

UNIVERSAL BASIC INCOME

A NEW TOOL FOR DEVELOPMENT POLICY?



JOHANNA PERKIÖ
INTERNATIONAL SOLIDARITY WORK, 2014



1. INTRODUCTION

In recent years, social protection has risen high on the international policy agenda. It is becoming increasingly acknowledged that economic growth and conventional development policy measures alone are insufficient to combat poverty as far as the unjust economic structures remain in place.

Deepening inequality and slowly growing employment rates¹ accompanying rapid economic growth has led many countries in Africa, Asia and Latin America to tackle poverty directly by establishing social protection systems for their citizens. The remarkable progress in the social policy field has drawn enormous international attention and brought about the new global policy approach of *Social Protection Floor* (SPF) which was in 2012 endorsed by the ILO and other UN agencies, various NGOs, G20 and the World Bank. The Social Protection Floor initiative is an integrated set of recommendations for countries to guarantee income security and access to essential health care and social services for all their people across the life cycle. It emphasizes the need to implement comprehensive, coherent and coordinated social protection policies and seeks to re-establish the case for universalism within a development context.²

The Social Protection Floor is a broad policy framework that does not include recommendations on any particular measures to achieve its goals. Regarding income security, the measures currently in place vary from universal pensions or means-tested family and child assistance to guaranteed employment programs. Many of the new policies have taken the form of direct cash transfers, which have proved to be more cost-efficient and effective in reducing poverty than conventional forms of aid such as food aid or vouchers³. In addition, they avoid the harmful effects on local markets and agriculture. Most of the newly implemented cash transfer programs are targeted only at the poor and often are conditioned on the recipient's conduct.

Some of the social policy experts have come to argue that the social protection models based on outdated economic and labour market structures are not the most relevant in the post-industrial era⁴, when the forms of employment, as well as lifestyles and family patterns, are becoming increasingly fluid and flexible. In this context, the idea of universal *basic income* has been brought up as a new alternative approach to social policy. Basic income as such is not a new idea, but it is becoming increasingly recognised as a promising alternative to the highly bureaucratic and complicated systems of targeted and conditional social security. The idea of basic income is to guarantee a certain minimum income to all members of society as a right without means-test or conditions. It provides each individual regularly with

a determined sum of money, which is granted regardless of the recipient's employment status, family relations or socio-economic position.⁵ In most proposals, the basic income grant itself is tax-free, but all earned income above it are taxed either on progressive or flat-rate scale. Through income taxation, the government can charge back the equivalent of the given grant from higher earning individuals who do not need the income supplement. Few pilot projects of basic income with encouraging results in terms of reduction of poverty, improving health and nutrition and boosting economic activity have been carried out in Namibia, India and Brazil.

This report examines the potentials of basic income to serve as a new tool for social and development policy, drawing from the recent experiences from the pilot projects. The structure of the report is as follows: Chapter two provides a brief literature review of cash transfer policies currently in place in many developing countries and assesses the potential advantages of universal and unconditional transfers over targeted and conditional ones. Chapter three presents the three country cases where universal cash transfer policies have been tested or gradually implemented. Chapter four concludes and explores the prospects of basic income as a part of the new development policy agenda. The empirical material regarding basic income experiments is collected from the projects' own research reports and newsletters, as well as relevant academic and non-academic articles.

The cash transfer schemes piloted in Namibia and India correspond to the 'standard' definition of basic income: the transfers were given to all residents of the selected area (in Namibia the recipients of the universal state pension were excluded) without any conditions regarding the recipients' conduct, social status or use of the money. In India the pilot scheme was called *Unconditional Cash Transfer* and in Namibia the *Basic Income Grant (BIG)*. Brazil's case differs from India and Namibia in that there has been only a minor NGO-run pilot project, in which the data has been collected less systematic, but Brazil as a whole and some municipalities have taken steps toward implementing a scheme called *Citizen's Basic Income*.

In this report, basic income is examined as an alternative to conditional and targeted minimum income schemes. The contributory social insurance systems (e.g. earnings-related unemployment benefits or pensions) still hold their place as an additional system to minimum income guarantee. Basic income is not regarded as an alternative, but as a complement, to comprehensive social and health care services, education and employment generating policies.

¹ Income and wealth inequalities have increased in most countries, as have inequalities based on gender, ethnicity and region. Between 1990 and 2000 "more than two-thirds of the 85 countries for which data are available experienced an increase in income inequality, as measured by the Gini index" (ILO 2008, cited by UNRISD 2010, 65). Though employment is often treated as an automatic by-product of growth, in reality employment growth has often lagged behind GDP growth as a result of orthodox macroeconomic policies and technological development, which has led re-searchers to talk about "job poor" or "jobless" growth. Even when employment is available, the vast majority of wage earners in poor countries do not earn enough to lift themselves from poverty (UNRISD 2010).

² Deacon 2013; ILO/WHO 2011.

³ Hanlon et al. 2010; Standing 2012b, 28–34.

⁴ Most of the so-called developing countries are classified as pre-industrial countries. However, the problems of income insecurity are even greater in those countries, and it seems unlikely that their labour market will ever become corresponding to the western industrial era.

⁵ <http://www.basicincome.org/bien/aboutbasicincome.html>

2. THE MANY FACES OF CASH TRANSFERS

Currently, at least 45 middle- and low-income countries have introduced cash transfer policies⁶, but there is a wide diversity in their objectives and design ranging from pure income transfers (social pensions, child grants, family allowances, poverty reduction programs for severely poor) to guaranteed employment programs for working age people⁷. The programs are most often targeted and use selective means-testing, and many of them contain conditions for the recipients⁸ (e.g. school and clinic attendance for families with children, active job seeking or participation in public employment programs). Among the best known examples of cash transfer schemes are Brazil's Bolsa Familia (a form of guaranteed minimum income for poor families with a condition that children go to school), Mexico's *Oportunidades* (a cash transfer program for individuals living in conditions of extreme poverty with a special focus on the empowerment of women), India's *National Rural Employment Guarantee* (a public employment program) and South Africa's *Old Age Pension* and *Child Support Grants* (large programs with universalistic character).

