

Informal transfers in low- and middle-income countries: for whom, how much and with what effect?

Martin Evans
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Key messages

Informal transfers cover more people than formal social protection in 76 low- and middle-income countries, with 24% of the population in households receiving informal transfers in low-income countries (LICs), 48% in lower-middle-income countries (LMICs) and 27% in upper-middle-income countries (UMICs).

International remittances account for the majority of informal transfers in a minority of countries, with higher levels of receipt in lower-middle-income countries.

Both informal and formal transfers are regressive in low-income and lower-middle-income countries – more goes to higher-income groups than poorer people in all 76 countries except China. Extended coverage of public social protection in upper- middle-income countries leads to greater progressivity for public transfers relative to informal transfers.

Informal transfers play a significant role in poverty reduction and a larger role than public transfers in LICs and LMICs, but a smaller role in UMICs.



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Acronyms/Glossary

ASPIRE	Atlas of Social Protection Indicators of Resilience and Equity
CEQ	Commitment to Equity Institute
FCDO	Foreign, Commonwealth and Development Office
GDP	gross domestic product
GNI	gross national income
ILO	International Labour Organization
LIC	low-income country
LMIC	lower-middle income country
OECD	Organisation for Economic Co-operation and Development
PPP	purchasing power parity
SDG	Sustainable Development Goal
TaxDev	Centre for Tax Analysis in Developing Countries
UMIC	upper-middle-income country
UNDESA	United Nations Department for Economic and Social Affairs

1 Introduction

Social protection is a growing area in development policy and in development economics. Transfers from public funds are seen as a necessary and important response to poverty and disadvantage, and to respond to lifetime risks and income shocks. Publicly funded transfers occur alongside private informal transfers between households, and the scale and value of these private transfers can be large in low- and middle-income economies (Evans et al., 2020 and Evans et al., forthcoming). These informal transfers reflect both the effects of migration (those living abroad or in urban areas remitting back to their families/communities of origin) and more long-established customary obligations between family members or the wider community to share income and to smooth lifetime risks generated by events such as illness or loss of income.

Knowledge and analysis of informal transfers in development economics is long-standing (Cox and Fafchamps, 2008), and it is accepted that these informal transfers are significant contributors to household welfare in low- and middle-income economies. Economic analysis of their effect has largely focused on their correlates and on their potential ‘substitution’ or ‘crowding out’ by formal state-run social protection (ibid.). The evidence is mixed and tends to be context-specific (Cox and Jimenez, 1995; Cox and Jimenez, 1998; Dercon and Krishnan, 2003; Jensen, 2003; Albarran and Attanasio, 2005; Lentz and Barrett, 2006; Cox and Fafchamps, 2008; Pan, 2009). Recent evidence from a review of social assistance safety nets in Africa suggests that concerns around crowding out have not been borne out in the recent expansion of social assistance in Africa (Andrews et al., 2018).

Other evidence reviews have noted the weakness of informal transfers between households in insuring against covariate shocks (Alderman and Haque, 2007), although transfers from external and unaffected populations (urban and international remitters, for instance) can assist in smoothing such shocks in local communities. Informal transfers are also selectively based within social groups including familial relations, but also based on ethnicity, gender, geographic proximity, asset base and wealth thresholds (Jutting, 2003; Santos and Barrett, 2006; Msuya et al., 2007; Vanderpuye-Orgle and Barrett, 2009; Bhattamishra and Barrett, 2010). This results in the ‘exclusion’ of those outside such groups.

The extent and progressivity of informal taxes and transfers has been one recent focus for the TaxDev programme (financed by the Foreign, Commonwealth and Development Office (FCDO)) in four African countries, and has been considered in depth in Rwanda and Uganda (Evans and Salomon, 2019; Evans et al., 2020). This paper stands back from individual country-level analysis and uses World Bank Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) data to consider headline profiles on the extent, value, progressivity and poverty-reduction effect of informal (‘private’) transfers across a large selection of countries.

There are inconsistencies in the naming and definition of informal transfers in the literature. In high-income countries, transfers between households and individuals are often called ‘private transfers’, and include alimony, child support and inter-household transfers, as well as transfers from charitable or other non-market institutions and remittances. For example, in the Luxembourg Income Study Database (LIS), such transfers are called ‘private transfers’, and the ASPIRE database follows this naming approach. However, literature from development economics and social policy in low- and middle-income countries tends to talk of ‘informal transfers’ for similarly defined income sources and gives greater emphasis on a discussion of the types and motivations for such transfers, and their basis in community and social norms (Calder and Tanhchareun, 2014; Mumtaz, 2021). This paper adopts the latter convention for its title, and calls these ‘informal transfers’ for several reasons.

