a similar picture in terms of self-reported shocks (see Figure 2). Specifically, in Uganda, over half of the shocks reported in 2011/12 related to climate shocks, predominantly drought, which affected four in five surveyed households. Similarly, in rural Ethiopia, climate shocks affected a significant number of households, to comprise around a quarter of the shocks experienced. However, rising food prices were listed as the most prevalent shock facing rural Ethiopian households. Other research in Ethiopia and Uganda highlights how droughts are the main hazard associated with poverty descents (Dercon et al., 2005; Expanding Social Protection Programme 2012).

Figure 2: Types of household shocks, latest survey year

Note: In the rural Bangladesh dataset, costs/price shocks were not recorded in the shocks module. For rural Bangladesh data are for 2010, for rural Ethiopia for 2009 and for Uganda 2011/12. For rural Bangladesh shocks were experienced in the previous four years; for rural Ethiopia in the previous five years; and for Uganda in the previous 12 months.

Source: own analysis

In rural Bangladesh, in contrast, almost three in 10 shocks captured in the 2010 survey were those relating to out-of-pocket medical expenses owing to illness or injury. The second and third most common shocks were the death of livestock and dowry payments. For households that became

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6 Household surveys analysed from Afghanistan, Bangladesh, China, Iraq, Lao, Malawi, Maldives, Mexico, Nigeria, Peru, Sudan, Tajikistan, Tanzania, Uganda, Uzbekistan and Vietnam.
imperished, 44% of reported shocks related to illness or injury, compared with well under a third among the group of sustained escapers. Certainly, health shocks emerge as a key driver of impoverishment across a range of contexts, as research in Bangladesh, Ethiopia, Kenya and Uganda shows (Krishna, 2010; Baulch, 2011; Dercon et al., 2011; Mushonga and Scoones, 2012).

While the three predominant categories of shock and stress are presented separately above, panel data analysis and analysis of life histories collected for the recent research in rural Bangladesh, rural Ethiopia and Uganda highlight how it is not just one shock that propels people into poverty but rather a series of two or three negative events that happen in quick succession that are associated with falling into poverty (Mariotti and Diwakar, 2016; Scott and Diwakar, 2016; Scott et al., 2016). Clearly, the magnitude, frequency and duration of different shocks and stresses are important in determining the extent to which households can manage in the face of them (e.g. Jalan and Ravallion, 2005; Foster, 2009; Duclos et al., 2010; Celidoni, 2013). However, for this research, in line with other panel data analysis findings (e.g. Baulch, 2011), households were frequently able to avoid falling into poverty in the event of being exposed to one self-reported shock. The life history of Rafiqul, from Jessore district, Bangladesh (Figure 3), illustrates how his family slipped into poverty over time following a series of shocks.

**Figure 3: A combination of shocks can drive descents into poverty**

![Image of Rafiqul's life history](source: Scott and Diwakar (2016)).

**Impoverishment and transitory escapes are also related to the lifecycle** (Baulch, 2011). Although some lifecycle events can be predicted with near certainty, their timing is often uncertain, and important in terms of their role in driving impoverishment is their timing with respect to other shocks (Quisumbing et al., 2011). For instance, dowry, combined with the cost of illness, seems to be a particularly important driver of descents into poverty in Bangladesh (Quisumbing, 2011; also see life history in Figure 3).

Changes in household demographics and structure are also important in poverty entries (Expanding Social Protection Programme, 2012). For instance, child marriage and the division of household assets, and reduction in labour for both the existing and the new household, are associated with impoverishment in Bangladesh (Davis, 2011). Widowhood, especially for women, can be associated
with impoverishment as a result of both limited income-earning opportunities for women in some rural contexts and the risk of property grabbing by male relatives (Quisumbing et al., 2011).

A range of household-level lifecycle events, along with other shocks, can play an important role in driving households into poverty. Particularly important is the combination of these factors, rather than the occurrence of single events (Camfield and Roelen, 2013). The next section presents evidence on the different pathways through which these events can drive households into poverty, acknowledging that, both at any one time and over time, households may fall into poverty through a combination of different pathways.

### 2.3 Evidence on impoverishment pathways

#### Direct losses

In Bangladesh, natural hazards that have destroyed assets or crops have played a precipitating role in driving impoverishment (Hossain and Nargis, 2010). Analysing a panel dataset of 379 rural households between 1987/88 and 2000, Sen (2003) also shows flooding is a driver of poverty descents in Bangladesh, through the destruction it wreaks. Ahmed et al. (2016), using more recent panel data, from 2011/12 and 2015, find that incurring crop losses from floods, droughts, pests and diseases is important in Bangladesh in driving descents into poverty. Crop disease and death can also play an important role when a household is heavily dependent on one crop, as the experience of Ssenyonjo in Uganda shows (see Figure 4).

**Figure 4: Descent back into poverty owing to crop disease**

![Diagram of Ssenyonjo's life history](source: Scott et al. (2016)).

Direct losses can also occur because of shocks and stresses placing increased pressures on household finances. Food price inflation is particularly difficult for casual wage labourers and smallholder farmers who are net food consumers to manage. Following the 2007/08 food crisis, the
poorest households, including many female-headed households, were affected the most as they spent a higher proportion of their income on food and had less access to credit and savings (Compton et al., 2010). The significant and uneven impacts of food price shocks are further confirmed through household survey analysis in Burkina Faso, which reveals that higher rice prices between 2006 and 2008 increased the poverty rate by between 2.2% and 2.9%, with this increase greater in certain regions and urban areas, where a large numbers of households are net buyers of rice (Badolo and Traoré, 2015).

**Indirect losses: Adopting erosive coping strategies**

A typical coping strategy in the context of limited access to financial markets (in particular to credit and insurance) involves building up asset stocks in good times and drawing them down to shield consumption in bad times (Carter and Lybbert, 2012). The experience of Ranya Begum in Jessore, Bangladesh (Box 4), illustrates this, describing her asset sales made to cope with health expenditure. It also highlights the potential longer-term effects of health shocks, through her cutting back on food as an additional coping strategy. Meanwhile, Rahad’s family, in rural Ethiopia, needed to sell livestock in order to fund burial costs. He sees this as an important driver of the family’s descent into poverty (Box 5). In both these instances, in selling assets the families have reduced their future income streams and do not have the means, at least in the short term, to replace them, which thus contributes to their impoverishment.

**Box 4: Asset sales to manage health shocks in rural Bangladesh**

| A series of health shocks afflicted Ranya Begum. In the past, she had to sell land to provide Tk 13,000 for her elder daughter’s uterus infection. She had to sell even more land and trees in the same year when her son also fell ill and required clinical care for three months. For this illness, Ranya spent Tk 350,000. In the past three years, Ranya has also been sick. For her diabetes and pain, she spends Tk 500 each month. Fortunately, her eldest son sends her Tk 3,000 a month, and she receives irregular payments from her daughter so that she can afford the medicine cost. However, to cope with their family’s medical expenses, Ranya has reduced her amount of food consumption. |

Source: Scott and Diwakar (2016).

**Box 5: Asset sales for burial costs in rural Ethiopia**

| Rahad is 25 years old and lives with his wife, his mother and his younger brother; his father died 12 years ago. He owns about 0.10 ha of land, inherited from his parents. His parents used to have two cows, but one was sold to pay for the burial ceremony of his father and the other for the burial ceremony of his elder brother, who died about 10 years ago. He has two other brothers, who live elsewhere and are not able to support him and his family. His family are now beneficiaries of the Productive Safety Net Programme (PSNP), reflecting their current poverty. |

Source: Mariotti and Diwakar (2016).

Further investigation of household coping strategies in the aftermath of shocks helps reveal why certain capacities may be important in preventing impoverishment in the three case study contexts. Analysis of the datasets reveals differences in the way impoverished households and sustained escapers respond to shocks. For example, in Uganda (Figure 5), relying on savings or unconditional help from relatives, along with taking on more non-farm work, was more common as a response to shocks for households that had experienced sustained escapes than it was for impoverished...
households. Impoverished households obtained credit, engaged in distress sales of animals or reduced expenditures on human capital endowments as coping strategies to a greater degree than did those who sustained escapes from poverty.

**Figure 5: Coping strategies to household shocks, 2011/12 Uganda**

Note: The response ‘other’ is not further specified in the data.

Source: own analysis

Meanwhile, in rural Bangladesh, where there is greater access to credit than there is in rural Uganda, taking up a loan was the preferred coping strategy for impoverished households that had experienced a shock, according to 2010 data. Such households were also more likely than sustained escapers to engage in a potentially distress sale of assets or make changes to their human capital endowments. This latter category includes responses such as eating less or lower-quality food, taking children out of school or changing occupations or jobs.

Undertaking further analysis of the reasons for taking a loan in rural Bangladesh reveals that households that receive loans are more likely to become impoverished than to sustain an escape from poverty. In addition, the need to repay another loan is a more common reason for loan acquisition among impoverished households than for sustained escapers. In contrast, obtaining a loan for business purposes is more common among sustained escapers. This observation of the contribution of over-indebtedness to poverty descents also emerges from other research, in India, Nicaragua and Pakistan (see Schicks and Rosenberg, 2011 for a discussion).

The impacts of coping strategies, meanwhile, are not necessarily just short term; they can be passed down the generations. Recent evidence points to potential long-term effects on children of health shocks experienced by their parents. For instance, analysis of panel data from Andhra Pradesh, India, reveals that health shocks of poorer parents results in reduced investments in the human capital of their children. Specifically, health shocks to mothers while their children are young temporarily delays the start of children in primary school; for older children, paternal health shocks reduce their grade advancement (Dhanaraj, 2016). In Ethiopia, meanwhile, panel data analysis indicates that

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*This analysis was undertaken on the Microcredit dataset – one of the datasets comprising the impact study.*
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children who belong to a household where a household member has died or been ill are more likely subsequently to drop out of primary school than children in households without an illness event (Woldehanna and Hagos, 2015). A similar finding emerges from analysis of panel data from localities covered by Mexico’s Progresa (now Prospera), where households withdraw children from school so they can work as a coping strategy for idiosyncratic shocks (Sadoulet et al., 2004).

There is also evidence that droughts can result in long-term poverty for some people, as a result of their impacts on human capital development through reduced intake of nutritious foods. For instance, a relatively mild drought in Zimbabwe in 1994/95 lowered the annual growth rates of children aged 12–24 months by between 1.5 cm and 2 cm (Hoddinott and Kinsey, 2001). Four years after the drought, these children overall remained shorter than those not affected by drought at the same age (Hoddinott, 2006). Evidence from returning to visit adults, studied as children during a period of drought in Guatemala, then shows how lost growth in childhood is correlated with lower productivity and lifetime earnings as an adult (Hoddinott et al., 2013).

Indirect losses: Risk-averse behaviour

Behavioural responses to risk may also reduce the likelihood of households building long-term resilience capacities. For example, in their pursuit of protecting consumption, households may be discouraged from engaging in more productive but also riskier investments (Jalan and Ravallion, 1999). This could include limiting investment in non-liquid assets that cannot easily be sold in the event of a shock (e.g. agricultural inputs or equipment). Box 6 illustrates how Benaim, in rural Ethiopia, has chosen not to take a loan to invest in improved agricultural inputs owing to the risk of crop failure – a particular concern given his dependence on rain-fed farming and the unreliability of rainfall.