There is extensive empirical evidence that cash transfers have successfully reduced poverty over relatively short time frames, and that they have done it in a cost-effective way, being relatively cheaper than their alternatives⁹. At present, countries with a similar level of national income per capita spend highly varying shares of their resources on social protection programs. The growth of transfers has generally been more rapid in middle income countries, whereas their spread in low-income countries has been slower. However, it has been proved that even countries at fairly low levels of income are able to build social protection systems¹⁰. Besides reducing poverty and contributing to a more equal income distribution, the cash transfers have been successful in improving indicators such as health and nutritional status of the recipients and school attendance of children. Contrary to commonly held beliefs, empirical evidence has shown that instead of breeding passivity or irresponsible behaviour, cash transfers have increased activity and recipients are using the money rationally for their own and their families' longer-term welfare¹¹. Moreover, the transfers have facilitated job seeking (e.g. by allowing the use of public transport) and stimulated local economies by increasing demand and allowing investments in small-scale entrepreneurship.

The cash transfer programs have been successful in many respects. However, being most often targeted¹² and/or conditional, they can also be criticised for certain essential shortcomings. Programs have different advantages and failures depending on their actual design, but the following shortcomings can generally be identified in most targeted and conditional programs:¹³

1. *Bureaucracy and high administrative costs:* Income-based targeted programs require continuous assessment of the eligibility of recipients, which makes their administration complicated and costly. In many countries there are several overlapping schemes in place, all with different eligibility criteria. Selective means-testing becomes especially problematic when the recipient's income fluctuates, or when a large part of it is undocumented. Countries have tried to solve these problems by using so-called proxy indicators of social deprivation, such as quality of housing or type of economic activity the households are engaged in.
2. *Erroneous exclusions and inclusions:* Targeting on the basis of income typically entails significant errors of inclusion and exclusion, which means that the programs may exclude some of the people for whom the benefit is supposedly intended, or include people for whom the benefit is not intended. Especially in countries where the vast majority of population is poor, effective selection of beneficiaries is difficult. Welfare officials need to be able to decide who is poor enough to be eligible to the scheme. Exclusion may also occur when only certain categories of poor are intended to be covered by the scheme. For instance, benefits for poor families with school-age children will exclude families with only small children, orphans and those poor who do not have children.
3. *Poverty traps:* The poverty trap occurs when there are no incentives to improve one's level of income by employment or entrepreneurship if it triggers the loss of right to benefits. This is especially problematic when the person's income is irregular and varies greatly over time, which is often the case in developing countries. Poverty traps are peculiar to all means-tested schemes.
4. *Paternalism and stigmatisation:* The systems of eligibility assessments often contain pa-

⁶ This chapter addresses only non-contributory cash transfers (social assistance and minimum income guarantees), not social insurance, contributory pensions or private insurance.

⁷ Hanlon & al. 2010.

⁸ A scheme is *universalistic* if it is intended as a right for all the population on the basis of citizenship, long-term residence or belonging to a certain age group (e.g. social pensions or child benefits). A scheme is *targeted* if it is intended to a specific group defined by some test of eligibility (e.g. low-income, disability or unemployment). A scheme is *selective* if it uses some specified criteria to determine eligibility, such as a means test. A scheme is *conditional* if it requires some specified behaviour on the part of the recipient. (see Standing 2008, 3–4.)

⁹ Hanlon et al. 2010; Standing 2012b.

¹⁰ Deacon 2013, 52; UNRISD 2010, 19–20.

¹¹ Standing 2008, 12; Hanlon et al. 2010.

¹² The term "targeted" is used here to refer programs which define eligibility e.g. in terms of labour market position or level of income (instead of e.g. age or place of residence).

¹³ See Standing 2012 a & b; UNRISD 2010, 136–158.

paternalistic control over the recipients and enhance the discretionary power of authorities. They tend to foster the segmentation of social protection programs and the separation of the poor from other social classes. Being a welfare recipient in a selective program is stigmatising, affects person's identity and self-esteem and generates feelings of shame. Paternalism has a passivating effect and generates alienation and distrust between citizens and authorities.

5. *Flexible labour market*: Social protection is usually provided to those temporarily or permanently excluded from employment. Those systems assume employment being the main source of a household's income whereas social protection is available only when employment is not possible. However, economic insecurity and an increasing amount of irregular and non-standard employment characterise the life of a major part of working age population today. Regular employment is not available for all, and even many of those permanently employed do not earn enough to lift themselves and their families out of poverty.
6. *Changing gender roles*: The conventional social protection programs rely extensively on the male breadwinner family model, where the women's main responsibilities are childcare and housework. Many of the conditional cash transfer programs for poor families give the family payments to women with an assumption that it would have a positive effect on gender equality. Those programs do not correspond to the changing family patterns and they may even weaken women's position in the labour market. Cash grants given to only one person in the household may also generate intra-family tensions.

Universal cash transfers are currently available in forms of child benefits or pensions, but they seldom address the working age population. For instance, Namibia's universal social pension, distributed in cash, covers almost 90% of the elderly population¹⁴. Also Bolivia and Mexico City have recently implemented universal unconditional citizen's pensions for all elderly¹⁵. Some oil or mineral rich countries are considering distributing a part of their revenues as direct cash transfers to all citizens¹⁶, following the well-known example of the Alaska Permanent Fund which distributes annually between 1000–2000 dollars to each resident of Alaska¹⁷. In Iran, fuel subsidies have been since 2010 transformed into a monthly unconditional cash transfer paid to every citizen¹⁸. The child benefits in many welfare states typically represent the idea of basic income: they are granted unconditionally to all families with children.