First, it is hugely important to distinguish between ‘market’ and non-market sources of income, particularly in low- and middle-income countries. Discussion of fiscal incidence analysis in such countries (such as the CEQ Assessment – see Lustig, 2018) tends to conflate informal and market income into a single source of pre-fiscal transfer income, and analysis in Uganda, Rwanda and Pakistan (Evans et al., 2020; forthcoming) shows the importance of distinguishing informal private transfers in the incomes of households prior to the assessment of the effects of state transfers.

Second, but related to the first reason, the word ‘private’ can confuse readers when considering market-based transfers and the status of commercial private pensions, annuities and healthcare insurance and socially provided familial or community-based transfers. Both can be called ‘private’, but the payment of an informal transfer to an elderly relative living elsewhere is very different from that elderly person’s own private pension, for instance.

Third, this paper is part of research being undertaken for TaxDev under the theme of ‘informal taxes and transfers’, which seeks to tie in informal transfers to informal and formal ‘fiscal’ incidence across taxes and transfers. Key to such a comprehensive and consistent approach is consideration of what households pay out to other households as transfers, and transparently treating such expenditure as a reduction in gross income that contributes to net-disposable income. The use of the term ‘informal transfers’ thus helps ensure that private/informal transfers are not just seen as ‘income sources’ but result from expenditure for donor households, and need to be considered alongside formal and informal taxation in accounting for their effects on income and redistribution. Having a consistent label of ‘informal’ for taxes and transfers and across related expenditures helps provide a clear narrative for such work.

In sum, when it comes to the title of this paper, we are consistent with a clear set of definitions in our earlier paper on Rwanda (Evans et al., 2020), but when it comes to reporting the results from ASPIRE, we recognise that this paper stands out as a cross-national analysis of secondary data that will reach audiences with different preconceptions

on social protection across high-income and other countries. ASPIRE data uses the label ‘private transfers’ for the exact same definition of transfers that we call ‘informal transfers’. To avoid confusion, we report empirical results from that database using its own term, ‘private transfers’. This is a necessary compromise: we use the term ‘informal transfers’ in the paper title to position our paper in the TaxDev and development economics country literature, but use the empirical results labelled ‘private transfers’ to reflect the convention of ASPIRE reporting.

The studies of Uganda and Rwanda reflect the position of two low-income countries. How representative are they of the wider picture – both in low-income peer countries, and in wealthier middle-income countries? We focus on the following key questions:

- What is the scale of informal transfers? How much of the population receive and benefit from such transfers, and at what national cost?
- Are they progressive or regressive? Do richer and poorer populations benefit equally?
- What poverty reduction effects result?

Where appropriate we also compare these profiles with those from public social protection as reported in ASPIRE data: from social insurance, social assistance (both cash and in-kind transfers) and labour market programmes.

1.1 Data

The ASPIRE database comprises a set of national-level derived variables from household surveys in contributing countries. It holds indicators for 125 countries on social assistance, social insurance and labour market programmes based on both programme-level administrative data and national household survey data. As well as holding data on public (and quasi-public social security) schemes, it holds data on ‘private transfers’, which are the focus of this research and are defined below.

Our analysis focuses only on countries that report data on private transfers. This, however, excludes many countries that are in the ASPIRE collection, and are known to have extensive receipt of remittances and other private transfers, but have no data for them (for instance Tajikistan and Yemen). We focus on 90 countries and divide them according to the ‘country income classification’ of 2020 (World Bank, 2020) into ‘low-income’, ‘lower-middle-income’ and ‘upper-middle-income’ countries (LICs, LMICs and UMICs, respectively). Following the remit of ASPIRE data, we make no effort to extend analysis into high-income countries as per Chai and Evans (2018).

The data in ASPIRE employs definitions and classifications that are peculiar to the database. Table 1 shows these definitions and how they categorise and classify the different programmes that make up social protection systems.