Box 6: Uncertainty reducing agricultural investments

Benaim is a relatively well-off farmer and a father to 20 children from two wives. He owns 1.5 ha of land and used to rent land from others, but has recently stopped because the rental price has increased while production has declined. He owns two oxen but used to have a larger number of livestock.

While his family size has increased, agriculture production has decreased drastically over the past decade. The increasing pressures he has faced have been further compounded by a reduction in the government’s support in access to fertilisers over time. However, he has chosen not to take out a loan for agriculture, for fear of being unable to repay it. In fact, he has observed that many of his fellow farmers who borrowed from the government microfinance scheme and used the loans to purchase improved inputs were left with an outstanding debt, following the insufficient returns of their farming investments. This is because of the difficulties of relying on rain-fed farming in an area that has periods of drought and unreliable rainfall. Those with outstanding debt are then not allowed to access additional credit, making it difficult for those who might be able to engage in a productive activity to move forward.

Source: Mariotti and Diwakar (2016).

Another form of risk-averse behaviour is to diversify investments across livelihood activities and assets, rather than specialising in a particular type of activity (see Alobo Loison, 2015 for a discussion on the drivers of livelihood diversification in sub-Saharan Africa). In diversifying activities, households aim to avoid perilous descents into poverty resulting from a shock destroying the
viability of a particular livelihood activity, as happened to Ssenyonjo when his coffee crop was hit by disease (Figure 4 above).

**Indirect losses: Declining returns to existing livelihoods activities**

In Bangladesh, it is not just the direct impacts of flooding in terms of destruction of assets and crops that can drive people into poverty. In addition, the indirect impacts of flooding can influence poverty trajectories, in particular through impacts on labour market wages. Five years after the 1998 flood in Bangladesh, a one-in-100-year event, agricultural and non-agricultural wages remained 4–7% lower for each foot deviation from the normal flood level (Mueller and Quisumbing, 2011).

Long-term economic stress, particularly inflation of key goods and services if wages or transfers do not maintain their value, can also cause a household’s situation to deteriorate gradually over time if they are unable to find additional sources of income or to switch income-generating activities. Box 7 illustrates the case of Samuel leaving his salaried job to return to rain-fed farming because of the erosion of the value of his salary over time. Changes in the policy environment can also lead to the declining profitability of livelihood activities. In order to exit from a particular activity, households may also have to adopt unfavourable coping strategies (Box 8).

**Box 7: Inflation eroding the value of a salary**

Samuel went to school until Senior 4. He left school in 2004 after his father, a primary school teacher, died. In 2009 he started his first job – for KK Security in Kampala. He was in Kampala visiting a friend and that was how he found out about the opportunity. In 2011 he married Maria, who was then 16. Maria stayed in the village while Samuel worked in Kampala. He then transferred to Lira branch, still working for KK Security.

Samuel left KK Security in 2013 as his salary was so low – USh 220,000 a month. Over time his salary was buying less and less as other prices went up while his salary stayed the same. Along with supporting his wife and paying rent in the town, it was no longer adding up. So he came back to rain-fed farming, although farming has been harder than he expected owing to unreliable weather.

Source: Scott et al. (2016).

**Box 8: Regulatory changes affecting enterprise profitability**

Kasazi Kato got married in 1994. He did not have much at marriage except one cow and a small piece of land. His first enterprise was in 1991 as a farmer. He sold groundnuts, sweet potato, beans and tomatoes at the local market. After making some money through crop cultivation, Kasazi bought a second-hand taxi on a hire purchase basis in 2002 and used to drive it between Kampala and Masaka. The taxi business was doing well until 2006 when the government increased taxes and levies on transport operators. He found himself losing a lot of money instead so he sold off the taxi at a loss and used the money to pay off a few debts. With the collapse of the taxi business he went back into subsistence farming. Lately, he also takes his produce to markets in Kampala and Masaka using public transport.

Source: Scott et al. (2016).
2.4 Sources of resilience

As mentioned above, not all households are equally likely to slide into poverty in the event of a shock or stress. Evidence from recent research in rural Bangladesh, rural Ethiopia and Uganda, alongside existing evidence, highlights the following household capacities as particularly important in enabling them to remain out of poverty:

**Ownership of productive assets:** Households owning a greater value of productive assets are more likely to experience a sustained escape than to become impoverished. Particularly important is ownership of cultivable land\(^8\) and of livestock (both cattle and small ruminants). Small livestock, in particular, are an important liquid asset that is often sold in order to manage in the face of a shock (Mariotti and Diwakar, 2016; Scott and Diwakar, 2016; Scott et al., 2016).

**Education of the household head:** Households are more likely to sustain their escape from poverty than to become impoverished if the household head has completed primary education (Mariotti and Diwakar 2016; Scott and Diwakar 2016; Scott et al. 2016). In Bangladesh, where levels of education in the panel survey sample are higher, the fact that the household head has completed secondary education reduces further the likelihood of impoverishment (Scott and Diwakar, 2016).

**Household composition, including household size:** Across the three case studies, larger households are less likely to experience a sustained poverty escape. Particularly in Bangladesh, the sex of children is important, with girls frequently viewed as liabilities owing to the need to pay a dowry in the future (Mariotti and Diwakar, 2016; Scott and Diwakar, 2016; Scott et al., 2016).

**Engagement in the rural non-farm economy:** Households are significantly less likely to fall into poverty if a household member is engaged in non-farm work, whether labour or self-employment (Mariotti and Diwakar, 2016; Scott and Diwakar, 2016; Scott et al., 2016). Particularly important here is not just that these activities can increase household income but also that they can enable the diversification of risk profiles. The life history research, meanwhile, reveals that rural households were not engaging solely in non-farm activities but rather were combining these with own-account agriculture, whether rearing livestock or cultivating land (see Box 9). Engagement in non-farm work is not just a means to build resilience \textit{ex ante} in the face of shocks, but can also be used as an \textit{ex post} coping strategy (see above). In rural Bangladesh and Uganda, meanwhile, receipt of remittances also means that a household is less likely to fall into poverty than to experience a sustained escape\(^9\) (Scott and Diwakar, 2016; Scott et al., 2016).

Box 9: Engaging in non-farm activities as a component of sustained poverty escapes

The situation of Rabeya Khatun’s family started to improve when her husband’s income from vegetable trading improved and they were able to buy two cows. These two cows then gave birth to two calves; the income from the milk and the increased asset value helped put her and her family on an upward trajectory. After her husband secured employment in 2003 as a second-class government employee in the Jessore Dairy Firm they bought another cow, which gave birth,\(^8\) An increase in the amount of cultivable land owned is associated with a reduced likelihood of transitory escapes and descents into poverty in Ethiopia only for female-headed households.

\(^9\) In the dataset for rural Ethiopia receipt of remittances was uncommon. In Ethiopia, households that receive remittances are found to be more likely to experience a transitory escape but less likely to become impoverished, though results lack statistical significance. Descriptive statistics indicate that, while only 3% of households received remittances between 1997 and 2004, the share increased to 8% by 2009. The increase in remittances was highest among the group of sustained escapers, where just 2% of households received remittances in 1997, compared with 14% by 2009.
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gaining them additional income from selling milk. In 2005, her husband’s job became permanent, and their income again increased. Rabeya also worked hard rearing the livestock and doing small agricultural work. With their surplus income, they bought a cross-bred cow that gave birth and produced 18 litres of milk a day, which they sold for Tk 30 per litre. Savings from their multiple sources of income meant they were then able to invest in buying 2 bigha of land. Currently, they own four cross-bred cattle.

Source: Scott and Diwakar (2016).

Though difficult to assess quantitatively, social networks can increase the ability of communities, households and individuals in those communities to cope and prosper (World Bank, 2013). In the qualitative research from Bangladesh, social networks emerge as important to enrol into certain social safety nets, such as an allowance for the elderly, as well as to access sources of non-farm daily wage labour (Scott et al., 2016). Meanwhile, cross-country qualitative research from certain states in India, Kenya, Peru and Uganda highlights how social networks can play an important role in accessing jobs and work (Krishna, 2012). This is supported in the recent life history interviews collected in Kole district, Uganda (Box 10).

**Box 10: The importance of social networks to secure work**

Linda’s husband works away from the village, usually as a construction worker. In 2010 he tried his luck in South Sudan as a construction worker; he did not have a job lined up. After a year there, he sent back not a lot of money – just USh 100,000 – and with this they bought cement and laid the foundations of the house. Every year since then they have saved up and each year bought one or two bags of cement. Her husband normally takes construction work if he is fit and healthy, but he often gets cheated by the contractor. Now he is in Kampala. He has many friends – he gets on well with people – and his friends call him up and let him know when work is available. He sends money back home through mobile money. And he passes information onto other friends if it is a good site.

Source: Scott et al. (2016).

Research from south Somalia highlights that, if women participate in household decision-making, then a household is less likely to rely on negative coping strategies during or after a crisis (Mercy Corps and Tango, 2013). The Bangladesh case study supports this, revealing the importance of a husband and wife ‘working as a team’ (Box 11) in order to build longer-term resilience capacities (Scott and Diwakar, 2016).

**Box 11: Working as a team to avoid impoverishment**

Rasheda’s father is the primary breadwinner. He earns money through cultivating his own land, working as an agricultural day labourer and as a mason. At 5 am he goes out to their fields to work and he returns home at 8 am. Then he does masonry work from morning until afternoon. He earns nearly Tk 2,000 a week by doing masonry work. He prefers masonry work to agricultural day labour as this earns him a greater wage. He previously worked solely as an agricultural day labourer, and he really struggled to provide three meals a day for his family.

Rasheda’s mother also goes to their fields every day, to do smaller tasks, such as weeding. She is also responsible for arranging for the tractor of a relative to be rented out, and she receives Tk 2,500 per bigha of land prepared. She has to return half of the total income earned through
renting the tractor to its owner annually. Apart from this, she also rears the cattle and raises the poultry at her homestead. At present, she is raising one cow. Rasheda’s father is illiterate but her mother completed Class 8.

Source: Scott and Diwakar (2016).

Key points:

- Impoverishment is driven by shocks and stresses – by the actual as well as the perceived likelihood of these occurring. Shocks and stresses can be idiosyncratic or covariate. The three most common categories are health, economic and natural hazards.

- It can be a combination of shocks that drives households below the poverty line and these can be compounded by lifecycle events (birth, marriage and death).

- Pathways to impoverishment in the face of shocks and stresses include through direct and indirect losses. These pathways can take place over the short and medium terms, as well as inter-generationally. Indirect losses can occur through adopting erosive coping strategies, risk-averse behaviour and through declining returns to existing livelihoods activities.

- Not all households are equally vulnerable to falling into poverty in the event of a shock or stress. At the household level, important capacities to sustain escapes from poverty include education, ownership of productive assets, engaging in non-farm activities and social networks.

The next section of this guide builds on the analysis of the extent, and drivers, of impoverishment presented in this section to develop the implications of these for social protection policy and programming.
3. Designing and implementing social protection to reduce impoverishment

This section of the guide discusses the design and implementation features of social protection and allied policies and investments that can minimise the likelihood of future impoverishment. This includes how social protection can be designed and implemented to build the capacities of households to manage in the face of shocks and stresses. It does this within the context of potential linkages and complementarities of social protection with other sectors in order to maximise its impacts.

