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Understanding Safety Nets: A Primer for International Development

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Safety nets are targeted transfers of cash, vouchers, food, or other goods to poor or vulnerable households. Governments throughout the world use them in order to prevent and reduce poverty. Safety nets are a key form of social protection, which includes any public actions to support poor and vulnerable persons and increase their ability to manage risk. A key difference from other forms of social protection is that safety nets are noncontributory, meaning recipients do not contribute to the program before receiving benefits. This policy brief reviews the benefits of and common concerns about safety net programs, and introduces a typology of safety net programs for policy makers. Although informal community-based safety nets are important, this brief focuses on government-sponsored safety nets.

Safety nets bring multiple benefits. They can reduce inequality and poverty; encourage investments that increase household income; reduce individuals' need to sell vital assets when disaster strikes; and lessen the likelihood that vulnerable persons suffer catastrophic losses that leave them chronically poor. Governments can also design safety nets to incentivize socially desirable behaviors, such as sending children to school or visiting a doctor or helping rehabilitate infrastructure damaged by natural disaster.

In addition to helping poor families build human capital (for example health and education), safety nets can enable investments that increase the growth of other assets. Poor households often fail to improve their welfare because income-generating opportunities commonly bring added risks. Safety net programs can help poor and vulnerable households take advantage of higher risk opportunities. For example, chemical fertilizer purchases can increase yields but also risk farm profits. If a safety net program is in place to "catch" farmers in case of drought, farmers can better afford to risk fertilizer purchases to increase crop yields and household income.

Policy makers may have concerns about safety nets. First, safety net programs can be expensive. Second, safety net programs may discourage recipients from taking personal responsibility for reducing their own vulnerability, creating dependency on social assistance. Research on dependency is inconclusive, but there is increasing evidence that dependency usually results from specific design features and is not inherent to safety net programs in general. Third, safety net programs might "crowd out" other assistance, discouraging private assistance to poor households, although research suggests that these effects are minimal.

Different Types of Safety Nets

Safety net programs are diverse. Two dimensions of safety net programs are particularly important: conditionality and transfer type. Conditionality occurs when assistance is contingent on specific behaviors, such as school attendance or work on public infrastructure projects, intended to help reduce poverty and vulnerability over the long term. Conditional safety nets often aim to increase participation in education and healthcare systems to promote the long-term economic security of beneficiaries and the productivity of household and community assets in the future.

Conditionality has drawbacks. First, vulnerable households may not include members able to meet behavioral requirements (e.g., school-age children or able-bodied adults). Second, conditionality requires costly monitoring to ensure that beneficiaries comply with program requirements. Evaluations of Oportunidades, a conditional safety net program in Mexico, reveal that certification represented 2% of the program budget and 18% of administrative costs. Third, as the size of the safety increases ("scales up") it places increased demands on the government's administrative capacity. If the capacity is limited or if corruption is endemic, much of the aid may not reach the intended beneficiaries. Consequently, the strength of the local administrative agency may be important, particularly as program size and complexity increase. Finally, the long-term impacts of conditionality remain unclear. Research confirms that conditionality increases beneficiary participation in incentivized activities, but there is less evidence that conditional safety nets have stronger long-term effects on poverty than unconditional programs. In addition to potentially lower administrative costs, unconditional safety nets trust individuals to act in their own best interests based on their own particular circumstances.

The Spread of Conditional Cash Transfers

A growing number of governments have invested in conditional cash transfer programs, or "CCTs". These are particularly popular in Latin America following the well-publicized success of Oportunidades (formerly known as Progresa) in Mexico and Bolsa Familia in Brazil. Extensive research has found positive impacts of CCTs on a number of indicators in several countries. CCTs have been introduced in the United States, most notably the privately-funded safety net program Opportunity NYC, which ran from 2008 until 2010 and had significant impacts on education, health, and employment.

Safety net programs provide cash, near-cash (e.g., vouchers), in-kind transfers (e.g., food), or some combination to vulnerable households. Cash transfers are typically less expensive to administer than other types. Cash transfers allow recipients to determine the best use of their benefits, which may not coincide with those desired by their government. On the other hand, inflation diminishes the purchasing power of cash transfers, which may also be ineffective if markets cannot provide an adequate supply of food, such as during a regional food shortage.

Near-cash transfers are vouchers or coupons that recipients can exchange for specific goods or services. The federal "food stamp" program (now called the Supplemental Nutrition Assistance Program, SNAP) is a familiar model. Compared with cash transfers, near-cash transfers are more likely to accomplish specific social goals, for example to enable purchases of food and reduce hunger. Relative to in-kind transfers, however, near-cash transfers allow recipients some degree of choice, for example in the types and quality of food they purchase. Similarly to cash transfers, near-cash transfers can stimulate local markets, but require that those markets function well. Near-cash transfers are generally more expensive than cash transfers due to costs associated with voucher management and vendor monitoring and reimbursement. Research on near-cash transfers in the United States confirms that food stamps increase recipient food spending relative to cash transfers. There are fewer programs to study the impact of near-cash transfers in developing countries. The World Food Programme recently launched food voucher programs in Africa and the Middle East; evaluations of these programs are underway.