However, the distinction between conditional and unconditional or universal and targeted scheme is not absolute. The fewer the conditions

attached and the larger the part of the population covered by the scheme, the better it corresponds with the definition of basic income.

Comparing with the potential failures of targeted and conditional cash transfer schemes presented above, basic income (granted to all citizens/permanent residents without conditions) has been considered to have the following advantages:¹⁹

1. *Bureaucracy and high administrative costs*: Comparing to targeted and conditional schemes, basic income requires only relatively light administration. It reduces the administrative costs (which means that more resources are available to be distributed to recipients), eliminates most of the bureaucracy (since it is no longer necessary to know how much individuals earn and assess their eligibility) and makes the public expenditure system more transparent. However, basic income requires a well-functioning personal income taxation system, so that the government can tax back the equivalent of the grant from higher earning individuals.
2. *Erroneous exclusions and inclusions*: The idea of basic income is to guarantee that no one is left out of the social protection. Since all are entitled to the grant, there is no need to define and test the eligibility criteria (except on a very broad basis, such as permanent residence in the country), nor does there exist erroneous exclusions of the potential beneficiaries.
3. *Poverty traps*: Basic income is generally considered as an employment-friendly model which makes the effort to work always worthwhile. The regular payment of the benefit is not interrupted when the recipient's employment status or level of income changes. Thus, in a basic income system a person will necessarily end up in a better economic position when working than when unemployed. When taking up a job, individuals would be liable to pay tax from all their earnings while retaining their untaxed basic income. Basic income will also strengthen the bargaining position of disadvantaged groups to refuse unhealthy or exploitative working conditions.
4. *Paternalism and stigmatisation*: There is no stigma or feeling of shame attached in receiving a benefit that is granted to all on the basis of residence or citizenship. The intrusive control procedures for checking whether a person is poor enough and paternalistic conditionalities would be eliminated. Basic income treats all people as responsible and independent actors and equal citizens instead of being objects of welfare policies.
5. *Flexible labour market*: Basic income is a form of social protection that provides continuous stream of income for changing life situations. It is better compatible with irregular

¹⁴ Standing 2008.

¹⁵ UNRISD 2010, 233; Yanes 2012.

¹⁶ See Rodríguez et al. 2012; Gelb & Majerowicz 2011.

¹⁷ Howard & Widerquist 2012.

¹⁸ Tabatabai 2012.

¹⁹ See Standing 2012a & b; UNRISD 2010, 136–158.

employment than the prevailing social protection systems. Moreover, it allows a broader understanding about work and labour (including non-market work in households and communities) and new flexible ways of combining different types of work, leisure and other activities.

6. *Changing gender roles:* Basic income is granted to each man, woman and child individually, which means that it does not assume any particular family patterns or gender roles. Each adult individual is provided with an equal amount, whereas children's grant is in most proposals lower. This gives a symbolic message that each person in a household counts as an equal and makes his or her personal decisions regarding the use of the grant. Along with education and social services, basic income has a potential to support gender equality both in labour market and households better than policies committed to particular gender-related responsibilities.



3. EXPERIENCES OF BASIC INCOME: CASE STUDIES IN NAMIBIA, INDIA AND BRAZIL

3.1 NAMIBIA: THE BIG EXPERIMENT IN THE OTJIVERO-OMITARA VILLAGE²⁰

The Namibian pilot project was initiated by the Basic Income Grant (BIG) Coalition²¹ in Namibia, which consists of the Council of Churches (CCN), the National Union of Namibian Workers (NUNW), the Namibian NGO Forum (Nangof), the National Youth Council (NYC) and the Namibian Network of AIDS Service Organisations (Nananso). The project started in January 2008 and was run for two years. Funds to start the pilot project were raised through voluntary contributions from supporters of the idea from all sections of Namibian society, and by support from people, churches, organisations and donors in other countries. The pilot was conducted in Otjivero-Omitara, a low-income rural area about 100 kilometres east of the capital Windhoek characterised by deprivation, unemployment, hunger and extreme poverty.

A total of 930 inhabitants received a monthly grant of 100 Namibian Dollars each (about 12.40 US Dollars/8.60 Euros) without any conditions attached. Those eligible for the universal old age pension payments (60+ years) from the state

were excluded from the experiment. There was no control village without BIG to be evaluated according to the same criteria.

The effects of the BIG pilot project were evaluated on an on-going basis using four complementary methods. First, a baseline survey was conducted two months before the first pay-out of the BIG in November 2007. The survey collected retrospective and current data on the social and economic situation of the residents, including health and nutritional data. Second, a panel survey was conducted in July 2008 covering the same households and individuals as in the baseline survey, and repeated in November 2008. Third, information was gathered from key informants living in, or near the settlement area, such as local nurse, the police chief, local leaders and shop keepers. Fourth, a series of detailed case studies of particular individuals living in Otjivero-Omitara was carried out.²²

The pilot project caused a significant migration towards Otjivero-Omitara by impoverished family members of the villagers, even though mi-

²⁰ Basic Income Grant Coalition 2009; Haarmann & Haarmann 2012.

²¹ <http://bignam.org/>

²² Basic Income Grant Coalition 2009; Haarmann & Haarmann 2012. For critical assessment of the methods, see Osterkamp 2013.

grants themselves did not receive the grant. The migration to Otjivero-Omitara affected the data obtained for the study, which was taken into account in the analysis.