There are several lenses through which the contribution of social protection to reducing impoverishment can be conceptualised. One is the framework of protection, prevention, promotion and transformation (Devereux and Sabates-Wheeler, 2004), which highlights the different objectives and roles of social protection programmes. Programmes to ‘protect’ can be conceived as those to protect the situation of people already living in poverty and stop them from deteriorating further. Programmes to ‘prevent’ are then those most directly relevant for reducing the likelihood of impoverishment of people living just out of poverty. Meanwhile, programmes to promote and transform can also help reduce impoverishment through building household resilience capacities to remain out of poverty over the medium and long term, even in the face of shocks and stresses.

Adaptive social protection (ASP) provides another potential lens for thinking through the role of social protection in building resilience in the face of shocks and stresses. ASP highlights the contributions social protection programmes can make to help people adapt to climate change and reduce disaster risk (Ulrichs, 2016). Though conceived in relation to climate change and natural disasters (Davies et al., 2013), the three ways through which social protection is conceptualised as building resilience in the face of natural hazards can also have applicability for building resilience for other covariate and idiosyncratic risks. In particular, ASP points to the role of social protection in building resilience through:

- **Increasing absorptive capacity** during a shock by providing people with a safety net to meet their basic needs;
- **Building anticipatory capacity** to reduce the impact of climate variability and extremes, by helping people prepare and plan for climate extremes and disasters;
- **Building adaptive capacity** in the long term through sustainable livelihood promotion; this means households are not trapped in, or developing, livelihoods that will be increasingly vulnerable given long-term changes, for instance in terms of climate or soil quality (Ulrichs, 2016).

In this guide, we investigate the contribution social protection can make to reducing impoverishment in terms of the role it can play in building the three capacities required to address the different impoverishment pathways presented in Section 2. We discuss capacities in terms of absorptive, anticipatory and resilience capacities. We use the phrase resilience capacities instead of adaptive capacities (as used above) in order to capture the notion that households need to be able to survive and thrive in the face of a range of shocks and stresses to remain out of poverty over the medium and long term (above and beyond adapting to climate variability). Figure 6 presents, in theoretical terms, the different ways through which social protection policies and programmes (both
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Social protection can alter and influence those pathways, so reducing the likelihood of a household falling into poverty, or further into poverty, in the future.

**Figure 6: Relationship between social protection and impoverishment pathways**

<table>
<thead>
<tr>
<th>Impoverishment pathways</th>
<th>Social protection can contribute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erosive coping strategies</td>
<td>In the short term to</td>
</tr>
<tr>
<td>Ensure absorptive capacities</td>
<td></td>
</tr>
<tr>
<td>Enable households to secure basic needs in the face of shocks and stressors</td>
<td></td>
</tr>
<tr>
<td>Build resilience capacities</td>
<td></td>
</tr>
<tr>
<td>Increase anticipatory capacities</td>
<td></td>
</tr>
<tr>
<td>Enable households to plan and prepare for shocks and stressors</td>
<td></td>
</tr>
<tr>
<td>Risk aversion</td>
<td></td>
</tr>
<tr>
<td>Declining returns to activities</td>
<td></td>
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<tr>
<td>Direct losses</td>
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</tbody>
</table>

In the short term, particularly when households are programme beneficiaries, social protection could build household absorptive and anticipatory capacities, potentially reducing the likelihood of resorting to erosive coping strategies or adopting risk-averse behaviour. In addition, social protection could contribute to building resilience capacities over the medium term (e.g. through livelihood diversification) and long term (e.g. through improved education). Certain forms of social protection may be better as short-term responses to shocks; others may be more suited to building resilience capacities over the medium and long terms (through addressing structural barriers to sustaining improvements in lives, such as poor education and nutrition). Social protection could also play a role in mitigating particular risks, for example reducing the likelihood of a health shock through enrolment in SHI or through infrastructure from public works programmes (PWPs) reducing soil erosion.

This section next introduces different approaches to social assistance and social insurance, providing evidence about how different social protection policies and programmes can mitigate particular risks as well as influence impoverishment pathways. In addition, it highlights the design and implementation features that can improve their effectiveness at reducing impoverishment.

### 3.1 How could social assistance reduce impoverishment?

Social assistance programmes are non-contributory programmes that, through income or consumption transfers, have the objective of addressing economic and social vulnerability (Devereux and Sabates-Wheeler, 2004). As with social protection overall, social assistance can have a range of
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objectives. This section discusses how, theoretically, different types of social assistance could influence impoverishment pathways.

Box 12 presents a typology of social assistance programmes. This highlights both the different approaches to social assistance and the varied objectives. Also important to note is that, over time, programmes can evolve, and have evolved, in terms of both their objectives and their design. Argentina’s Programa Jefes de Hogar (PJH), for instance, initially started in 2002 as a short-term workfare programme in response to economic and social crisis in the country. Now, however, it provides more comprehensive support. Kenya’s Hunger Safety Net Programme (HSNP), meanwhile, despite remaining predominantly a programme to provide regular income transfers to poor households, also now incorporates a ‘shock-responsive’ element, whereby it scales up to include additional vulnerable households in response to covariate shocks.

**Box 12: A typology of social assistance:**

<table>
<thead>
<tr>
<th>Short-term, temporary, transfers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>In recent years, the objectives of social protection have expanded to provide a safety net in the face of covariate shocks, including droughts, floods and food price rises. This can either be through (i) implementing programmes specifically to respond to covariate shocks, including workfare programmes (the origins of Argentina’s PJH; or (ii) scaling existing social protection programmes in times of crisis (including Mexico’s Prospera, South Africa’s Child Support Grant and Kenya’s HSNP). In other words, programmes are being designed to be more ‘shock-responsive’</td>
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<tr>
<th>Regular income transfers:</th>
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<tbody>
<tr>
<td>Key policy transfers here include long-term, guaranteed, PWPs as well as social cash transfers. Examples of the latter include child grants and non-contributory pensions, whereas cash transfers can be targeted or universally provided, conditional or unconditional, provide regular payments or be given as a lump sum.</td>
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<table>
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<tr>
<th>Income transfers +</th>
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<tbody>
<tr>
<td>The theory of change behind income transfer + approaches is that cash alone is insufficient to pull households out of poverty over the medium to long term. Human development programmes in Latin America, also referred to as CCT programmes, combine cash transfers with preferential access to health and education services. Other income transfer + approaches combine regular transfers with livelihoods support or training.</td>
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<tr>
<th>Integrated poverty reduction/social protection programmes</th>
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<tr>
<td>These programmes are frequently holistic, comprising many elements, in acknowledgement that sustained escapes from poverty are too difficult to achieve through one instrument alone, such as cash transfers (Sabates-Wheeler and Devereux, 2013). These can include social protection programmes support by, or directly implemented through, governments (such as Chile’s Solidario) as well as NGO-implemented graduation programmes. These give intensive support to beneficiaries for a fixed amount of time (normally between 18 and 24 months). This support frequently includes asset grants, training and support, life skills coaching, temporary cash consumption support and often access to savings facilities and health information or services. The theory of change underlying the model is that the combination of these activities and services is necessary in order to obtain a persistent and lasting impact (Banerjee et al., 2015).</td>
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The accompanying Policy Guide (Mariotti et al., 2016) investigates how these programmes can best be designed and implemented to promote the productive inclusion of beneficiaries.


The typology of social assistance programmes, and an understanding of how some programmes have evolved over time, suggests how different types of social assistance may be more appropriate than others for tackling different impoverishment pathways. In particular, while all types of programme may be appropriate for current beneficiaries to reduce indirect losses from the adoption of erosive coping strategies, it is likely that only integrated social protection programmes or income transfers + approaches will be able to build household resilience capacities so that, over the medium and long term, they are able to sustain returns from their livelihood activities, whether existing activities or those newly adopted in the face of shocks and stresses.

The next sub-section examines the evidence around if, and how, different types of social assistance are able to alter, or interrupt, impoverishment pathways.

3.2 Does social assistance reduce impoverishment?

From the outset of this section, it is worth stressing that there is very little empirical research on ‘the effectiveness of social assistance in reducing individual and household vulnerability to idiosyncratic shocks’ (Laws, 2016: 1). Rather, the majority of evidence presented here is in relation to covariate shocks.

**Increasing capacities to absorb a shock (so reducing engagement in negative coping strategies)**

Evidence exists from all types of social assistance that, in the short term, it can enable households to absorb the impacts of certain shocks. In other words, social assistance enables beneficiaries to meet their basic needs during a shock or stress, reducing their need to engage in erosive coping strategies. This evidence, for a range of types of social assistance programme, includes the following:

- **Short-term, temporary, social transfers:**
  The PJH in Argentina, as initially implemented in 2002, aimed to provide direct income support for families with dependants for whom the head had become unemployed because of the crisis. Of the approximately 570,000 households it reached, its impact evaluation estimated, it prevented an additional 10% of participants from falling below the food poverty line (Ravallion and Galasso, 2004, in Andrews and Kryeziu, 2013).

- **Regular income transfers:**
  Following the 2011 drought in Kenya poverty increased by 5%, but participants in the HSNP were protected from this effect and did not fall further into poverty (Merttens et al., 2013).

Assessments of the impacts of India’s Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in four states reveal that it has reduced distress migration (Indian Institute of Science, 2013, in Browne, 2014).

- **Income transfers +:**
  Analysis of household panel data along with climate and price data demonstrates that public works under Ethiopia’s Productive Safety Net Programme (PSNP) are able to help households mitigate the...
impacts of moderate crop failure and the consequence of drought, and so are reducing their likelihood of becoming impoverished in the future. However, the authors point out that the drought in 2011, the year for which data were analysed, was not especially severe (Vargus Hill and Porter, 2015).

Mexico’s long-term CCT programme Progresa (now Prospera), which targets poor families, enabled beneficiary households to keep their children in school despite experiencing negative livelihood impacts following a drought (de Janvry et al., 2004, in Ulrichs, 2016).

**Increasing capacities to anticipate and plan for a shock (reducing the likelihood of engaging in risk-averse behaviour)**

India’s MGNREGS guarantees a certain number of days of employment for anyone needing a job; those hit by an idiosyncratic shock can join the programme as needed. Poverty status is therefore not a condition for participation (Subbarao et al., 2013). Analysis of household panel data in Andhra Pradesh reveals that MGNREGS is reducing the likelihood of indirect losses from engaging in risk-averse behaviour. In particular, it is enabling households better to manage risk through providing members with guarantees of employment. This, in turn, enables households to switch their production towards riskier but possibly also more profitable products and to generate higher incomes from agricultural production (Gehrke, 2015).

**Building longer-term resilience capacities**

While the pathways through which social assistance can minimise the likelihood of impoverishment in the face of shocks and stresses are clearly conceptualised, the evidence on this chain of causality is currently limited (Davies et al., 2013). In particular, while there is significant evidence on how social assistance can enable households to accumulate assets and savings and diversify livelihoods, this is often assumed to lead to increased resilience and so reduced likelihood of impoverishment, rather than being well evidenced (Macours et al., 2012). Part of the reason for this is that forward-looking quantitative research on the intersection of poverty and risk is a relatively new field, and it is difficult to pick up detailed information on idiosyncratic and covariate shocks or to investigate the impacts perceived risks have on behaviour using household survey data (Vargus Hill and Porter, 2015). Meanwhile, there are few long-term panel data to use to analyse the impact of social assistance on poverty dynamics.