Table 1 ASPIRE social protection programme classification

Social Protection and Labor area	Programme category	Programme sub-category
SOCIAL INSURANCE	Contributory pensions	Old age pension (all schemes, national, civil servants, veterans, other special)
		Survivors pension (all schemes, national, civil servants, veterans, other special)
		Disability pension (all schemes, national, civil servants, veterans, other special)
	Other social insurance	Occupational injuries benefits
		Paid sickness leave benefits
		Health
		Maternity/paternity benefits
LABOR MARKET	Labor market policy measures (active LM programmes)	Training (vocational, life skills, cash for training)
		Employment incentives/wage subsidies
		Employment measures for disabled
		Entrepreneurship support/startup incentives (cash and in kind grant, microcredit)
		Labor Market services and intermediation through PES
		Other Active Labor Market Programs
	Labor market policy support (passive LM programmes)	Out-of-work income maintenance (Unemployment benefits, contributory)
		Out-of-work income maintenance (Unemployment benefits, non-contributory)
SOCIAL ASSISTANCE	Unconditional cash transfers	Poverty targeted cash transfers and last resort programs
		Family/ children/orphan allowance (including orphan and vulnerable children benefits)
		Non-contributory funeral grants, burial allowances
		Emergency cash support (including support to refugees/returning migrants)
		Public charity, including zakat
	Conditional cash transfers	Conditional cash transfers
	Social pensions (non-contributory)	Old age social pensions
		Disability benefits/war victims noncontributory related benefits
		Survivorship

Social Protection and Labor area	Programme category	Programme sub-category
SOCIAL ASSISTANCE	Food and in-kind transfers	Food stamps, rations and vouchers
		Food distribution programs
		Nutritional programs (therapeutic, supplementary feeding and PLHIV)
		In kind/non-food support (education supplies, free texts and uniforms)
	School feeding	School feeding
	Public works, workfare and direct job creation	Cash for work
		Food for work (including food for training, food for assets etc.)
	Fee waivers and subsidies	Health insurance exemptions and reduced medical fees
		Education fee waivers
		Food subsidies
		Housing subsidies and allowances (and 'privileges')
		Utility and electricity subsidies and allowances
		Agricultural inputs subsidies
	Other social assistance	Scholarships/education benefits
		Social care services, transfers for care givers
		What is left out from above categories
PRIVATE TRANSFERS	Domestic private transfers	Domestic transfers, inter-family in kind gifts and monetary transfers
		Alimony (divorce and food)
		Income and support from charity/ private zakat, support for churches and NGOs*
	International private transfers	Remittances from abroad

Note: * Depending on country contexts and on how NGOs are financed, transfers from NGO may be classified as social assistance.

Source: World Bank ASPIRE

It is important in the interpretation of the results to consider ASPIRE's classification of 'social assistance' as including both 'universal/categorical' programmes, such as child benefit and social pensions, alongside means-tested and conditional social assistance programmes and price subsidies. This can make comparisons of 'coverage' difficult to interpret across countries that may have large universal programmes against those that solely have 'safety net' social assistance programmes. Another example of difficult comparison is that 'public works' programmes are included in social assistance rather than labour market classification. Data in the public access ASPIRE portal is at the 'Programme category' level, meaning that no adjustment to underlying classifications can be made to enable more consistent comparisons at a more granular level. Put simply, this analysis replicates these 'Programme category' headings for profiling and analysis across countries, and is bound by them. We discuss this issue further in the conclusion.

Turning to consider our main focus on 'Private transfers', ASPIRE identifies just two 'programme categories' for these transfers according to their source: domestic and international. International private transfers are mostly remittances from migrant or emigrated populations in other countries. Domestic transfers cover three types, two of which are inter-household transfers: 'general transfers' and 'alimony'. It is likely that child support fits into the first of these two types of transfer despite its frequent association with alimony. The third type of domestic private transfer relates to transfers from community organisations or other non-governmental organisations. The definition of what constitutes 'government' or 'non-government' should be taken with some latitude – especially where government finances such programmes or where government is a partner in the collection of contributions – particularly in Muslim-majority countries where formalised zakat is part of non-secular ministerial responsibilities.