RESULTS

- *Nutrition and diet:* Before the introduction of the BIG, the residents of Otjivero-Omitara experienced serious food shortages. In November 2007, 73% of the households indicated that they did not always have sufficient food and a massive 76% of people lived below the food poverty line²³. After one year, the food poverty reduced to 37% and continuously declined over the study period. The BIG resulted in a huge reduction of child malnutrition. Using a WHO measurement technique, the data showed that children's weight-for-age had improved significantly in just six months from 42% of underweight children in November 2007 to 17% in June 2008 and further to 10% in November 2008.
- *Health and healthcare:* Before the introduction of the BIG, the community suffered from a vicious circle of malnutrition, poverty, ill-health and lack of human development. Poverty prevented many residents from seeking treatment for illnesses because they were unable to pay the clinic fee, even though it was low. The vast majority of the HIV/AIDS sufferers did not go to take their free of charge treatments because they could not afford the travel costs to the nearby town, and to have proper nutrition essential for the treatment. After the introduction of the BIG, the residents were using the settlement's clinic much more regularly and clinic fee payments increased. The BIG increased the regularity of HIV treatment and enabled the HIV positives to afford nutritious food required for it.
- *School attendance:* Before the introduction of the BIG, almost half of the school-going children did not attend school regularly. Pass rates stood at about 40% and drop-out rates were high. Many parents were unable to pay the school fee and buy their children school uniforms, and the lack of adequate nutrition had a negative impact on school performance of many children. After the introduction of the BIG, payment of the school fees improved significantly and most of the children had school uniforms. Non-attendance due to financial reasons dropped by 42%. Drop-out rates at the school fell from almost 40% in November 2007 to 5% in June 2008 and further to almost 0% in November 2008.
- *Economic activity:* The introduction of the BIG led to an increase in economic activity. The rate of those engaged in income-generating activities (above the age of 15) increased from 44% to 55%. The BIG enabled recipients to increase their work both for pay, profit or family gain, as well as self-employment. The grant enabled recipients to increase their productive income earned, particularly through starting their own small business, such as brick-making, baking bread and dress-making. The BIG also increased the purchasing power of the inhabitants, thereby creating a market for the products of the new businesses. After the introduction of BIG, many villagers were able to further improve their income by productive activities.
- *Debt and savings:* The BIG contributed to the reduction of household debt with the average debt falling from N\$ 1 215 to N\$ 772 between November 2007 and November 2008. Six months after the BIG was introduced, 21% of the respondents reported saving some of the money. Savings were also reflected in the increasing ownership of large livestock, small livestock and poultry.
- *Housing and sanitation:* Some of the recipients reported using money to small renovation of their dwellings (e.g. improving the roof or building extra rooms). Money was also used for purchasing items such as blankets, stoves or toolboxes. Respondents and key informants reported improvements in general cleanliness of the environment and personal hygiene of the residents.
- *Social relations:* Before the introduction of the BIG, the community was highly fragmented and known for its bad reputation among the local farmers. Many of the villagers had to beg for food from their equally poor neighbours, which undermined their capacity to have normal social interactions and relations. There were persistent conflicts both within the settlement and with the surrounding commercial farmers. The levels of alcoholism and crime were high. After the introduction of the BIG, begging practically ended and the villagers reported that they could visit and speak freely to each other. All categories of economic crime fell substantially (of crimes reported to the local police station, stock theft fell by 43%, other theft by nearly 20%, and illegal hunting and trespassing by 95%). Since alcoholism still remained a problem, the community self-organised an 18-member BIG committee (comprising local teachers, the nurse, the police, and community members) to advise residents on spending their grants, to curb alcoholism and to guide the pilot project within the community. The committee made an agreement with the local bar ("shebeen") owners not to sell alcohol on the day of the pay-out of the grants. In general, the villagers reported significant improvements in the social relations of the community during the BIG experiment.

²³ The food poverty line is established by pricing a food bundle that provides a minimum calorie intake required to survive, in Namibia N\$ 152 per capita per month.

Back in 2002, Namibian Government's Tax Commission (NAMTAX) proposed a universal grant along the lines of a Basic Income Grant, but the proposal was never put into practice. The BIG coalition has been campaigning for national introduction of the BIG since 2005, claiming that it would have a dramatic immediate impact on poverty and several medium or long-term benefits in terms of development of human capital and economy. The coalition has conducted economic microsimulation modelling on the implementation of BIG in Namibia, according to which the net cost of a national BIG in Namibia would be equivalent to 2.2–3% of Namibia's GDP (N\$ 1.2–1.6 billion per year). The coalition has proposed various options for financing a national grant, including a moderate adjustment of VAT combined with an increase in income taxes, re-prioritisation of the national budget and the introduction of a special levy on natural resources. The campaign and the Otjivero-Omitara experiment have generated a widespread public debate on the matter, but the Namibian government has thus far rejected the national introduction of the BIG.²⁴

3.2 INDIA: THREE PROJECTS PILOTING THE UNCONDITIONAL CASH TRANSFER²⁵

Several NGOs in India have conducted pilot projects on universal unconditional cash transfers over the last two years. The pilots were led by the Self-Employed Women's Association (SEWA), a well-known trade union that has defended the rights of women with low incomes in India for 40 years.

The first of the pilot projects, financed by the UNDP, was launched in 2010 in a low-income district of Delhi. The residents were given a choice to continue receiving subsidised food and kerosin in the existing scheme or to switch to an unconditional cash transfer of equivalent value. Many initially chose the cash. The second project, financed by Unicef, took place in 20 villages in the state of Madhya Pradesh, which has the country's highest levels of malnutrition and largest indigenous population. The project randomly assigned 8 villages where everyone received the grant, while the other similar 12 villages were used as a control group where no one received the grant. The third pilot, with the extra financing from Unicef, was run in two similar indigenous villages; one where everyone received the grant and one where no one did.

