Reducing Poverty 2.0
Cash, Cows, and Beyond

ARIANNA LEGOVINI

From the distributional impacts of the COVID-19 pandemic to the potential distributional impacts of climate change and decarbonization policies, it is imperative for us to understand how to optimize scarce fiscal resources in supporting the poorest and most vulnerable populations.

In this chapter, we unpack a deep literature on conditional and unconditional cash transfers, Targeting the Ultra Poor and economic inclusion programs, and community-driven development projects to stimulate a discussion on allocating of resources for social protection and poverty reduction. We offer three lessons.

1. Temporary unconditional cash transfers (UCT) are highly cost-effective, and their impact persists for years. Experimental estimates from 38 randomized controlled trials from 14 developing countries demonstrate that UCTs paid to families over 12–18 months increase household consumption by 35 cents per dollar transferred over that period and in the following years, with no evidence of dependency. The smaller the transfers are, the larger their cost-effectiveness is, suggesting that UCT-based safety nets should be thinly and widely distributed across populations in need.
2. In addition to cash, Targeting the Ultra Poor/ economic inclusion programs provide assets, mentorship, and training to vulnerable households for a timebound period of 18–24 months. These programs are more expensive than UCTs and have larger impacts, but are more difficult to implement successfully: the cost-effectiveness of these programs is much more variable than for UCTs. However, when successful, the

impacts of these programs are highly persistent and increase over the years after the intervention.

- In the case of Niger, the economic inclusion program increased consumption and food security by 15 percent and these impacts were sustained 18 months later.
- In the case of Afghanistan, the Targeting the Ultra Poor (TUP) Program led to a 30 percent increase in consumption and a 20 percentage point decrease in households in poverty. These impacts were sustained over the five years after program completion, indicating that households continue to use their acquired assets well.

3. The impact of UCTs and TUPs dominate over the estimated impacts of Conditional Cash Transfers (CCTs) and Community-Driven Development (CDD). CCTs condition the delivery of transfers upon a change in households' investments, most commonly, in their children's human capital. While effective at doing this, the transfers are not effective at reducing poverty. CDD programs deliver resources to communities, most commonly for local infrastructure projects, through a facilitated process of community-driven prioritization of needs. In the twelve cases where these projects were rigorously tested through randomized controlled trials in as many countries, results were disappointing, with no or very limited impacts on either poverty or the range of targeted outcomes.

The main lesson for safety nets and social protection policy, especially for COVID-19 response, is that **timebound support to vulnerable households over 12–24 months can be transformational** for their ability to extricate themselves from poverty. The literature suggests that neither UCTs nor TUP programs create dependency. On the contrary, these types of temporary support programs can place households on a different path with sustained changes in the household production function and sustained earning capacity. Breaking inertia in allocating resources across different projects is urgently needed to support households and communities more effectively.