Our approach to the data is simple. We take the classifications as they stand and profile the evidence on 'private transfers'. We use the research questions listed previously to show, not only private transfers, but also to compare them to 'public transfers' as the total of the separate 'Labour market', 'Social assistance' and 'Social insurance' programme categories. This approach faces difficulties where public programmes can overlap – for instance in the universal and selective social assistance programmes mentioned above – where coverage of the population can be calculated at over 100%, for example where price subsidies that go to 'everyone' are seen alongside targeted social assistance. We report a maximum capped at 100% in all such cases.

Turning to our research questions, we use specific indicators in ASPIRE to address them. It is important for readers to understand that our analysis solely uses existing derived indicators – we do not have the ability to consider the original data to revise or create new indicators. Understanding how ASPIRE indicators are defined and what they represent is thus crucial, and we outline the key issues below:

- How much of the population receive and benefit from these transfers?

We use the ASPIRE indicator ‘coverage’ – the population who live in households receiving transfers. This is estimated by programme type for the entire population, and will thus include all those who live in households where a transfer is received: that is, both direct and indirect ‘beneficiaries’ in the same household.

- How much is spent on informal transfers at the national level?

We use gross domestic product (GDP) as the measure of national income. We calculate this by multiplying coverage by average transfer value (see below). We then compare this calculation across private and public transfers and indicate if a country spends more on private or public transfers. We additionally estimate the percentage of GDP that private transfers represent by using the ratio of private to public transfer spending from ASPIRE to adjust the ‘public expenditure on social protection (without health services) as a percentage of GDP’ data from the International Labour Organization (ILO) (ILO, 2017: Table B.17). This is a crude method and only aims to give a first impression of the level of private transfer spending across the represented ASPIRE countries. More detailed estimates using national accounts and nationally representative survey data is recommended for future work. It is also important to note that ‘international transfers’ are not ‘spending’ at the national level, but are included in our estimates to show the overall scale of informal transfers in the countries concerned.

- Are richer and poorer populations covered equally?

We use the ASPIRE indicators of ‘quintile’ incidence indicators to assess distributional incidence, value and coverage.

Coverage of each quintile is based on the same definition of coverage discussed above: direct and indirect beneficiaries.

Transfer value is based on average per capita \$PPP (2005), and we use a post-transfer income definition to avoid problems of interpretation of the effect of pension incomes (many low-income countries have contributory pension schemes for elite workforces in the public and formal private sector) paid to people with long lifetime earnings but low contemporary incomes. We can also show what proportion of all current income comes from transfers rather than rely on a counterfactual inference of what the situation would be without them.

Benefit incidence by quintile is a direct ASPIRE indicator and captures the proportion of all spending occurring by quintile.

- What poverty reduction effects result?

We use two ASPIRE indicators that show the reduction in the number of people that are poor (headcount reduction) and the reduction in level of poverty of poor people (poverty gap reduction) from transfers. We use a consistent poverty line at \$1.90 per capita per day as this represents the minimum level of international poverty reduction envisaged in the Sustainable Development Goals (SDGs). We face difficulties arising from ‘small numbers’ of such ‘internationally extreme poor’ populations receiving transfers in some UMICs, and that poverty standard is inherently more relevant to low living standards (and more robust) in LICs and LMICs. For that reason, a poverty line based on the bottom 20% of the population is used in UMIC profiling and discussion.

These questions relate to our primary focus on informal transfers (i.e., private transfers in ASPIRE) and their extent and impact. While we provide some summary profiles of how such transfers compare to public social protection, it is not the aim of this paper to explore the composition and performance of public social protection transfers in their own right. This means that many interesting questions on the coverage and impacts of social assistance in its various forms, along with similar questions on social insurance and labour market programmes, are left to future research. In plain terms, we explore how the aggregate profiles of public and private/informal change across countries, but do not delve into why and how public programmes change and influence any aggregate profile.

Readers should also be aware of other caveats before results are reported.

First, that transfers are reported independent of their finance. This means that, while ‘domestic transfers’ between households must involve a donor and recipient household, the data solely shows recipients. This means that the ‘churn’ of inter-household transfers seen in many low-income countries, where households both give and receive over the year (Evans et al., 2020; forthcoming) is ignored – just the gross amount received is recorded. This is similar to public transfer data, where no indicators of finance of transfers are available, so that we are not able to look across tax, social security contribution and transfers that fund public systems.