Every adult man and woman in the villages where pilot projects were conducted was given a grant of 200 Rupees (about 3.75 US Dollars/2.80 Euros) per month and every child under the age of 14 was given 100 Rupees per month. After one year, the amounts were increased to 300 Rupees for adults and 150 Rupees for children. The amount was equivalent to about 20 to 30% of

household income for the lower-income families. It was enough to make a difference in meeting the basic needs but not enough to substitute paid employment.

A total of about 6 000 individuals in eight villages received the grants for 12 to 17 months. Including the control villages, the surveys covered over 15 000 individuals. In the selected villages, grants were provided to every person registered as a resident at the outset of the project, the only requirement being that they opened a bank account for the transfer of funds within three months of the launch. Transfers for children under the age of 18 went to their mother or, if there was no mother, a designated guardian. The grants had no conditions on how they were to be spent.

The situation before, during and after receiving the grants was evaluated by use of three rounds of statistical surveys and a large set of case studies, comparing the changes in the period with what happened to a control group that did not receive grants.

RESULTS

- *Nutrition and diet:* Cash grants reduced hunger and malnutrition and improved food sufficiency. Grant recipients were significantly more likely to have enough income for their daily food needs than those in the control group. Cash grants led to more varied diets, with greater relative consumption of fruit and vegetables. In the indigenous village, grant recipients reported a sharp rise in food sufficiency; the amount of households that reported that their income was sufficient for their food needs increased from about 50% in the baseline to 78% and further to 82%. The incidence of having insufficient food fell correspondingly. There was a significant reduction in the proportion of malnourished children in the villages that received the cash grants. Income grants were associated with an improvement in children's weight-for-age, with the most considerable effect being among young girls. Those receiving cash grants were not more likely than others to increase their spending on "private bads" such as alcohol or tobacco.
- *Health and healthcare:* Reception of cash grants was associated with lower incidence of illness, increased spending on medical treatment and more regular intake of medicines. Improved health was attributed mainly to an increased ability to afford medicines, although many recipients also mentioned it was due to more or better food and reduced anxiety. The cash grant recipients were more likely to use private clinics and acquire health insurance (though the number was still small) than those without cash grants. Individualised cash grants also benefited those with disabilities by giving them greater voice in how the household's money was spent.

²⁴ Basic Income Grant Coalition 2009; Haarmann & Haarmann 2012.

²⁵ SEWA Newsletter 20 June 2013; BI News 19 Aug 2013; Fernandez 2013; Standing 2013b.

- *School attendance:* School attendance of children in cash-grant-receiving households became three times more regular than in the control villages. Cash recipients incurred greater expenditure on schooling (including stationery, shoes, uniforms, basic equipment and school transport) of their children than households which did not receive the cash grants. The researchers also observed improvements in school performance: children's school marks improved in 68% of the families that received the grants. Grant-receiving households were more likely to send their children to schools located at a greater distance from their homes or to the private schools. Cash grants helped families to ensure that their children did non-school work that was less disruptive to their schooling. This was particularly observed in the indigenous village.
- *Economic activity:* Cash transfers were associated with an increase in labour and work, especially own-account work on small farms. This effect was especially notable for women and for indigenous communities. Households that received the cash grants were three times more likely to start a new business or production activity than households that did not receive the cash grants. There was a relative switch from wage labour to own-account farming and small-scale business, especially in the indigenous village. The number of livestock owned by cash recipients and investments in agricultural implements increased, contributing to better agricultural yield, improved nutrition, as well as savings and insurance. Many families used cash grants to buy small items for production, such as sewing machines, seeds and fertiliser.
- *Debt and savings:* Cash grants were associated with a significant reduction in indebtedness, both because recipients used the money to reduce existing debt and because they were able to avoid taking further debt. Those receiving cash grants were more than twice as likely to reduce debt as those not receiving cash grants. Cash grants also led to a significant increase in savings, even in households with debt. Households often used the money to acquire financial liquidity. Opening bank accounts for remitting the cash grants became in itself an important measure of financial inclusion.
- *Housing and sanitation:* Recipients of cash grants were significantly more likely to make improvements to their dwellings than those not receiving cash grants. The main improvements were to walls and roofs, although improvement to latrines and investments in domestic appliances and items were also widespread. The cash grants led to a switch to more preferred sources of energy for cooking. In the indigenous village, cash grants were used by the

recipients to construct new dwellings (10%), repair old houses, switch to better drinking water sources e.g. by getting own tube-wells, and shift to better lighting.

- *Social relations:* The researchers observed some improvements in women's status within the household and increased economic independence.

The cash transfer pilot projects in India have drawn enormous public and political interest. Impressed by the positive results, the government has begun introducing new cash transfer programs under the title of *Direct Benefit Transfers* in some parts of India. In addition, the Government of the state of Madhya Pradesh has shown strong interest in cash transfer programs and the Chief Minister of Delhi has already launched an unconditional cash transfer scheme in her state. The cash transfers are intended to replace the existing programs of subsidised food and kerosene and guaranteed employment. According to government's own estimate, those programs are very inefficient in reaching the target groups (only 27% of the government's spending eventually reaches the poor), market-distorting and deeply corrupted. However, the implemented cash transfers are not universal, but targeted only to the low-income groups. They have also been criticized for the excessive rush in implementation, design faults and politicisation of the program.

3.3 BRAZIL: FROM BOLSA FAMÍLIA TO CITIZEN'S BASIC INCOME?

In 2003, the Brazilian president Luiz Inácio Lula da Silva combined several income transfer programs into one guaranteed minimum income for poor families named Bolsa Família. All families with per capita income below a given level have a right to an income supplement. The amount of benefit varies according to the level of income of the family and the number of children. The requirements for the recipients of Bolsa Família are the following: mothers who are pregnant or nursing babies must present themselves for physical examinations at public health care centers, children up to 6 years must receive vaccinations, children aged 7 to 16 must attend school, attending at least 85% of the classes and adolescents from 16 to 18 years must attend at least 75% of the classes.²⁶

The Bolsa Família program has expanded from 3.5 million families in December 2003 to 13.52 million families in August 2012, which means that more than 1/4 of the Brazilians benefit from the program. The program has resulted in a significant reduction in extreme poverty, and along with other economic policy instruments it has contributed to a more equal income distribution. The Gini coefficient of Brazil has gradually decreased from 0.581 in 2003 to 0.519 in 2012.²⁷

²⁶ Suplicy 2007; Suplicy 2012.