In-kind transfers can include food, medicine, fuel, clothing, or other provisions. Transfers of food provide direct, immediate assistance with a high probability of reducing hunger. Food transfers are the only option where food markets do not exist. In well-functioning markets, however, research shows that food transfers are typically more expensive and can affect local markets. These impacts depend on whether food is shipped internationally or procured locally, as well as on the volumes involved. When food aid is shipped from the US, consumers benefit, but local food producers can be hurt by lower food prices. On the other hand, procuring food from local or regional markets increases demand, which can result in higher food prices for local consumers. Depending on sources and procurement patterns, food transfers can be more expensive than cash and near-cash transfers due to the costs of transportation and distribution.

The following matrix classifies well-known international and domestic programs according to the dimensions described above: conditionality and type of transfer.

- Indicator – those who meet an easily observable indicator, such as those without land or livestock.

		Cash	Near-cash	In-Kind (Food)
Non-conditional	USA	General and Disaster Assistance (GA)	SNAP (food stamps), WIC/EBT, Farmers Market Nutrition Program	Emergency Food Assistance Program (Commodities)
	Inter-national	Emergency Cash Relief (Somalia), Child Support Grant (South Africa)	World Food Programme (pilot programs in Burkina Faso, Syria), Action Against Hunger (pilot program in Kenya)	Title II of Food for Peace Act (USAID)
Conditional	USA	Temporary Assistance for Needy Families (TANF), Opportunity NYC	No examples found	National School Lunch Program
	Inter-national	Oportunidades (Mexico), Bolsa Familia (Brazil), National Rural Employment Guarantee (India), Janani Suraksha Yojana (India)	No examples found	International Food for Education (USDA, McGovern-Dole), Food for Work (UN-WFP)

Targeting Safety Nets

Safety net administrators need some way of identifying, enrolling, and monitoring program beneficiaries. This process, known as "targeting", can be conducted in many ways. The most common way to determine if individuals and households are eligible is by means or proxy-means testing. These tests rely on either direct measurement of household income, expenses, and assets or by indicators of these values. These tests are usually conducted by a social worker or other government employee. In other cases, community-based targeting relies on a community group (e.g., village elders) to make decisions about who receives benefits based on local definitions of need and welfare. Other programs rely on self-selection; in these cases, the conditionality or type of transfer offered is chosen so as to only attract poor or vulnerable individuals or households, such as by requiring manual labor for a sub-market wage rate. Other targeting approaches include:

- Geographical area – everyone in a remote or drought-prone region;
- Gender, ethnic and age groups - women, children, elderly or historically disadvantaged minorities;

Each of these options has advantages and disadvantages depending on the goals, expected outcomes, and administrative capacities of the program. Different targeting criteria are often combined, for example, means-testing pregnant and lactating women and mothers of young children (as in the WIC program in the United States).

A gendered analysis of safety net programs can help ensure that programs enhance gender equity. Policy makers need to consider who receives safety net benefits and who is impacted by the program design. Safety net transfers often change the relative incomes of household members, which can affect who decides how assets are used or money is spent. For example, research indicates that targeting women for transfers typically increases expenditures on children, particularly girls, relative to transfers paid to men.

Safety net conditionality can also increase gender burdens. In countries where women are normally responsible for the education and health care of children, mandatory visits to schools and health centers may impact the livelihoods of mothers more than fathers. Similarly, most food-for-work programs often provide menial employment opportunities that are more appropriate for men than women.

Conclusions

Safety net programs are a widespread, effective way for governments to provide social protection for the poorest and most vulnerable members of society. Safety net programs are diverse, and different program features appear more effective than others in specific contexts. Conditionality and the type of transfer are particularly important components of safety net design.

Safety nets operating across the globe are already improving the lives of millions. As their use increases, it is important to understand the factors which differentiate them and how these affect their efficacy. Despite some concerns about impact, the evidence suggests that safety nets will continue to be an important tool for governments to prevent and reduce poverty.

Further Reading

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Glossary

Conditionality: Whether or not provision of a transfer is contingent on specific behavior(s) by the recipient.

Safety Net: Targeted, non-contributory transfers to poor or vulnerable households.

Social Protection: Public actions intended to support poorer and more vulnerable persons, as well as to help individual, families and communities manage risk.

Targeting: The mechanism by which a program identifies eligible recipients.

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