- **Regular income transfers and income transfers +**

Box 13 summarises the evidence from a rigorous review of the impacts of cash transfers (including both income and income+ programmes). It shows how, at least in the short and medium terms, these programmes are contributing towards households building their resilience capacities. However, the evidence does point to the difficulties of using regular income transfers and income transfer + approaches in order to tackle some of the intergenerational structural causes of both poverty and impoverishment, including low educational outcomes and nutritional status of children.

**Box 13: Summary of evidence on the impacts of cash transfer programmes:**

A rigorous review of the current evidence base on the impacts of cash transfer programmes (both conditional and unconditional) extracted evidence from 165 studies, covering 56 cash transfer programmes in LICs and MICs. These studies all reported outcomes at the household or individual level. The review assessed indicators across seven outcome areas. The headline findings across
these seven outcomes are:

**Monetary poverty:** Cash transfers reduce monetary poverty. In particular, they can increase investments in productive assets, including agricultural productive assets and livestock. In terms of livestock ownership, impacts are particularly seen for smaller livestock such as goats and chickens. In addition, they can support engagement in the rural non-farm economy, including through increasing the share of households involved in a non-farm enterprise or increasing total expenditure on on-farm business-related assets and stocks.

**Education:** Cash transfers raise school attendance, but do not always lead to improved learning.

**Health and nutrition:** Cash transfers stimulate health service use and improve dietary diversity, but there is less evidence that they affect the height and weight of children.

**Savings and investment:** Cash transfers can help foster beneficiaries’ economic autonomy.

**Employment:** Cash transfers are associated with a reduction in child labour. Most show either no effect or a positive effect on adults working.

**Empowerment:** Cash transfers increase women’s decision-making power and choices, but do not always reduce emotional abuse.

Source: Bastagli et al. (2016).

- **Integrated poverty reduction/social protection programmes**

An accompanying Policy Guide (Mariotti et al. 2016), provides an extensive review of the impacts of integrated social protection programmes on productive inclusion. The focus here is to introduce evidence on how these programmes can enable households to escape poverty and remain out of it over time. Randomised control trials (RCTs) of graduation model programmes in Ethiopia, Ghana, Honduras, India, Pakistan and Peru show statistically significant positive impacts on 10 key outcomes: consumption; food security; productive and household assets; financial inclusion; time use; income and revenues; physical health; mental health; political involvement; and women’s empowerment (Banerjee et al., 2015). At the end of the, typically 24-month, intervention, there were statistically significant impacts on all 10 key outcomes or indices, pointing in the direction of improved household wealth and well-being. One year after the end of the intervention, or 36 months after the productive asset transfer, eight out of 10 of the above outcomes still showed statistically significant gains (ibid.).

Meanwhile, evidence from the implementation of the graduation approach in Bangladesh by BRAC in its Challenging the Frontiers of Poverty Reduction-Targeting the Ultra Poor Programme (CFPR-TUP) reveals that impacts are sustained five years after the end of beneficiaries’ involvement in the programme. In particular, CFPR-TUP can build household resilience capacities through enabling poor women to engage in livestock-rearing, increasing their total earnings and enabling accumulation of livestock, land and business assets (Bandiera et al., 2016).

Not all households are able to sustain their improvements following engagement in an integrated social protection programme, and so their escapes from poverty are transitory. The UK Department for International Development (DFID) Bangladesh refers to the 20-60-20 dilemma, whereby 20% of graduation model beneficiaries\(^\text{10}\) are on an upwards trajectory towards a sustainable livelihood; 60%  

\(^{10}\) DFID Bangladesh funded a number of graduation programmes within its extreme poverty portfolio, including BRAC’s CFPR-TUP as well as Shiree and the Chars Livelihoods Programme.
have escaped extreme poverty, have more confidence and are able to plan more for their future but are not really on a sustained escape pathway and so remain vulnerable to slipping back into poverty in the future; and a further 20% (particularly labour-constrained households) have struggled to improve their situation following the asset transfer. In other words, there are a proportion of households that slip back into poverty, meaning their escapes from poverty are transitory. Shocks are an important reason why households become re-impoverished, particularly health shocks or the death of the primary asset, such as cattle (Mascie-Taylor et al. 2016). Evidence from the Chars Livelihoods Programme, meanwhile, highlights the fragility of many of the gains made by beneficiaries following their involvement in the programme. In particular, over time (when assessed annually), there is neither a linear increase in nor a consistent proportion of beneficiaries who can be argued to have achieved ‘graduation’ (if a household meets six of 10 criteria, covering domains of income/consumption; assets; nutrition; female empowerment; vulnerability; and access to services). A key reason for this is that households still rely heavily on agricultural wage labour, with supply and demand for this (as well as the rate offered) fluctuating throughout the year. The inability of an income earner to work, meanwhile, can have serious implications for the level of household income (Kenward et al., 2015).

3.3 Implications for designing and delivering social assistance

As mentioned in the previous section, most of the evidence around the role of social assistance in reducing impoverishment relates to covariate shocks. Indeed, some of the recent innovations of, and evolutions in, social assistance have been to make it better able to respond to covariate shocks, particularly the food, fuel and financial crisis as well as for climate-related events. One of the concerns with this more recent focus on shock-responsive social protection in the face of covariate shocks is that, in contexts without adequate poverty-targeted social assistance coverage and programmes, it can detract from the core role of social assistance as providing a safety net for the poorest (McCord, 2013). In other words, particularly in low-income contexts, and those with limited implementation capacity, there can be a trade-off between the role of social assistance in protecting basic levels of consumption for the poorest and that of preventing households from falling into poverty. This tension is also seen in discussions around designing social protection to prevent impoverishment in the face of idiosyncratic shocks. On the one hand, regular income transfers are argued to be ‘not flexible enough to provide adequate assistance to individuals and households in the event of idiosyncratic shocks’ (Laws, 2016: 2). On the other, in low-income contexts, enabling flexibility in implementation can reduce the quality of implementation and, in turn, the likelihood of social assistance ensuring basic levels of consumption. These trade-offs need to be explicitly considered if designing social assistance with the primary objective of reducing impoverishment.

Targeting criteria and approach

Social assistance should be able to play an important role in preventing future impoverishment through building household anticipatory, absorptive and resilience capacities. However, in practice, much social assistance is targeted at households already under the poverty line, rather than at those that are vulnerable to falling into poverty (Samson and Taylor, 2015). In other words, much of the emphasis and research on social assistance in recent years has focused on policies and programmes that provide income support and social services for the poorest (de Haan, 2014).

If social assistance is to be an effective tool in preventing impoverishment, then vulnerability targeting and not just poverty targeting becomes important. While the tools used to target on the
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basis of poverty (including proxy means testing) may correlate with long-term poverty measures, they may not reflect short-term or intermittent risk and vulnerability (Bastagli, 2014). It therefore cannot be assumed that those benefiting from cash transfers will also be those who need assistance following a covariate shock (OPM, 2016). This is partly because of the geographical coverage of programmes (including limited coverage of urban areas by cash transfers in LICs) and because, particularly in LICs, social assistance (with the exception of PWP) frequently excludes working-age populations in the informal economy (McCord, 2013). Proxies therefore need to be relevant to targeting households that are vulnerable to particular shocks. This may mean targeting on the basis of geographic areas and vulnerability maps for protection against covariate shocks (e.g. areas that are particularly exposed to natural hazards and climate shocks; Bastagli, 2014).

It may not be feasible, either financially or politically, to include households identified as vulnerable in social assistance programmes over the medium and long term. However, it may be that social assistance can be made more ‘shock-responsive’ and thus able to provide temporary support in the face of covariate shocks.

There are important implications, in terms of targeting, of programmes being designed to be shock-responsive though horizontal expansion or scaling up to cover additional households in the event of a covariate shock (see Box 14). If horizontal expansion is adopted then this may provoke a tension in targeting when determining who is the most vulnerable and also whose vulnerability is most important, and whether vulnerability should be measured in terms of absolute or relative deterioration (McCord, 2013). Both Bolsa Família in Brazil and Prospera in Mexico expanded to reach a million more beneficiaries after the food, fuel and financial crisis, in Brazil’s case by relaxing the eligibility criteria (Bastagli, 2014).

**Box 14: A typology of shock-responsive social protection**

<table>
<thead>
<tr>
<th>Vertical expansion</th>
<th>increasing the benefit value or duration for existing beneficiaries.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horizontal expansion</td>
<td>adding new beneficiaries to an existing programme.</td>
</tr>
<tr>
<td>Piggybacking</td>
<td>using a social protection programmes administrative framework to deliver assistance, but running the shock-response programme separately.</td>
</tr>
<tr>
<td>Shadow alignment</td>
<td>running a parallel humanitarian system that aligns as best as possible with a current or possible future social protection programme.</td>
</tr>
<tr>
<td>Refocusing</td>
<td>in case of budget cuts, adjusting the social protection programme to refocus assistance on groups within the caseload that are most vulnerable to the shock. One might consider this an ‘austerity strategy’.</td>
</tr>
</tbody>
</table>

Source: OPM (2016).

**Timeliness of response following a covariate shock**

If social assistance is to be made more ‘shock-responsive’, or to provide temporary support following or during a shock, then it is crucial that the response is rapid in order to ensure that, even before the support arrives, households have not had to engage in erosive coping strategies. The same principle applies for seasonal public work schemes, where work must be available in sufficient quantities, when people need it (McCord, 2013). Scaling up a programme quickly and effectively requires targeting, registration and payment systems (Bastagli, 2014). This means having the systems in place in advance of the shock occurring. The challenges of scaling-up should not be underestimated, particularly in LICs where capacities to deliver are likely to be limited (Slater and Bhuvanendra,
Box 15 gives more information on the necessary conditions for timely shock-responsive social protection using the existing system established under Ethiopia’s PSNP.

**Box 15: Shock responsive social protection – horizontal and vertical expansion**

| Ethiopia’s PSNP is one example of where social protection is able to scale up during a crisis. The Risk Financing Mechanism (RFM) is the primary mechanism that makes this possible. The RFM depends on an established early warning system to monitor the situation and to trigger the RFM when needed. In 2011, the RFM was triggered and support was provided to an additional 3.1 million beneficiaries in PSNP woredas (targeted on the basis of existing PSNP community rankings) and extended the duration of transfers for an additional three months for the existing 6.5 million beneficiaries. Particularly important is that funds were disbursed just six weeks after the RFM was triggered, much quicker than the humanitarian response effort. The experience of the PSNP highlights several important considerations for the design and implementation of ‘shock-responsive’ social protection:

- Money needs to be available in bank accounts and earmarked for this purpose.
- Appropriate early warning systems need to be in place.
- Coordination among a range of actors across the development and humanitarian spheres is crucial.
- The roles and responsibilities of different institutions need to be clear.

Source: Slater et al. (2015).