²⁷ The Gini coefficient is the most commonly used measure of income inequality, where 0 represents perfect equality and 1 represents total inequality. Despite the current reduction in inequality, Brazil is still one of the most unequal countries in the world (Suplicy 2012, 3–4).

In addition to Bolsa Família, Brazil is the first country in the world that has enacted a law on basic income. The Law No. 10.835/2004 that institutes a Citizen's Basic Income (CBI) to all residents of Brazil was approved by the National Congress in 2003 and sanctioned by president Lula da Silva in 2004. The law states: *"A monthly benefit sufficient to meet the basic needs of a person is to be paid equally to all. This basic income is to be introduced gradually, with the most needy attended to first."* The law establishes the Citizen's Basic Income for all Brazilian citizens and foreigners who have resided in the country for more than five years. However, the law has not yet been implemented and there is no systematic plan for transforming Bolsa Família to Citizen's Basic Income. The amount and financing of Citizen's Basic Income remain open questions.²⁸ Bolsa Família has many qualities of basic income and it has been interpreted as one step towards the implementation of Citizen's Basic Income program. The features that differentiate it from the definition of basic income are that 1) it is granted on household (instead of individual) basis, 2) it contains (mild) conditions for the recipients, and 3) it is targeted, i.e. paid only to low-income families.

Senator Eduardo Suplicy from the Workers' Party (PT), who has been the most active promoter of the idea of basic income in Brazil, has proposed a gradual implementation of Citizen's Basic Income program beginning from the municipalities. Some development toward this direction has already taken place; the mayor of the largest city of Brazil, São Paulo has endorsed the Citizen's Basic Income in his official program and the municipality of Santo Antonio do Pinhal with 6 600 inhabitants has approved a law that states that a Citizen's Basic Income will be instituted step by step for the residents of the municipality.²⁹

Since 2008, the Brazilian NGO ReCivitas³⁰ has run a privately funded basic income pilot project in Quatinga Velho, a small agricultural community approximately 30 km from São Paulo. All of the about 100 members of the community are entitled to a monthly basic income of 30 Reals (about 17 US Dollars or 11.5 Euros). In March 2013 the number of recipients was 83. According to ReCivitas, many people in Quatinga Velho have not been able to receive the Bolsa Família benefits due to bureaucracy and conditions for the recipients. ReCivitas reports that basic income has improved the nutrition and health of the villagers and supported their own microeconomic activity.

The current president Dilma Rousseff has announced that during her government there will be a transition from Bolsa Família to Citizen's Basic Income. However, the financing of basic income remains open question. The budget of the Bolsa Família Program is about 0.46% of the GDP, whereas for Citizens' Basic Income, using the amount which would correspond to the current level of Bolsa Família (R\$ 70.00 per month per capita), the gross cost would increase to almost 4% of the GDP, which is about eight times more. Senator Suplicy has proposed creating a fund which would contain 10% of the stocks of federally owned companies, 50% of the royalties from the exploitation of natural resources, 50% of the revenues of service concessions by the government, 50% of the rents from federal government property and participation in Federal Tax Revenue – resources that are currently used for other purposes.³¹ However, reducing the net cost of the program would also require improved efficiency of earned income taxation.



By senator Suplicy's initiative, the "Draft Basic Income Framework Law" (Ley Marco de La Renta Básica) was approved by the General Session of the Parlatino (Parlamento Latino Americano), on November 30th, 2012 as a future direction in the development of countries in Latin America.³²

²⁸ Nobrega et al. 2012; Suplicy 2007; Suplicy 2012.

²⁹ Nobrega et al. 2012, 3–5; Suplicy 2012, 8.

³⁰ <http://www.recivitas.org/>

³¹ Suplicy 2012.

³² Suplicy 2013.

4. TOWARDS UNIVERSAL SOCIAL PROTECTION

The basic income pilot projects in India and Namibia have generated an impressive list of achievements. The unconditional cash grants were associated with improvements in nutrition, health, school attendance and performance, housing and sanitation, as well as social relations in communities and households. The cash grants contributed to a reduction of household debt and an increase of savings, and boosted income generating activities both in paid employment and micro-entrepreneurship. However, the methods used for evaluation were partly different in the two countries, which affects the comparability of the results. In order to gather reliable information about the effects of basic income, more systematic experiments are needed. Especially comparative studies on the effects of universal unconditional benefits vs. targeted and conditional ones would provide an important insight on the functioning of different schemes. There are many expectations of positive impacts of universal and unconditional benefits in terms of reducing bureaucracy and administrative costs, tackling the problems of erroneous exclusions and inclusions and poverty traps, avoiding paternalism and stigma, and supporting employment and gender equality – but these still lack comprehensive empirical evidence.

The future policymaking will most probably be characterised by serious ecological constraints and lower rates of growth and employment³³. In this context, new proactive solutions to tackle income inequality and provide opportunities to all for meaningful life and participation in society are needed. Basic income represents a promising alternative which – complemented with comprehensive social services and education – could foster gender equality, new forms of social and economic activity and people's control over their own lives. It can also make the public expenditure system more transparent and less prone to corruption. The radical concentration of wealth and income on one hand³⁴, and the ecological constraints on the other, require a shift towards new redistributive policies on global and on national levels. New directions in macroeconomic policies and moves towards global democratic governance and taxation are needed.