Second, that we use data across a 10-year period from ASPIRE – from 2010 to 2019. Some countries with data only have one year’s representation out of 10, while others have nine or 10. Where there are multiple records over the 10 years we have used the average (mean). This means that we will not see the highest-performing year for any country with more than one year of data, so that a country that has 100% coverage in 2019 but only 50% in its only previous year of record will estimate at 75%. The alternative approach of using the highest figure over the 10-year period will emphasise those with better data coverage and better performance and increase inequality between national-level indicators. Another approach is to use the ‘most recent year’ over the 10-year period for each country. The differences between these approaches and ours mean that low-income countries with poorer data and

less-developed formal social protection systems are disadvantaged in both contemporaneity and regularity of reporting during the period. Our averaging approach counters that, but at a cost to interpretation of consistent national comparisons at a particular year or smaller period than 10 years.

Finally, our extract from ASPIRE data was made in January 2021 and will not include data added to the database after that point.

Other data used in this report comes from the estimates for public social protection expenditure (percentage of GDP without health) reported by ILO (ILO, 2017: Table B17). These are used to estimate the proportion of GDP represented by private transfer spending. Such estimates are qualified as they are based on the ratio of national spending between private and public transfers calculated from ASPIRE transfer values and coverage data. These ratios are then used to estimate the underlying proportion of GDP represented by private transfers. There are a few caveats associated with such estimates as the definitions of public transfers will not be consistent between ASPIRE and ILO tabulations, and the dates for the latter will not coincide with actual dates in the ASPIRE database. The estimates are based on ILO data being available within the last 10 years to match the data extracted from ASPIRE. But the resulting GDP estimates are crude and illustrative figures to demonstrate the relative scale of private transfers – both to GDP and to public transfers.

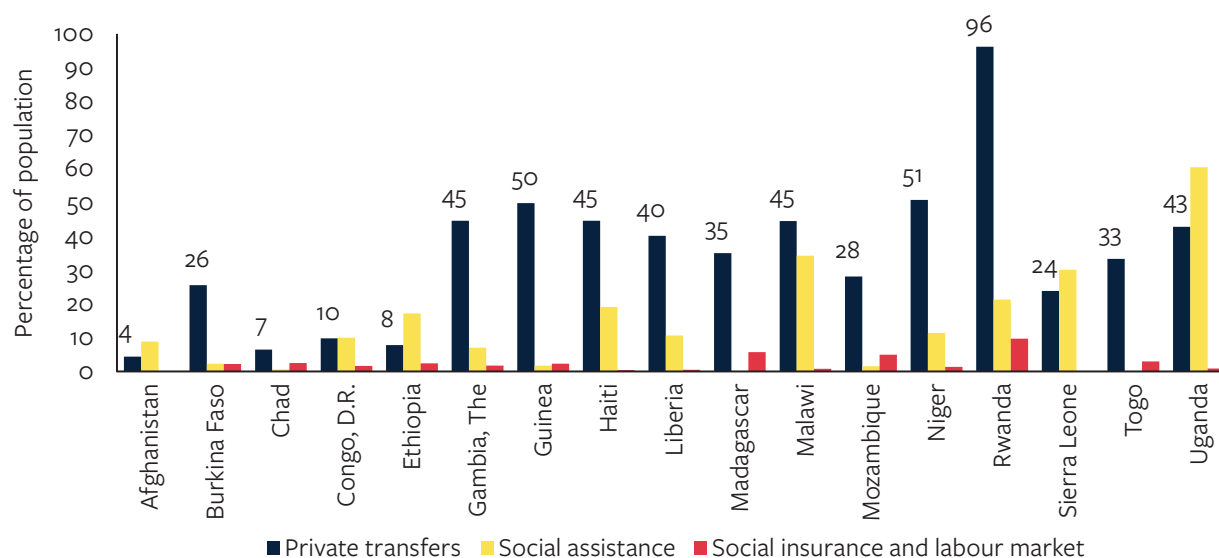
The paper follows in turn the ‘country income group’ classification by the World Bank for 2020. The profiling starts with LICs, then moves to LMICs and to UMICS.

2 Low-income countries

2.1 Coverage and scale

ASPIRE data that has positive values for private transfers is seen in 17 low-income countries. These are shown in Figure 1, ordered alphabetically. As noted in earlier research (Evans et al., 2020), Rwanda stands out from these countries with 96% of the population living in households receiving private transfers, but seven other countries have coverage rates of over 40%. The telling comparison is with coverage by public transfers, in which every country bar four – Uganda, Sierra Leone, Ethiopia and Afghanistan – has higher coverage rates from private transfers than from public transfers (social assistance in all cases). Social assistance takes very different forms across these four countries, being dominated by in-kind benefits (e.g. Afghanistan) or public works (e.g. Ethiopia).