The importance of timely delivery can mean PWPs are not an appropriate instrument for preventing impoverishment in contexts with low administrative capacity and where institutions and systems are not already in place to enable a programme to be easily scaled up (McCord, 2013). Or, they are more appropriate for slow-onset shocks rather than those which are rapid-onset. Certainly, if public works are going to be used for the mitigation of covariate or idiosyncratic shocks then it is crucial that systems are already established and administrative capacity is in place (ibid.). In some contexts, this may involve using third parties for implementation.

Whichever approach to shock-responsive social protection is used, a key concern is ensuring the design incorporates an appropriate ‘trigger’. One innovation to ensure a timely response is the use of index-based triggers. These can either allow for an *ex-ante* (predictive) response (as in the case of a weather index) or an *ex-post* response after the shock has occurred (such as livestock mortality or crop yield indices) (Bastagli and Harman, 2015).

**Reliability and regularity of support**

For regular income transfers, income transfers + and integrated social protection programmes, meanwhile, the crucial implementation factor is that support is regular and predictable (Hagen-Zanker et al., 2011). There is clear evidence that, if transfers are delivered late, or do not arrive when beneficiaries expect them, this can undermine the benefits of cash transfer programmes: in order to tide themselves over in the event of a late transfer, households may have to engage in erosive coping strategies. If in the short and medium term social assistance is to reduce the likelihood of households adopting risk-averse behaviour, then beneficiary expectations in terms of their understanding of the timing and duration of receiving the transfer is important (DFID, 2011). Assessments of Ghana’s Livelihood Empowerment Against Poverty (LEAP) UCT (Handa et al., 2013)
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and Lesotho’s Child Grant Programme (Pellerano et al., 2014) reveal that late payments reduced the achievement of positive outcomes from the programmes. Quality implementation is therefore critical for social assistance to have its intended impacts.

**Transfer size and adequacy**

One of the important aspects about transferring cash (whether directly or as wages) is that it is fungible and so can be used to address multiple shocks and stress. However, for many programmes payments are low and so the limitations of transferring cash in terms of reducing impoverishment need to be acknowledged.

The size of the transfer is important, in the short term, to enable households to avoid the use of erosive coping strategies and, in the long term, to build their resilience capacities. Larger transfers enable households to better save and invest in productive assets (Bastagli et al., 2016). It is also critical that the value of the transfer be indexed to inflation so it maintains its value over time (Hagen-Zanker et al., 2011). In sub-Saharan Africa, cash transfers are frequently benchmarked against the poverty line and so reflect the costs of meeting certain basic needs, particularly for food (Beazley and Farhat, 2016). However, if the objective of a cash transfer is not to ensure food security but rather to build resilience in the face of shocks and stresses, then it would make sense for the benefit level to be set in relation to the likely impacts on consumption of a particular shock.

One approach to operationalise ‘shock-responsive’ social protection is to expand vertically in the face of a covariate shock (see Box 14). This can be one means of explicitly linking the size of the transfer with the projected impact of a shock. During the food, fuel and financial crisis, the government of Chile provided one-time payments to a number of its social assistance programme beneficiaries to help them cope with price increases (Bastagli, 2014). However, analysis of the level of support required is not straightforward to undertake, and in several programmes benefit and transfer levels have been too low to provide adequate support after a shock (particularly in relation to food price rises), in some cases even after adjustments were made (Grosh et al., 2011; McCord, 2013). Part of the reason for this is that, in many instances of using shock-responsive social protection, neither the nature of the crisis nor the shock being responded to is tightly defined (McCord, 2013). In addition, it is particularly important to monitor the changing purchasing power of cash in an emergency (Slater et al., 2015).

In terms of PWPs, the level at which the wage rate is set, relative to the magnitude of the shock, can also play an important role in reducing the likelihood of impoverishment. However, as with social cash transfers, there are limitations in the degree to which cash, on its own, can build anticipatory, absorptive and adaptive capacities. Meanwhile, PWP designers often set wage rates low for programmes to be ‘self-targeting’ to make them easier and cheaper to scale up. However, this may also mean the level of support is insufficient to help households manage shocks (McCord, 2013). This is a trade-off that needs to be made explicit and assessed at the design stage.

Barrientos (2009), examining social pensions in developing countries, argues that the fact that the level of transfers is fixed means they lack insurance components beyond those provided by the additional income. He points out that the level of pensions does not vary in response to financial crises or other hazards affecting the household, including when the pensioner dies. Bolivia’s BONOSOL is an exemption here, as it includes a fixed payment in the event of the death of the recipient – a provision intended to cover funeral expenses (ibid.).

**Developing appropriate management information systems**
In the case of covariate shocks and stresses, overall it has proven easier to scale vertically (level of benefit) than horizontally (extending coverage to new beneficiaries or to new areas) (Slater et al., 2015). Part of the reason for this is the difficulties of identifying eligible vulnerable households.

National information systems that are available and accessible before a covariate shock can facilitate the horizontal expansion of existing social protection programmes to new beneficiaries (OPM, 2016). Brazil’s Cadastro Único collects information on all those with a per capita household income below half the national minimum wage. This includes those not eligible for social protection but who can be considered vulnerable. The information is updated at least every two years, making the Cadastro Único a useful source for monitoring poverty dynamics and changes in the circumstances of those registered (Bastagli, 2014). Lesotho is currently developing a National Information System for Social Assistance, which will include information on households at four different wealth levels (the ultra-poor; poor; middle and well-off) in order to have a database of those who may be vulnerable following covariate shocks.

However, management information systems do need to be updated frequently to reflect changes in poverty, which can be a challenge in resource-constrained contexts (Bastagli, 2014; Slater et al., 2015). It is also important, on registration, to explain clearly why some registered households will be receiving regular transfers and others not; without this, there are risks of generating confusion and resentment. Kenya’s HSNP, for instance, runs a census-style registration in the regions it covers. The poorest are assigned to Group 1; Group 2 households do not receive regular support but are eligible for transfers during a crisis. Both Group 1 and Group 2 are issued with bank cards for the delivery of payments (Bastagli, 2014).

**Linkages with complementary interventions**

It is not necessarily the case that, on their own, regular income transfers can enable households to successfully absorb catastrophic shocks. Research in South Africa reveals that cash transfers (particularly social pensions and the child grant, both of which provide relatively large transfers in the context of MICs) are insufficient to protect households from impoverishment in the case of illness-related shocks. Rather, access to free health care, combined with cash transfers, is needed to enable effective management of a health shock (Goudge et al., 2009). Another approach to further protect social assistance beneficiaries from the costs of health shocks is to integrate an SHI component. This is an approach adopted by Ghana’s LEAP programme, in acknowledgement that social assistance benefits are frequently too small to cover the costs of catastrophic health shocks. In contexts where there is a national health insurance scheme, one way to do this is automatically to enrol all social assistance beneficiaries in this (Samson and Taylor, 2015). However, when increasing demand for services such as health and education, it is important to accompany this with increased investment in the supply side (Bastagli et al., 2016).

Over time, some social assistance programmes have shifted towards a more integrated approach, acknowledging the limitations of what can be achieved, particularly in terms of preventing impoverishment over the medium and long terms through one instrument alone. An example of this is Ethiopia’s PSNP, one component of the country’s Food Security Programme, initially focused largely on PWPs but now combining interventions including PWPs, an UCT, community asset-building and access to extension services, inputs and market linkages through the Household Asset Building Programme (Mariotti et al., 2016). Further complementary interventions, including agricultural index insurance, are argued still to be necessary to enable households to manage in the face of large, or repeated, shocks (Vargus Hill and Porter, 2015).
Designing exit strategies

In cases where social assistance does not have the objective of providing indefinite support it is important to ensure the design incorporates clear understandings of when households should exit. For shock-responsive social assistance, this means ensuring there are mechanisms to scale down the response post-crisis – though this can be politically difficult (McCord, 2013).

In a situation of finite resources, exit strategies involve negotiating trade-offs between more intensive and longer support for a few beneficiaries versus less, potentially shorter forms of, support for more beneficiaries. Arguably, the former households would be more likely to sustain their escapes from poverty whereas the latter could see higher likelihood of escapes from poverty being transitory. Lessons from these programmes highlight that programme exit should not be a ‘one-way door’ (Pritchard et al., 2015). Rather, there should be opportunities for households to re-enter the programme if their situation deteriorates, for instance in advance of or following a shock. This is the case for beneficiaries of Mexico’s CCT Oportunidades (now Prospera), where graduated beneficiaries can re-join the programme if they once again meet the entry criteria but only four years after graduation (Villa and Niño-Zarazúa, 2014).

In addition, involvement in a social assistance programmes should not be viewed as an end in itself. Rather, households require other forms of support following exit from a programme. This may include access to health insurance, appropriate finance and market development initiatives for some; for others (e.g. households headed by the elderly), graduation from integrated social protection programmes may be into long-term regular income transfers. They should be graduating into other forms of support rather than graduating out of social assistance (Slater et al., 2014).

The following sections investigate the role social insurance —one of the forms of support beneficiaries of social assistance could graduate into — can play in reducing impoverishment.

3.4 How could social insurance reduce impoverishment?

Insurance is a risk management strategy to protect individuals against shocks. It can play a critical role in protecting assets from loss or shock, including through protecting the holder from the costs of life-course events such as unemployment, illness or old age (Barrientos, 2010). In comparison with social assistance, then, which frequently focuses on the poorest, the rationale for insurance is more directly related to the objective of preventing households falling into poverty. While the definition of social insurance varies according to authors and institutions (Holmes and Scott, 2016), overall it involves the government taking the lead in directly providing forms of insurance or indirectly organising and regulating the voluntary sector (Connolly and Munro, 1999). This section thus makes the distinction between social insurance as a form of social protection, where the government plays a key role in the regulation and/or use of public funds, and the growing range of private insurance policies provided by either the private sector or NGOs (Bastagli and Harman, 2015).

In particular, distinctive elements of social insurance, as compared with insurance offered by the private sector or micro-insurance through other non-government actors, can include that it offers protection against risks the private sector will not cover; has aims beyond private sector objectives, such as redistribution; is often compulsory, requiring contributions from individuals; and co-exists with other forms of support such as social assistance (Connolly and Munro, 1999). The government can play a role in the provision of insurance (i) as an insurer; (ii) as a policy holder; or (iii) in subsidising premiums (international donors can also be involved here) (Bastagli and Harman, 2015).
Social insurance tends to be linked most strongly to the formal labour market, with employers and employees making contributions. An overall challenge to expanding social insurance in sub-Saharan Africa is the high proportion of the population in informal employment and informal workers’ low capacity to contribute to formal schemes (van Ginneken, 2009). In Asia and the Pacific, coverage of informal workers has seen notable success in a few countries, particularly health insurance in China and Vietnam. In these regions compliance remains a key barrier to effective coverage (ibid.).

Common types of risk covered by social insurance include unemployment, old age, disability, maternity and ill health. Less common are state-supported schemes for crop and livestock losses. This section focuses in particular on SHI and agricultural insurance, owing to the association of health shocks with impoverishment, and of livestock ownership and accumulation and successful engagement in farming with sustained poverty escapes. In doing this, when appropriate, it draws from lessons of micro-insurance schemes that can be relevant for the design and implementation of social insurance. Box 16 gives more details on these two forms of insurance as discussed in the following sections.