It has been proved that even the countries at fairly low levels of GDP are able to build social protection systems³⁵. Especially countries rich in natural resources (such as oil and minerals) have various opportunities to improve their domestic

resource mobilisation and corporate taxation to distribute the national wealth more evenly among the population³⁶. However, social policies relying extensively on extraction of natural resources would not only be economically unstable, but also problematic from the ecological sustainability point of view. Along with resource redistribution, building a sustainable social protection system requires states to strengthen their taxation systems and broaden the tax base for the future. This would mean improvements in taxation of capital and labour income and consumption, as well as effective prevention of tax evasion and avoidance. A well-functioning personal income taxation system would be essential in order to reduce the net cost of the basic income scheme, but such is technically challenging in countries where a large part of the population works in the informal sector³⁷. International funds to support poor countries in setting up their basic income programs would be needed especially during the transformation. However, cash transfers have a capacity to improve the domestic demand and vitalise local economies, and thus contribute to an increase of tax revenues once the well-functioning taxation systems are in place.

Implementing a basic income scheme would require countries to set up effective delivery technologies and build reliable registers of their residents in order to minimize errors and ensure delivery to all those who are entitled to the benefit. In the Indian pilot projects, bank accounts were opened to all recipients during the experiment, whereas in Namibia the grants were delivered in cash. However, new biometric identification technology and mobile financial services can be useful especially in remote areas where banking services are not available.

Social policy is increasingly becoming recognised as a central part of development policy. In 2012 the European Commission recommended social protection to be taken at the centre of EU's development strategy³⁸. Finland's own Development Policy Strategy (2012) emphasises human rights and reduction of inequality as central targets of development policy. The promising results of the pilot projects constitute a strong case for basic income to be adopted as an important measure to achieve the development goals. Support for basic income is already found, for instance, in the United Nations' report *Rethinking Poverty: Report on the World Social Situation 2010*³⁹, which emphasises the positive features

³³ Except for the climate crisis, scarcity of the natural resources and biodiversity losses will set a new framework for economic activity and material production (see Koch 2013).

³⁴ On the global scale, the richest 1% of the world's population owns 40% of global assets, whereas the bottom half owns just 1% of global wealth (UNRISD 2010).

³⁵ Deacon 2013; UNRISD 2010, 5.

³⁶ See Rodríguez et al. 2012; Gelb & Majerowicz 2011. Alaska and Iran are currently distributing unconditional cash transfers based on oil revenue to their citizens. Also companies operating in agriculture or fishing could be charged certain levies for cash transfer purpose.

³⁷ For instance, in India only 10% of the population pay taxes. 50% are self-employed and fewer than 20% have a regular job (Fernandez 2013).

³⁸ European Commission 2012.

of universal transfers over targeted ones. Finland has played an active role in the adoption of the Social Protection Floor initiative by the global agencies, and it can also take a strong position to make basic income recognised as a new development policy tool and a central instrument for achieving the Social Protection Floor goals.

However, more research and testing of different models of basic income is still needed. In order to gain reliable information of all potential effects of basic income, widespread and systematic pilot projects covering various rural and urban areas in different countries would be

required. Finnish development NGOs could take a role in running and evaluating such projects. Such experiments would allow testing different models, finding potential problems and design errors and gathering a large amount of comparable data.⁴⁰ The experiments could be financed from international sources, but with the local governments' commitment to the projects. Establishing a basic income scheme would require countries to improve their taxation and public administration systems and, in the case of poor countries, it would also require international financial assistance.

³⁹ United Nations, Department of Economic and Social Affairs 2009, 141–142.

⁴⁰ See Standing 2012a.

LITERATURE

Basic Income Grant Coalition (2009) *Making the difference! The BIG in Namibia. Basic Income Grant Pilot Project. Assessment Report*. Windhoek. (Authors Claudia Haarmann, Dirk Haarmann, Herbert Jauch, Hilma Shindondola-Mote, Nicoli Natrass, Ingrid van Niekerk and Michael Samson.) (http://www.bignam.org/Publications/BIG_Assessment_report_08b.pdf)

BI News 19 Aug 2013: "INDIA: Basic Income Pilot Project releases an impressive list of findings." (<http://binews.org/2013/08/india-basic-income-pilot-project-releases-an-impressive-list-of-findings/>)

Deacon, Bob (2013) *Global Social Policy in the Making. The foundations of the social protection floor*. Bristol: Policy Press.

Fernandez, Benjamin (2013) "Rupees in your pocket." *Le Monde Diplomatique*, May 2013. (<http://monde.diplo.com/2013/05/04income>)

European Commission (2012) *Social Protection in EU development Cooperation*. COM (2012) 446, Brussels: European Commission. (http://ec.europa.eu/europeaid/what/social-protection/documents/com_2012_446_en.pdf)

Gelb, Alan & Majerowicz, Stephanie (2011) "Oil for Uganda – or Ugandans? Can Cash Transfers Prevent the Resource Curse?" Working Paper 26. Center for Global Development. (http://international.cgdev.org/sites/default/files/1425327_file_Oil_Uganda_Transfers_Gelb_FINAL_.pdf)

Haarmann, Claudia & Haarmann, Dirk (2012) "Pilot-ing Basic Income in Namibia – Critical reflections on the process and possible lessons." A paper presented in BIEN2012 Congress in Munich. (http://www.bien2012.org/sites/default/files/paper_196_en.pdf)

Hanlon, Joseph & Barrientos, Armando & Hulme, David (2010) *Just Give Money to the Poor: The Development Revolution from the Global South*. Kumarian Press.

Howard, Michael & Widerquist, Karl (eds.) (2012) *Exporting the Alaska Model: Adapting the Permanent Fund Dividend for Reform around the World*. Palgrave Macmillan.