Figure 1 Coverage of population by transfer type



Note: Levels of social assistance coverage for Uganda shown in ASPIRE seem high.

Source: Author's calculations from ASPIRE data

Looking across this selection of 17 low-income countries, we can see how average coverage rates compare between private and public transfers. But we need to account for population size in any country-based results and see both averages across country-level aggregates and population-weighted averages across the sample of 17 very differently sized countries.

Table 2 Average coverage across 17 low-income countries (percentage of population)

	Private transfers	Social assistance	Social insurance	Labour market
Average of national coverage rates	34.6	15.8	1.9	3.6
Population weighted average	23.8	15.9	1.7	0.5

Source: Author's calculations from ASPIRE data and UNDESA population estimates for 2019

The average coverage across these 17 countries for private transfers differs considerably if you compare the simple mean to the population weighted mean – for example, Rwanda's weight as a small country relative to Ethiopia and the Democratic Republic of the Congo's (DRC) weight as large countries in population size is indicative of the adjustment for African countries. Private transfers cover around a quarter (23.8%) of the population in these LICs, which is far above any single formal social protection programme, or even the sum of their coverage.

Coverage of the population is just one measure of the scale of private transfers, but it is dominant in SDG 1.3, which sets targets based on population coverage. The other indication of scale is the size of the overall national spend on transfers. As noted above, data on coverage and transfer values (discussed below) allows us to compare the aggregate expenditures of transfers between public and private sources. This is reported as a percentage – with aggregate private transfer spending expressed as a multiplier of aggregate public spending.

Table 3 shows results for the selection of LIC countries that have data from ASPIRE and from ILO tables on social protection spending as a percentage of GDP within the past 10 years. In this and all following tables, we show countries with higher spending on private transfers compared to public in red and – while absent in this table – countries with the opposing ratio in yellow in later tables.

Table 3 Private transfers: relative aggregate spending and percentage of GDP

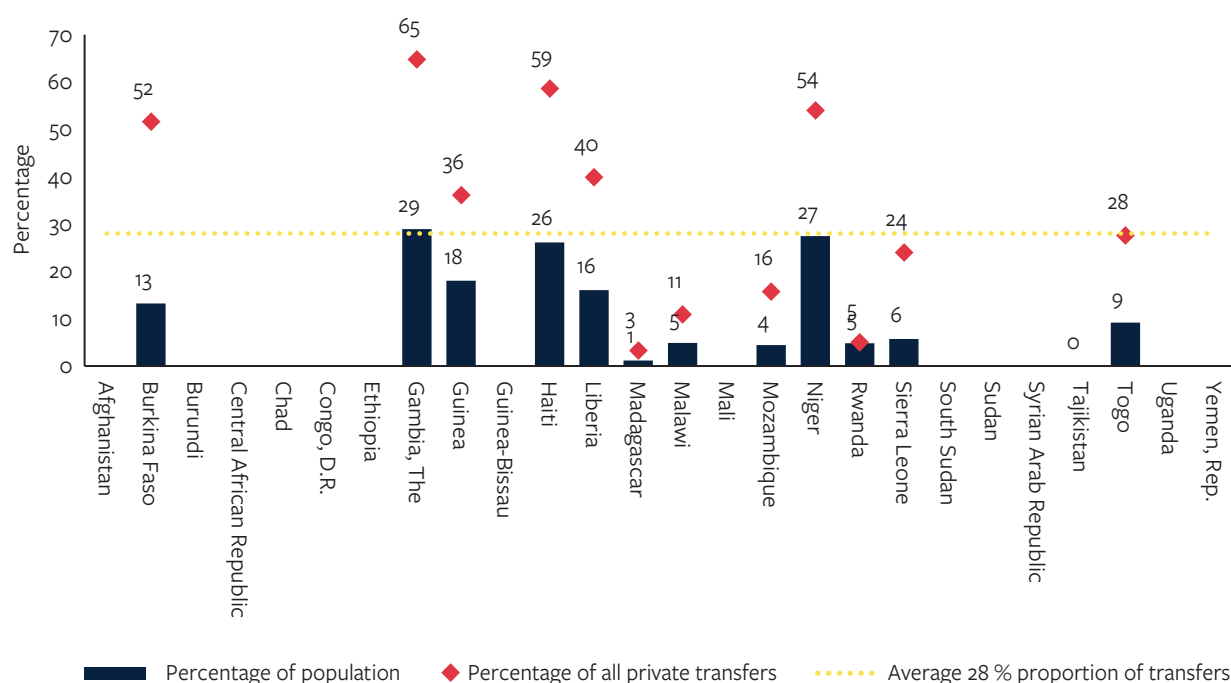
Country	Private transfer spending as % of public transfers	Private transfers (% of GDP)
Burkina Faso	206	5.4
Chad	208	0.8
Mozambique	208	4.2
Rwanda	266	2.9
Togo	279	5.9