**Box 16: Social health insurance and agricultural index insurance**

**Social health insurance:** The World Health Organization estimates that every year more than 150 million individuals, in 44 million households, face catastrophic health expenditure as a direct result of health problems. About 25 million households, or more than 100 million people, become impoverished every year as a result of medical expenses (in Hormansdorfer, 2009). Households are double-hit if it is the breadwinner who becomes ill, enduring both the costs of health care and also the loss of an earner.

One potential policy measure to mitigate the impacts of health shocks is through the provision of UHC. UHC is attracting increasing attention at international level. The Providing for Health (P4H) initiative is one such multi-stakeholder international collaboration that is seeking to promote UHC (P4H, 2015). Achieving UHC can involve a number of financing options, none of which is mutually exclusive but rather can be combined. Tax-funded health financing and contribution-based SHI constitute the primary health financing options (Hormansdorfer, 2009). SHI is a model of health financing whereby a person’s entitlements to health care derive from earnings-related contributions (Wagstaff, 2010). Across countries that have adopted SHI, the share of total health care spending financed through SHI contributions, as opposed to through general government revenues, varies markedly. For instance, the share in Colombia is 60%, whereas in Vietnam it is less than 10% (ibid.). This Policy Guide focuses in particular on the role of SHI in reducing impoverishment within the context of supporting the move towards UHC.

**Agricultural insurance** can have two fundamentally different objectives, to help (i) poor smallholders protect their livelihoods and assets (protection insurance) or (ii) households with viable farm businesses to manage risks (promotion insurance) (Hess and Hazell, 2009, in Bastagli and Harman, 2015). This Policy Guide focuses on the former, which will generally need to be subsidised in order to effectively cover poor households (Bastagli and Harman, 2015).

Agricultural index insurance is put forward as an important potential tool to help protect rural households in the face of covariate shocks. Index insurance is argued to be more appropriate for small-scale producers than traditional forms of insurance that pay out on the basis of individual losses, given the latter’s high transaction costs, moral hazard and adverse selection (Elabed et al., 2014). Specifically, index insurance takes a specific measure (such as rainfall or area yield),
correlates it to predict average individual farmer yields, then pays out when the index predicts average yields have fallen below a given threshold (I4 Update, 2013).

SHI and agricultural insurance, then, could influence impoverishment pathways in different ways. SHI could reduce the direct losses from health shocks, through reducing household out-of-pocket expenditures on health care and, in doing this, potentially increase the use of health facilities and so improve health outcomes. Both SHI and agricultural insurance could also reduce indirect losses through building absorptive and anticipatory capacities.

3.5 Does social insurance reduce impoverishment?

This section presents evidence on how SHI and agricultural insurance have influenced different impoverishment pathways. In terms of agricultural insurance, the majority of evidence is from micro-insurance schemes rather than those that are state-supported.

Reducing direct losses through SHI:

- Vietnam’s health insurance scheme has increased household absorptive capacity through reducing out-of-pocket expenditures on health (Wagstaff and Pradhan, 2005).
- Analysis of national statistics finds positive effects on health expenditure of Mexico’s voluntary Seguro Popular. The scheme reduced catastrophic health expenditure by 23%, with the highest overall effect in poorer households (King et al., 2009, in Holmes and Jones, 2013).
- Over the first decade of Rwanda’s national health insurance scheme, out-of-pocket expenditure is estimated to have fallen from 28% to 12% of total health expenditure (Makaka et al., 2012).

Increasing absorptive capacity (so reducing the likelihood of engaging in erosive coping strategies):

- The International Livestock Research Institute (ILRI) launched the index-based livestock insurance (IBLI) pilot in Marsabit district of northern Kenya in 2010. The index uses satellite-based measures of vegetative cover to identify thresholds of forage severity below which livestock losses are expected to occur and so the insurance pays out. Research on the IBLI scheme suggests insured households expect to deal with drought differently to uninsured households. They expect to receive a pay-out in the near future and plan to spend this money on buying food and livestock. As a result, the study found insured households were less likely to expect to reduce meals than those without insurance (by an average of 27–36 percentage points). Insured households are also 50% less likely to expect to sell livestock after a drought occurs. This is important, since their remaining livestock will allow farmers to make a living in the future (Prashad and Merry, 2014).

Increasing anticipatory capacity (and so reducing the likelihood of adopting risk-averse behaviour):

- Analysis of panel data from households before, and after, joining Vietnam’s health insurance scheme reveals that it has enabled households to change their behaviours, reducing the level of risk aversion. In particular, household consumption increased following enrolment in the programme, revealing that households were holding back their consumption in the absence of health insurance (Wagstaff and Pradhan, 2005).
Cooperatives in Mali were offered the chance to be part of an index insurance pilot programme in 2011. In the first year of the programme, roughly 30% of the cooperatives agreed to purchase the contract. Compared with uninsured (control group) households, insured households cultivated 19% more cotton than average and used 15% more productive inputs and 28% more seeds (I4 Update, 2013).

In Mali, research into the ex-ante impacts of index-based agricultural insurance found that households that were insured, and felt insured, increased the area under which they farmed cotton by 60%. In other words, agricultural insurance boosted investment in risky, but possibly more profitable, activities (Elabed and Carter, 2014).

Building long-term resilience capacities:

Mexico’s voluntary Seguro Popular increased health care usage, with 94% of enrolled women having at least one antenatal appointment and 93% having a skilled attendant present at birth (King et al., 2009, in Holmes and Jones, 2013).

Health insurance in Rwanda has also led to a change in health-seeking behaviours through reducing the likelihood of women giving birth at home or in the presence of an unskilled birth attendant (Hong et al., 2011).

3.6 Implications for designing and delivering social insurance

This section considers a range of design and implementation implications of extending coverage of effective SHI and social insurance for agricultural losses. Studies show that extending the benefits of social insurance is dependent on multiple supply and demand factors. These range from tangible factors, such as eligibility to enrol, contributory capacity, ability to apply through administrative processes and compliance in the payment of contributions, to more intangible factors, including level of trust in programme providers and perceptions of benefits (see Holmes and Scott, 2016). The section focuses on issues of scheme eligibility, enrolment and the adequacy of support received.

From the outset though, it is important to stress that decisions around eligibility; levels of premiums and co-payments; and costs and conditions covered by the scheme all have financial implications. This is particularly the case for the proportion of funding for UHC that is to come from general taxation, contributions or donor support. Rwanda’s Mutuelle de Santé (the national community-based health insurance scheme), for instance, a compulsory scheme that in 2011 covered 90% of the population (Ubwuz Mabwacu, 2012), is currently dependent on a donor subsidy (Makaka et al., 2012), but is seeking to extend coverage and increase contribution levels in order to gradually reduce dependence on donor funding. In a situation of finite resources, there are important trade-offs. These ultimately have implications for the sustainability of the programme (e.g. it may be that people choose not to re-enrol if the quality of health services offered is low or worse than they anticipated; see Jehu-Appiah et al., 2011 for a discussion related to Ghana’s National Health Insurance Scheme (NHIS)).

Scheme eligibility

Eligibility to participate in insurance schemes is key to ensuring increased coverage, including of those who are particularly vulnerable to falling into poverty in the event of a shock. For SHI, extending eligibility beyond formal economy workers can take a number of forms, including allowing informal workers to contribute to schemes designed for formal workers; requiring informal workers with sufficient means to contribute to formal sector schemes; and establishing separate voluntary schemes for people outside the formal sector (Wagstaff, 2010). Good practice examples in the realm
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of SHI can be found in Ghana, Rwanda and Vietnam, where national priorities have pushed to cover large sections of the population and there is increasing realisation that a significant proportion of informal economy workers are willing to pay ‘affordable and fair’ contributions (van Ginneken, 2009). Box 17 gives more information on the experience of Ghana. It illustrates some of the challenges that need to be overcome in extending coverage of health insurance schemes across a population. Another group that is frequently ineligible for social insurance comprises internal and international migrant workers. This is because schemes frequently require minimum residency requirements (see Hopkins et al., 2016 for a further discussion).

Box 17: A case study of the National Health Insurance Scheme in Ghana

To improve equity in access to health care for the poor, Ghana passed a National Health Insurance Act into law 2003, and this became operational in 2004. The scheme is operated as a decentralised national health insurance system including district mutual health insurance schemes in 159 districts, private mutual health insurance and private commercial insurance schemes (NHIA, 2016). The act mandates all district schemes to charge a minimum membership contribution of roughly £2 per annum for adults in the informal sector to cover their premium. All others aged under 18 or over 70, pensioners, pregnant women or those deemed indigent (people with disabilities may fall into this category) are exempt from premium payments (Ramachandra and Hsiao, 2007; Jehu-Appiah et al., 2011; NHIA, 2012).

The design of the scheme has an inherent vertical equity in contributions, through which the rich and healthier people cross-subsidise the incomes and risks of the poor and less healthy, respectively. Members from the formal sector pay 2.5% of their 17.5% national insurance contribution monthly to the Ministry of Finance as their health insurance premium. Since formal sector employees’ health insurance contribution is income-related and deducted at source, it is progressive and satisfies the legal requirement and vertical equity principle of health insurance (Witter and Garshong, 2009; Akazili et al., 2011, 2012, 2014; Mills et al., 2012; Saleh, 2012; Schieber et al., 2012; Atinga et al., 2015).

In an attempt to ensure equitable contributions from the informal sector, premiums are graduated according to income such that the rich cross-subsidise the poor (NHIA, 2003, 2012; Chankova et al., 2010; Mensah et al., 2010). However, these will vary based on the economic endowment of each district such that relatively well-endowed districts will cross-subsidise the incomes of less-endowed districts (MoH, 2002). While this thinking reflects the principle of equity and solidarity on which the scheme was established, an important challenge confronting the collection of premiums based on the graduated premium arrangement is the difficulty of accurately determining income levels of those outside the formal sector (Witter, 2009; Borghi, 2011; Averill and Marriott, 2013). The flat rate contributions by those in the informal sector have been known to be regressive, as the rich residing in less-endowed poor districts are made to pay far less than they can, and are perhaps willing to, pay (Akazili et al., 2011, 2012, 2014; Amporfu, 2013; Mills et al., 2012; Atinga et al., 2015). The progressive nature of the National Health Insurance Levy (NHIL), however, is ensuring vertical equity in the financing of the scheme. The NHIL is on selected goods and services deemed luxurious and frequently patronised by the rich compared with the poor and vulnerable groups in society. This situation is having progressive effect as it increases the tax burden of higher-income families and reduces that on lower-income families (Akazili et al., 2012; Mills et al., 2012; Saleh, 2012; Schieber et al., 2012; NHIA, 2013).

The scheme has a predefined benefits package that covers 95% of the burden of disease in Ghana. Services covered include outpatient consultations, essential drugs, inpatient care and shared
accommodation, maternity care, eye care, dental care and emergency care (Jehu-Appiah et al., 2011; NHIA, 2012, 2016). The scheme contracts accredited providers to provide services to subscribers and reimburses them after submission of claims for services. A total of 3,822 providers across the country have been accredited with the aim of making health care services more geographically accessible to the rural public in particular.

