

Promoting Social Inclusion of the Extreme Poor at Scale: Evidence from Developing Countries

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Households that live in extreme poverty often face numerous interacting constraints that prevent them from improving their circumstances.¹ Existing work emphasizes capital and skill constraints as important mechanisms leading to the persistence of poverty.² Related literature further highlights coordination problems, lack of insurance and psychological and behavioral constraints that arise due to poverty.^{3,4,5} In order to address these issues, it is common for countries to set up a range of social services, usually aimed at addressing one constraint at a time. However, many of the individuals most likely to benefit from these services are often the least likely to use them, possibly due to a lack of knowledge, stigma, overly-complex programs and or a lack of self-control.⁶ This reinforces social exclusion.

The question of how to foster the social inclusion of these individuals, and importantly their productive inclusion in both rural and urban settings, is an issue that increasingly dominates the public policy debate in developing economies, and particularly in Latin America.⁷ The fraction of the population in extreme poverty in this region has decreased between 1995 and 2011, driven partially by shared economic growth that increased labour income, but also due to the introduction of effective transfer programs. However, the proportion of the population living in extreme poverty was still near 15% in 2011 on average.⁸

With this objective of fostering social inclusion in mind, the government of Chile introduced an innovative welfare program in 2002 named Chile Solidario (CS). This program combines a period of psychosocial support through frequent home visits to households in extreme poverty with guaranteed access to social services. CS also provides a small cash transfer to cover the costs of participation. In addition, CS aims to better coordinate the supply of social services with the needs of deprived households. The idea of profiling the constraints of these households and tailoring social services to their needs is highly innovative and ambitious. The central objectives of CS are to improve health, housing, nutrition and employment. For a detailed discussion of CS, see Carneiro, Galasso and Ginja (2014). Since its inception, CS has grown to become an important program in Chile, accounting for almost 20% of the total budget allocated to the Chilean Ministry of Social Development in 2014.⁹

Inspired by Chile Solidario, in 2009, the Colombian government launched a large-scale pilot program under the name Juntos. Juntos was similar to CS, but weaker in its intensity, predominantly because of a lower number of average home visits, but possibly also due to the lower quality of social workers, and weaker coordination of the supply side. This pilot has subsequently been rolled out nationally under the name of Unidos.¹⁰ This national program now targets 1.5 million families and accounted for 5% of the total public budget for social inclusion in 2013.¹¹

Given the increasing prominence and costs of these programs targeting the extreme poor, it is crucial to understand what is working, what is not working and why this is the case.¹² There is a small but increasing number of evaluation studies, supported by implementing governments, aimed at filling this knowledge gap and we provide a brief overview of these below.

First, Carneiro, Galasso and Ginja (2014) provide a quasi-experimental evaluation of CS. Their results suggest that the program had a positive impact on the take-up of the family allowance for poor children (Subsidio Unico Familiar) and employment programs. Importantly, the take-up of programs was mainly driven by households who were disconnected from the welfare system or were outside of the labour force before the intervention, highlighting its role of social inclusion. However this was not accompanied by general

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improvements in employment or housing outcomes.¹³ Having said this, their analysis exploiting variability in the supply of employment services finds that spouses (almost all female) exposed to expanded supply experienced an improvement in their employment outcomes. This highlights the importance of coordinating the demand for social services with the supply side.

Second, in Abramovsky, Attanasio, Barron, Carneiro and Stoye (2014) researchers from the Institute for Fiscal Studies (IFS) provide rigorous experimental evidence on the impact of Juntos pilot on households' knowledge and take-up of social programs, and labour market outcomes. Experimental evidence presented in Abramovsky et al. (2014) indicates that Juntos had no impact on households' knowledge and take-up of social programs nor on their employment outcomes. The main reason is that treatment in terms of number of home visits was very light.¹⁴ This was partially due to the fact that each social worker was assigned 150 families and some social workers lacked sufficient training. Importantly, administrative data indicates Unidos operates in a very similar fashion to Juntos in terms of number of visits per households, quality of social workers, and the coordination of the supply side.

Taken together, this evidence has policy implications that are important not only for Colombia and Chile, but in a wider context. Unidos, in its current form, is unlikely to make a significant contribution to the reduction of extreme poverty in Colombia. The evidence from CS suggests that even a stronger version of Unidos is unlikely to have significant impacts in improving employment outcomes of the average member of their target population in the medium to long term.

Does this imply that Unidos and CS should be scrapped? The answer is not so simple. If the objective of these programs is to alleviate social exclusion, CS is partially achieving its objective by including some poor households in the state safety net; however, this is not the case with Unidos. If the objective of these programs is to alleviate extreme poverty, the evidence suggests that neither program is succeeding.

Based on this evidence, the authors of the Juntos evaluation have recently advised the Colombian government to reform the program. Their proposal was to start by introducing small-scale changes, with a focus on productive inclusion, and assess the incremental influence of these changes in carefully selected strategic areas.