Source: Author's calculations from ASPIRE data and UNDESA population estimates for 2019

It is wise not to place too much emphasis on the precision or certainty of these estimates, but they are suggestive that, in the five countries, the overall scale of private transfers is at least double to three times that of public transfers. With government expenditure on social protection low compared to the GDP of this poorest group of countries, this means that between 1% and 6% of national GDP is spent on private transfers – the majority of which are domestic transfers.

The high spending on private transfers may not actually be national spending but may represent, in part, the inflow of international remittances. Figure 2 shows how far private transfers represent international transfers/remittances. Missing data for many of the countries highlights some of the caveats of ASPIRE discussed earlier. International transfers make up the majority of private transfers in Burkina Faso, Gambia, Haiti and Niger, with proportions of between 52% and 65%. Even in countries with a majority of international transfers, domestic transfers make up at least a third of all private transfers. But other countries have very small levels of international transfers: at one end of the spectrum, Rwanda and Madagascar have just 5% and 3% of all private transfers from international sources, respectively. The yellow dotted line in Figure 2 represents the average (population weighted) 28% proportion of private transfers that are international remittances in countries where these are reported. Readers should also bear in mind that some households may receive both international and domestic transfers, and this is not recorded in ASPIRE data.

Figure 2 International private transfers in LICs



Note: Population weighted.

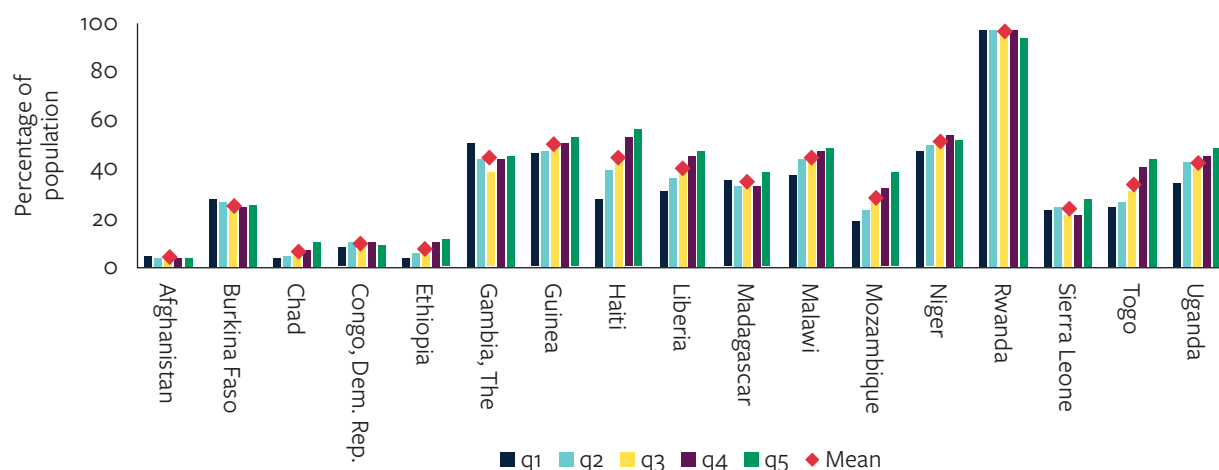
Source: Author's calculations from ASPIRE data