Since its introduction in 2003, the scheme has made remarkable progress. Currently, it has an active membership of 10,256,862, representing 38% of the national population (NHIA, 2016). Aside from becoming a major instrument for financing health care delivery in Ghana, the scheme is credited with improvements in the health-seeking behaviour and utilisation of primary health care services (Jehu-Appiah, 2015). However, the scheme has considerable challenges in its transition to universal coverage: the basic benefits package appears to be too generous and unaffordable, given the country's weak fiscal space (Saleh, 2012; Schieber et al., 2012; Jehu-Appiah, 2015). Identifying indigents for exemptions; developing health management information systems for enrolment, claims processing and payment; and implementing results-based provider payments have also been challenging (Schieber et al., 2012; Singh et al., 2015). In terms of enrolment, some have argued that the rich are enrolling disproportionately more than the poor even though the scheme was established primarily to provide financial health protection to the poor (Akazili et al., 2014; Kotoh and van der Geest, 2016). These challenges need to be addressed to move the NHIS toward achieving UHC in the foreseeable future (Domapielle, 2015).

Scheme enrolment: Setting premiums

The introduction of tiered premiums, including exemptions for the very poorest, is one means through which some governments have tried to increase enrolment in SHI schemes. In Ghana and Rwanda, the very poorest are exempt from paying premiums. In Ghana, the exemption is extended to pregnant women. Rwanda experimented with a flat rate premium cost of $2 before introducing a stratified contribution system in 2010 on the basis of household wealth to reduce the costs to the poor. For those in the poorest category, the premium is now fully subsided by government. Meanwhile, premiums for everyone else have increased – ranging from $5 to $12 per person (Vogal, 2011, in Holmes and Scott, 2016). Certainly, in a situation of finite resources, there is a trade-off when setting premiums for the poor and the vulnerable non-poor as the level of premium will have implications for who ultimately enrols.

Evaluations of a number of agricultural index insurance products conclude that, at market prices, uptake is in the range of just 6–18% (J-PAL, 2016). There are several reasons for low enrolment, with a central one being cost, highlighting the importance of government playing a central role in subsidising the premiums of poor smallholders and so the importance of social insurance (ibid.).

Scheme enrolment: Convenience and time required to enrol, renew and pay premiums

SHI schemes need to consider both the demand- and the supply-side barriers that prevent informal workers from seeking and accessing health services. Some of the main demand-side barriers, outside of financial constraints, include the opportunity costs involved in seeking health services in terms of time spent on transport and waiting at the facility; inability to negotiate registration and complex referral systems; and lack of documentation required for health service registration (Chen et al., 2015, in Holmes and Scott, 2016).
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Time taken to enrol onto an insurance scheme is seen as a particularly important barrier for informal workers, who will lose their income when not working (Alfers, 2012). The administrative procedures related to enrolling in Ghana’s NHIS, for instance, and inefficiencies in these mean that regular follow-up of enrollees is required, which can deter informal workers (ibid.). Under Indonesia’s Jaminan Kesehatan Nasional (JKN), enrolment is mandatory, but the scheme is facing difficulties of getting non-poor informal workers to enrol. While the government covers the insurance premiums of the poorest 40 percent of the population, non-poor informal workers are required to register individually and make monthly premium payments. However, despite significant awareness raising campaigns, 60 percent of informal workers lack health insurance. In addition to the costs of premiums, non-poor informal workers cite the hassle to enrol as a reason for not joining. Families can enrol in the JKN program either in person at an office in the district capital or online through the programme website. To register households must fill in a form and present an updated Family Identity Card, the ID card of the family member that is doing the registration, and colour photographs of each family member (Banerjee et al. 2016).

Particularly for women, marginalisation in the enrolment process can also deter potential enrollees, as seems to be happening under the Indian health insurance scheme, Rashtriya Swasthya Bima Yojana (Swarup, 2011, in Holmes and Scott, 2016). Training for frontline staff is therefore critical. Meanwhile, one reason for the success of Rwanda in enrolling 90% of its citizens is that the process of enrolment is decentralised and incentivised, through performance contracts, for a network of 45,000 community health care workers (Makaka et al., 2012).

Lessons from micro-insurance in terms of innovative payment options and renewal modalities can also create conducive conditions for increasing enrolment in social insurance. This includes through accepting deposits at flexible intervals and also enabling payments through mobile money. In India, an assessment of a community-based health insurance scheme found local innovations in payment options such as deferred payment plans and discounts for bulk purchases increased take-up (Panda et al., 2013, in Holmes and Scott, 2016).

Given the difficulties of outreach to enrol individual farmers on agricultural insurance schemes, one approach, rather than offering insurance to individual farmers, is to offer insurance to ‘risk aggregator’ institutions such as financial institutions, ginners, cooperatives or, in the case of the African Risk Capacity (ARC) agency, to national governments (Blampied et al., 2016; J-PAL, 2016). Mexico’s Catastrophe Agricultural Insurance uses a similar approach, with state governments operating as policy-holders. They purchase insurance to protect their budgetary allocations when they are required to respond to natural disasters that affect the most vulnerable farmers. The index used is weather-based (Bastagli and Harman, 2015).

Scheme enrolment: Ensuring understanding of the insurance product and its benefits

One way in which national governments have extended SHI coverage has been moving away from voluntary schemes, which have proved difficult to get people to enrol in. In Rwanda, compulsory enrolment is argued to have ‘resulted in rapid expansion in coverage’ (WHO, 2008). In 2008, Vietnam combined its compulsory insurance pillar, which covered the formally employed as well as programmes for the poor and children, and its voluntary insurance pillar. An important driver of this was limited interest in enrolling in the voluntary scheme, which, as of 2007, covered just 11% of the population (Ekman et al., 2008). A key factor behind people not enrolling in the voluntary scheme was a view that they had no need for it (Castel et al., 2011). Meanwhile, given low levels of enrolment, the scheme was not financially viable, becoming unbalanced in 2005 and recording a record deficit in 2006 (ibid.). Health insurance now covers 72% of Vietnam’s population.
An important barrier to the uptake of agricultural index insurance is limited knowledge and understanding of insurance products. ILRI, when launching its IBLI in northern Kenya, undertook an intensive period of engagement with communities, first providing information face-to-face to build trust, using master trainers and village insurance promoters to educate their communities and then using mass media, in particular radio in two local languages, to disseminate further information on the product (Prashad and Merry, 2014). However, by far the most effective way to build trust and understanding is through claims payments, which are made in public (ibid.).

**Adequacy: Amount and quality of support**

If agricultural insurance is to be able to effectively reduce impoverishment, the response needs to be sufficient to cover the losses households have incurred. For instance, in the case of several index-based mechanisms, including Cadena, the subsidised agricultural insurance programme in Mexico, the level of pay-out has been lower than the actual loss (World Bank, 2013, in Bastagli and Harman, 2015).

A particular challenge of using index insurance lies in designing it in such a way that pay-outs reflect losses. Particularly problematic is the issue of basis risk – or the relationship between claim payment and loss. If basis risk is high, the claim payment is loosely correlated with the loss. This can be particularly problematic when using weather-based indices rather than yield-based ones or those based on vegetation indices (Carter, 2012). The recent experience of Malawi, which bought drought insurance under the ARC initiative, highlights these difficulties clearly. The terms of the insurance are that it pays out to the central government on the basis of a rainfall index, specifically if more than 1.39 people are affected by drought. This index is benchmarked using data from the previous five years. Malawi is currently in a drought, which international agencies estimate is affecting 6.5 million people. However, the ARC model showed that only 21,000 people are exposed to a drought and so the insurance has not paid out (*The Economist*, 2016). Subsequent qualitative field research revealed that the reason for this discrepancy was that farmers had shifted in recent years to maize, which has a shorter growing period, and the rainfall pattern of 2015/16 was particularly unfavourable to the shorter maize cycle. In mid-November 2016, the ARC agreed to pay out (ARC, 2016). Research into the GIZ-supported Rural Insurance Service Programme in Rajasthan, India, also highlights how the same rainfall pattern can result in starkly different outcomes for different crops. They find that, in the case of index insurance, this can lead to a lack of credibility of the product if the index is weather based. This is because farmers are not fully clear about which crop is being used as the reference case (GIZ 2014).

For SHI, adequacy is also related to the quality of the health service offered. For instance, in Colombia, differences were found between women affiliated to the contributory scheme and women in the subsidised sector. The latter received lower-quality care (Holmes and Jones, 2013). This raises a key question as to the quality of services provided, and the role of SHI as an effective mechanism to produce positive health outcomes for the poor. It is clear that the extension of SHI needs to be embedded in a strategy of health sector reform. In many developing countries, such a strategy could involve an improvement of human resources within the health sector and ensuring availability of a regular supply of medicines and equipment (Hormansdorfer, 2009). In Rwanda, improvements in health outcomes are the result not just of SHI but also of longer-term investments in decentralised health services and the development of administrative capacity to manage these effectively (UN Women, 2015, in Holmes and Scott, 2016).

**Adequacy: Timeliness of pay-out and convenience of service offered**
One innovation in agricultural index insurance is the use of multiple indices in order to reduce basis risk, as is currently being experimented with in Burkina Faso (I4 Update, 2013). This uses two triggers – the first being cooperative average yield and the second district yield. The insurance pays out only if both conditions are fulfilled (I4 Update, 2013). However, while multiple triggers can reduce basis risk, there can be a trade-off between the number of triggers and the speed with which the insurance is able to pay out (Bastagli and Harman, 2015). There can therefore be a trade-off between reducing basis risk and ensuring a timely response.

Meanwhile, enrolment on health insurance schemes can be insufficient to guarantee access for those who are likely to be impoverished through health emergencies owing to supply-side barriers in accessing health care. These include health services being in inconvenient locations (such as far from informal workers’ place of work) and having inconvenient or irregular opening times (Chen et al., 2015, in Holmes and Scott, 2016). Certainly, a recent systematic review suggests that the presence of SHI schemes does not always circumvent the problems of accessing health care – for example facilities may not be available and the administrative and bureaucratic difficulties of paying for and claiming back costs can prove problematic (Acharya et al., 2012). The Government of Indonesia launched its national health insurance scheme JKN in 2014 to contribute to the objective of achieving UHC by 2019. However, to-date the programme remains relatively small. One concern is the rigid referral system which decreases members’ flexibility in choosing healthcare facilities and so places high demands on peoples’ time. Members must first choose a public healthcare facility and the first treatment must be done there, other than in the cases of an emergency. Secondary care, mainly to a public hospital, is then only by referral from the first level public healthcare facility (EY 2015).

Adequacy: Appropriateness of support

A key lesson from attempts to achieve UHC is that the benefits should be closely linked to the population’s needs. Evidence shows that common UHC designs (including those comprising an element of SHI) are less effective for the non-poor. Therefore, in extending coverage to the vulnerable non-poor, other dimensions of access, and coverage of certain conditions, may gain relative importance (Giedion et al., 2013). In aiming to reduce impoverishment, and so move away from a focus just on the poor, SHI providers need to conduct appropriate analysis of the requirements and priorities for health insurance for those who are ‘vulnerable non-poor’.