Some lessons could also be learned from smaller-scale successful interventions operated by non-government organizations that aim to target the extreme poor by simultaneously tackling a range of constraints. One relevant example is BRAC's program "Targeting the Ultra Poor" (TUP) that started in Bangladesh in 2002 and is now being implemented and evaluated in other countries, sponsored by the Ford Foundation under its Graduation Programs scheme.¹⁵ These programs are more focused than Unidos and CS in that they adopt a linear approach to poverty alleviation, sequentially targeting consumption, savings, skills training and coaching and finally asset transfer and financial services. Preliminary experimental evidence from West Bengal suggests a significant positive impact on consumption, savings, health, knowledge, and the time children spend on homework. In addition, the evidence suggests a positive impact on self-reported "happiness". A similar program is being implemented in Colombia through an NGO called Fundación Capital, and is using some of the Unidos infrastructure, but we are not sure how these two initiative will interact yet.

However, in spite of this positive evidence associated with BRAC's efforts, it is important to remember that incorporating any new program into a national welfare system comes with several challenges. These challenges are both in terms of the difficulties associated with scaling up an intervention to a national level, and acquiring bureaucratic buy-in of relevant players in implementing a national program. This process can complicate the scaling up of even well designed programs. It is therefore difficult to provide high-quality interventions at reasonable cost on a large scale. CS seems to be more successful on this front than Unidos according to the evaluations. The existence of strong state capacities may be a necessary condition, although not sufficient, for the success of this type of intervention. Recent experimental evidence discussed in Attanasio et al (2014) about how to use the infrastructure of the existing Familias en Acción program in Colombia to deliver a scalable and integrated early childhood program through home visits may provide some positive policy lessons in this area.

A coordinated effort among different national agencies administering a number of high-quality programs (as opposed to an array of separate programs) seems to be the right approach; but it needs to be managed and executed well. Ultimately, a further understanding of the impacts of these programs, as well as the reforms

they undergo, is crucial to decide whether these programs such as Unidos and CS are good value for money, or should be replaced in their entirety.

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- ¹ See Duflo (2012).
- ² See, for instance, Banerjee and Newman; Galor and Zeira (1993); and Ghatak and Jiang (2002).
- ³ See Kremer (1993).
- ⁴ See, for instance, Mullainathan and Shafir (2013) and Dalton, Ghosal and Mani (2014).
- ⁵ See, for instance, Dercon and Christiaensen (2011).
- ⁶ See, for example, Currie (2006).
- ⁷ See, for instance, the World Bank Program on Social Protection and Labor (<http://www.worldbank.org/en/topic/socialprotectionlabor/overview#1>), Cecchini and Martinez (2012), or the recently created centre World Without Poverty (<https://www.wwp.org.br/en>)
- ⁸ See Document of the World Bank 78507, June 2013 <http://www.worldbank.org/content/dam/Worldbank/document/LAC/PLB%20Shared%20Prosperity%20FINAL.pdf>, last accessed 18 Dec 2014. See also Table 7 in Abramovsky et al (2014) that shows the low proportion of households in extreme poverty that self-reported use of key public services in Colombia.

⁹ This is taken from http://www.dipres.gob.cl/595/articles-107612_doc_pdf.pdf, taking the following ratio M\$ 84.778.849/ M\$ 489.853.197

¹⁰ The main differences with Juntos are that Unidos i) offers treated households social programs supplied not only by the state but also by the private sector, ii) administer the resources of the program at the national level instead of at the regional and national level, and iii) places a stronger emphasis on the promotion of households out of extreme poverty.

¹¹ See Cuadro 31 in “MENSAJE PRESIDENCIAL PROYECTO DE PRESUPUESTO GENERAL DE LA NACION 2013”, last accessed 20 October 2014. Note that Familias en Accion accounts for almost 40% of this budget, serving around 2.2 million of poor families.

¹² Other countries in the region, including Mexico, Brazil and Peru, have recently implemented programs targeted to the extreme poor, emphasizing different mechanisms. For example, Brasil sem Miseria was introduced in 2011, aimed at helping the extreme poor through expanding cash transfer initiatives, increased access to education, health, welfare, sanitation and electricity, and productive inclusion. Local Centres for Social Assistance search for the most vulnerable individuals and support them by profiling the needs of these households and tailoring their access to social services accordingly. The psychosocial support is not a key aspect in this program, but the coordination and expansion of the supply of social services is.

¹³ Due the lack of administrative data about other social services or outcomes, Carneiro, Galasso and Ginja (2014) cannot say anything about a larger array of social programs and services being made available.

¹⁴ A complementary analysis presented in a report to the Government suggested no consistent impact on a range of other outcomes such as housing, health and access to justice. See ‘Evaluación de Impacto de Juntos (hoy Unidos). Red de Protección Social para la Superación de la Pobreza Extrema’, Informe de Evaluación Diciembre de 2011, by Fedesarrollo, Econometria, SEI and IFS.

¹⁵ See <http://tup.brac.net/> and <http://graduation.cgap.org/about/>, last accessed 21 January 2015.