ILO/Advisory Group chaired by Michelle Bachelet/WHO (2011) *Social Protection Floor: For a Fair and Inclusive Globalization*. ILO, Geneva. (http://www.ilo.org/global/publications/books/WCMS_165750/lang--en/index.htm)

Koch, Max (2013) "Welfare after Growth: Theoretical Discussion and Policy Implications." *International Journal of Social Quality* 3(1), p.4–20.

Ministry for Foreign Affairs of Finland (2012) *Finland's Development Policy Programme*. (<http://forin.finland.fi/public/default.aspx?contentid=251855&nodeid=15457&contentlan=2&culture=en-US>)

Nobrega, Marina P. & Nakagawa, Tereza & Nobrega, Francisco G. & Suplicy, Eduardo M. (2012) "A Feasible Path to Basic Income in Brazil." A paper presented in BIEN2012 Congress in Munich. (http://www.bien2012.org/sites/default/files/paper_187_en.pdf)

Osterkamp, Rigmar (2013) "The Basic Income Grant Pilot Project in Namibia: A Critical Assessment." *Basic Income Studies* Vol. 8, Issue 1, 71–91.

Rodríguez, Pedro L. & Morales, José R. & Monaldi, Francisco J. (2012) "Direct Distribution of Oil Revenues in Venezuela: A Viable Alternative?" Working Paper 306. Center for Global Development. (http://international.cgdev.org/sites/default/files/1426486_file_Rodriguez_et_al_Venezuela_OTC_FINAL_0.pdf)

Seetha, "Bite this: Survey proves cash transfer critics wrong." *FirstPost: Economy*, May 31, 2013. (<http://www.firstpost.com/economy/bite-this-survey-proves-cash-transfer-critics-wrong-829793.html>)

SEWA Newsletter 20 June 2013: "Unconditional cash transfers: SEWA pilots a unique experiment in Madhya Pradesh." (<http://www.sewa.org/Fifty.asp>)

Standing, Guy (2008) "How Cash Transfers Promote the Case for Basic Income." *Basic Income Studies* Vol 3, Issue 1.

Standing, Guy (2012a) "Basic Income Pilot Schemes: Seventeen Design and Evaluation Imperatives." In D. Jacobi & W. Strengmann-Kuhn (eds.) *Wege zum Grundeinkommen*. Berlin: Bildungswerk Berlin. (http://www.guystanding.com/files/documents/Pathways_to_basic_income_book.pdf)

Standing, Guy (2012b) *Cash Transfers: A Review of the Issues in India*. Social Policy Working Paper Series – 1. UNICEF India. (http://www.guystanding.com/files/documents/Unicef_cash_transfers_India_published.pdf)

Standing, Guy (2013a) "The poor are responsible too." *The Financial Express*, June 6, 2013. (<http://www.financialexpress.com/news/column-the-poor-are-responsible-too/1125548/0>)

Standing, Guy (2013b) "Can Basic Income Cash Transfers Transform India?" *BI News*, May 28, 2013. (<http://binews.org/2013/05/guy-standing-%e2%80%9c%9ccan-basic-income-cash-transfers-transform-india%e2%80%9d/>)

Suplicy, Eduardo Matarazzo (2007) "Basic Income and Employment in Brazil." *Basic Income Studies*, Vol 2, Issue 1.

Suplicy, Eduardo Matarazzo (2012) "How and when will the Brazilian Law that institutes a Citizen's Basic Income really be fully implemented?" A paper presented in BIEN2012 Congress in Munich. (http://www.bien2012.org/sites/default/files/paper_suplicy_en.pdf)

Suplicy, Eduardo Matarazzo (2013) "The Basic Income Idea Spreads in the American Continents." A paper presented in the 12th Annual North American BIG Congress in New York City, May 2013. (http://basisinkomen.nl/wp/wp-content/uploads/image/Palestra-USBIG2013_English.pdf)

Tabatabai, Hamid (2012) "Iran: A Bumpy Road toward Basic Income." In Caputo, Richard (ed.) *Basic Income Guarantee and Politics: International Experiences and Perspectives on the Viability of Income Guarantee*. New York: Palgrave.

UNDP SU/SSC-ILO (2011) *Sharing Innovative Experiences: Successful Social Protection Floor Experiences*. Geneva, Switzerland.

United Nations (2009) *Rethinking Poverty. Report on the World Social Situation 2010*. New York: United Nations, Department of Economic and Social Affairs. (<http://www.un.org/esa/socdev/rwss/docs/2010/fullreport.pdf>)

UNRISD (2010) *Combating Poverty and Inequality: Structural Change, Social Policy and Politics*. UNRISD, Geneva. (<http://www.unrisd.org/publications/cpi>)

Yanes, Pablo (2012) "Mexico: The First Steps toward Basic Income." In Caputo, Richard (ed.) *Basic Income Guarantee and Politics: International Experiences and Perspectives on the Viability of Income Guarantee*. New York: Palgrave.



THIS REPORT IS PART OF A DEVELOPMENT POLICY COMMUNICATIONS CAMPAIGN LAUNCHED BY THE FINNISH NGO KANSAINVÄLINEN SOLIDAARISUUSTYO – INTERNATIONAL SOLIDARITY WORK IN 2013. THE CAMPAIGN AIMS TO DISSEMINATE THE RESULTS OF BASIC INCOME PROJECTS UNDERTAKEN IN THE GLOBAL SOUTH, AND TO GENERATE PUBLIC INTEREST IN UNIVERSAL AND UNCONDITIONAL MONEY TRANSFERS AS A TOOL FOR FIGHTING POVERTY. THE PROJECT IS FUNDED BY THE MINISTRY FOR FOREIGN AFFAIRS OF FINLAND.

COVER PHOTOGRAPHS © DIRK HAARMANN; OTHER PHOTOGRAPHS COURTESY OF RECVITAS AND THE BIG COALITION.