Certainly, health insurance schemes are likely to exclude some health conditions (Acharya et al., 2012). Chronic non-communicable diseases, for instance, remain largely unrecongnised in health policy frameworks of LICs and MICs, despite their increasing importance as causes of morbidity and mortality (Horton, 2013). Specifically in relation to health insurance, maternity benefits are sometimes excluded, given that these risks can be seen as ‘predictable’ (Holmes and Jones, 2013). However, in some contexts they may be an important source of impoverishment. Meanwhile, health insurance schemes frequently do not cover occupational hazards, despite this support often being vital for workers in the informal economy, particularly those working in riskier environments (e.g. waste picking; Holmes and Scott, 2016).

Operating in the context of other interventions to reduce risk

Insurance is appropriate only for low-frequency, high-impact events such as severe floods and droughts. It is not the most appropriate instrument in the face of high-frequency, low-impact events (Blampied et al., 2016). In other words, social insurance needs to be implemented in the context of
other interventions that support households to (i) build resilience capacities in the face of high-frequency, low-impact events; and (ii) mitigate particular shocks and stress.

Interventions that can support households to manage in the face of high-frequency, low-impact events include promoting household savings as well as regular income transfers through social assistance. Social insurance, in the meantime, should not be a substitute for other risk-mitigating technologies. In the case of agricultural insurance, this should be viewed as just one part of a broader package of services for smallholder farmers (Varangis, 2016), with agricultural extension and access to effective and affordable veterinary care being other essential services. Other risk-mitigating technologies could include the adoption of stress-tolerant crops (J-PAL, 2016).

This also raises a bigger question as to whether social insurance is necessarily the most appropriate tool to prevent impoverishment in the face of particular shocks. That SHI may not be the most appropriate instrument for achieving UHC is reflected in the experience of Thailand which, following the 2001 universal health care financing reform, switched from financing health care through SHI to using general revenues. An important driver here was the difficulties of getting the ‘near poor’, for whom the Voluntary Health Care Scheme had been designed, to enrol (HISRO, 2012, in Holmes and Scott, 2016). Here, there are important investment priorities to decide on in a context of scarce resources, where investment is also needed in the extension and operation of public health facilities with the aim of building national health systems that are free at the point of service delivery (UN Women, 2015, in Holmes and Scott, 2016).
4. Conclusions

For ‘getting to zero’ extreme poverty to be a reality, we must tackle impoverishment, or descents into poverty. In addition, escapes from poverty must be sustained over time. This means addressing the reasons why some households experience transitory poverty escapes or escape from poverty only to return to live in it again.

Section 2 of this guide, drawing on analysis of panel data and life history interviews, highlights the extent of impoverishment in different contexts and its drivers. In particular, it looks at how exposure to a series of shocks and stresses, combined with particular household characteristics, activities and strategies, can push households to live in a situation below the poverty line. It points to the different impoverishment pathways through which households can fall into poverty following a shock or stress. These include through experiencing direct and indirect losses. Indirect losses are those resulting from coping strategies, risk-averse behaviour and experiencing declines in returns to existing activities.

Section 3 of the guide conceptualises the different ways in which, or through which transmission channels, social protection can reduce impoverishment. In particular, in the short and medium terms, social protection can build household absorptive and anticipatory capacities. These, in turn, can reduce the likelihood of households resorting to erosive coping strategies or adopting risk-averse behaviour. In the longer term, social protection can contribute towards building household resilience capacities. Social protection approaches, though, are better suited than others to building longer-term resilience capacities. In particular, some social assistance programmes have evolved over time to adopt a more integrated approach and are better able to build these longer-term resilience capacities.

The focus of development efforts, though, has largely been on interventions to ‘promote’ people out of poverty to live at a level above the poverty line, rather than on preventing them falling below it. This has tended to be the case for social protection, where the recent focus, particularly in LICs, has been on using social protection to protect basic levels of consumption of poor people (de Haan, 2014), rather than as an instrument to prevent households from falling into poverty.

Section 3 of this guide discusses the design and implementation implications if social protection, both social assistance and social insurance, are to be used as tools to prevent impoverishment. In doing this, the guide points to the tension between two objectives of social assistance – the first to provide a safety net for the poorest and the second to prevent vulnerable households from slipping into poverty in the event of a covariate or idiosyncratic shock. There needs to be explicit consideration at the design phase of the trade-offs involved in using social protection to tackle chronic poverty and to prevent impoverishment. It may not be appropriate to use the same social protection instrument for both objectives.

In particular, in contexts of constrained national, and donor, budgets and where social assistance for the poorest is inadequate in terms of both the amount given and national coverage, a focus on using social assistance to prevent impoverishment could lead to a shift in priorities away from social assistance for the poorest. Meanwhile, there is clear evidence that investments in cash transfers for the poorest can contribute to meaningful improvements in lives (Bastagli et al., 2016) and as such investments in these should not be marginalised.
In particular, the recent focus on future shock-response capacity for existing social assistance programmes may not be appropriate in terms of on-going social protection systems development and may distort or even undermine progress on the development of systems to address chronic poverty. There is a risk of diverting critical resources required for the development of sustainable systems into shock-response activities (McCord, 2013).

A key message from this guide is that, if social protection is to make an effective contribution to reducing impoverishment, then it is important to get the basics right. This means:

- **Timely delivery of support** – in terms of either regular and predictable transfers in the case of social cash transfers or of speed of delivery following a covariate shock in the case of agricultural insurance and shock-responsive social assistance;
- **Adequate level of support** – for cash transfers it is particularly important that the value of benefits is maintained in the context of chronic poverty and long-term economic stress such as inflation. For agricultural insurance this that the amount paid out is sufficient to compensate for losses.

In low-income contexts, therefore, this guide would recommend continued focus on the development of national-scale, poverty-targeted social assistance programmes that deliver adequate, regular and predictable benefits linked to inflation. In these contexts, it is important to get the basics right before moving in the direction of enabling social protection better to respond to household needs in the contexts of shocks and multiple poverty and vulnerability dynamics including through shock-responsive social assistance or integrated social protection programmes at the national scale. Clearly, **there is a tension, in low-income contexts, between the evidence showing that good-quality implementation is critical for social assistance to achieve its objectives and calls for it to be more ‘flexible’ and able to respond to covariate and idiosyncratic shocks.**

Poverty-targeted social assistance, meanwhile, can itself be made more effective at reducing the likelihood of further impoverishment of those already living below the poverty line through including (or at least not actively excluding) poor households:

- **In urban areas**, where households are particularly vulnerable in the face of food price increases;
- **That are the ‘working poor’** – this means that targeting, if it is to be adopted, should not actively exclude households with labour capacity. The assumption has been that households with labour capacity are able to work their way out of poverty. However, the precarious nature of labour market engagement of many households with working members, including in irregular and seasonal jobs in the informal economy that offer no work-related social protection, means these households are as, if not more, vulnerable to further impoverishment in the face of a range of shocks and stresses.

In lower-middle-income and middle-income countries where social assistance programmes do exist at scale, though, there is scope for making these more shock-responsive in the face of covariate shocks. This includes ‘piggybacking’ humanitarian funding onto them or increasing the level of benefit if a shock is forecast through ‘vertical expansion’ (i.e. increasing the level of benefit for a defined period). **Ultimately, the ‘horizontal expansion’ of social assistance beyond those who are poor to those who are particularly vulnerable in the face of covariate shocks is most appropriate in reducing the likelihood of impoverishment for households living just above the poverty line.** Making this a reality requires a central registry of both poor and vulnerable non-poor households...
that is regularly updated. This is a costly and time-intensive exercise, and one likely to be appropriate only in MICs. Meanwhile, making cash transfers shock-responsive seems to be more feasible than it is for PWP s, where it is more difficult to scale up quickly and ensure timely support for beneficiaries.

When designing social protection to prevent impoverishment in the face of idiosyncratic and covariate shocks, it is fundamental, from the outset, to conduct appropriate analysis of the type and magnitude of shock in the face of which one social protection instrument can realistically expect to buffer households. In particular, it is important to assess the likely impacts to ensure transfers enable households to absorb the shock and secure their basic needs. For SHI, this requires developing an understanding of the types of health shock that are most impoverishing for those households living just above the poverty line. For beneficiaries who have ‘graduated’ from integrated social protection, this means analysis of the primary impoverishing shocks they face. This is quite a different form of analysis to that currently undertaken by the designers of social assistance programmes, which frequently relates transfer size to the cost of meeting basic needs.

An important question is whether the same social protection approach can be used to respond to idiosyncratic and covariate shocks? The advantage of cash support is that it is fungible, so enabling money to be spent to respond to the particular idiosyncratic shock they face. Regular income transfers, meanwhile, also enable beneficiaries to make investment decisions based on the knowledge of future transfers. For lifecycle-targeted social assistance, there could be greater scope, in LICs and MICs, for linking the level, and type, of support more closely to the risks associated with different stages of the lifecycle. For instance, this could include an additional lump sum in the event of death to cover funeral costs, or funeral insurance being included as a component of social pensions. This should not, however, be at the expense of quality implementation.

This points to another key consideration – what form of social protection is most appropriate to reduce impoverishment and what is the interplay between the different types of social protection? When is social assistance the most appropriate response and when is social insurance more appropriate? In particular, it is unlikely that just one tool or approach can prevent impoverishment, and so layered and sequenced programming, both across social protection interventions and also with complementary services, becomes important. It may be that poverty-targeted social assistance and PWP s are most appropriate if the objective is to reduce poverty, whereas social insurance is more appropriate to tackle the potential impoverishment of people living just above the poverty line in the face of certain idiosyncratic and covariate shocks. This is particularly important given fiscal constraints on the widespread use of social assistance. However, it is unlikely that households, and people, living just above the poverty line will be able to afford the premiums required to protect them against risks, and schemes need to be designed to ensure wide coverage, particularly of workers in the informal economy.

An approach of sequenced programming for preventing impoverishment could involve households below the poverty line benefiting from social assistance before, following improvements in their situation, they are eligible to enrol into appropriate forms of social insurance. This is one approach being considered for beneficiaries of graduation programmes in Bangladesh, with SHI to protect gains made in the face of health shocks considered important to sustain escapes from poverty.

However, there are complementarities, not just between forms of social protection but also between social assistance, social insurance and other forms of service and support. This is particularly the case for social insurance where, without complementary investments to reduce the likelihood of a shock occurring, social insurance implementation will likely be unaffordable. In
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particular, social insurance is an appropriate instrument for low-frequency, high-impact events; as such, complementary initiatives are required for high-frequency, low-impact events, as well as to reduce the frequency of different shocks. The promotion of savings is an appropriate tool for households to manage high-frequency, low-impact events. Specific interventions to reduce the frequency of shocks include access to affordable and effective veterinary care for livestock; to combat the risk of crop failure they could include the development of irrigation schemes and the use of drought-resistant varieties. What is important to incorporate into programming is an understanding that, as households move out of poverty, so their requirements for goods and services changes. It is thus important to assess which complementary interventions are appropriate for the vulnerable non-poor as opposed to the poor.

Following on from this analysis, in addition to investments in social protection, it is important to make investments in supply-side services (such as the health care system) to ensure that increased demand from social protection beneficiaries does not lead to a decline in the quality of the service. This would further reduce the role of social protection in minimising impoverishment.
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