2.2 Distributional incidence

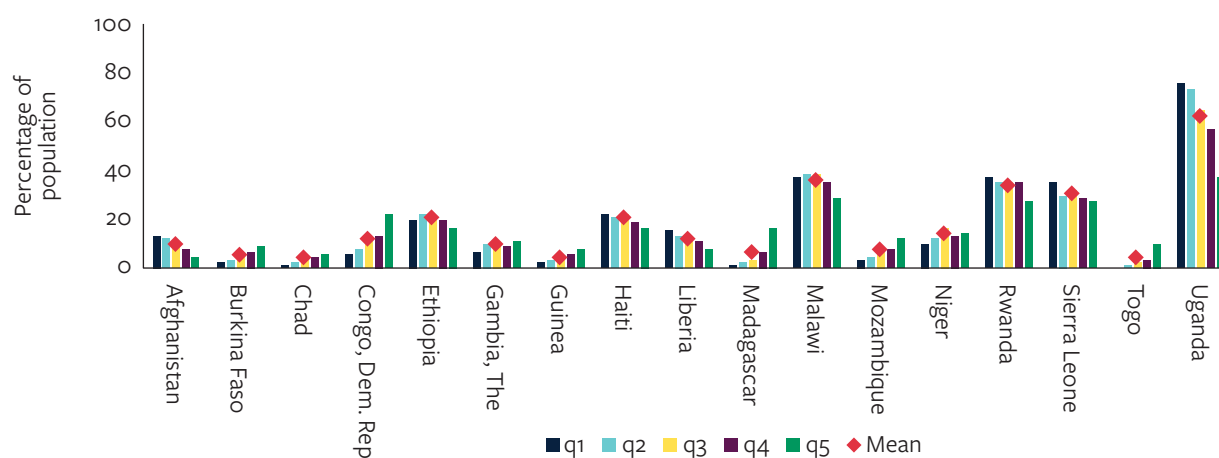
How far is coverage of private transfers spread equitably across poorer and richer households, and how does this compare to public transfers? To provide a simple summary answer we join all three forms of public social protection (social assistance, social insurance and labour market) into a combined total for coverage, and compare this to private transfers. Figure 3 shows population coverage of each quintile ranked left to right in ascending order. Each national profile of quintile coverage is thus visualised as a ‘comb’ with five teeth ranked left to right from poorest to richest quintile group: if the comb rises in profile from left to right, the richer households have more coverage and vice versa. The mean coverage rate across the whole population is additionally shown in diamonds for each country to allow readers an ‘eyeball’ interpretation of gradient across the ‘comb’.

Figure 3 Coverage of each quintile population

Private transfers



Public transfers

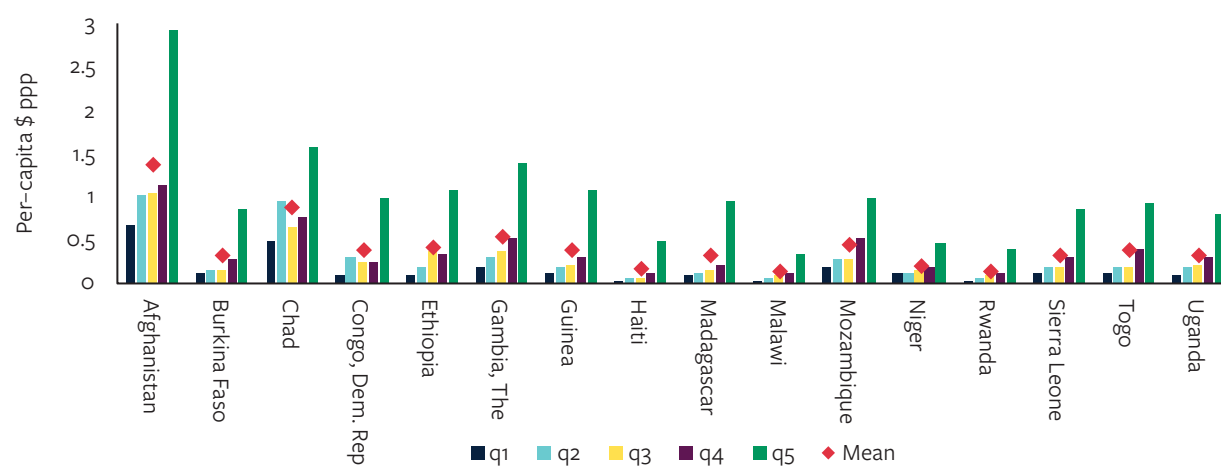
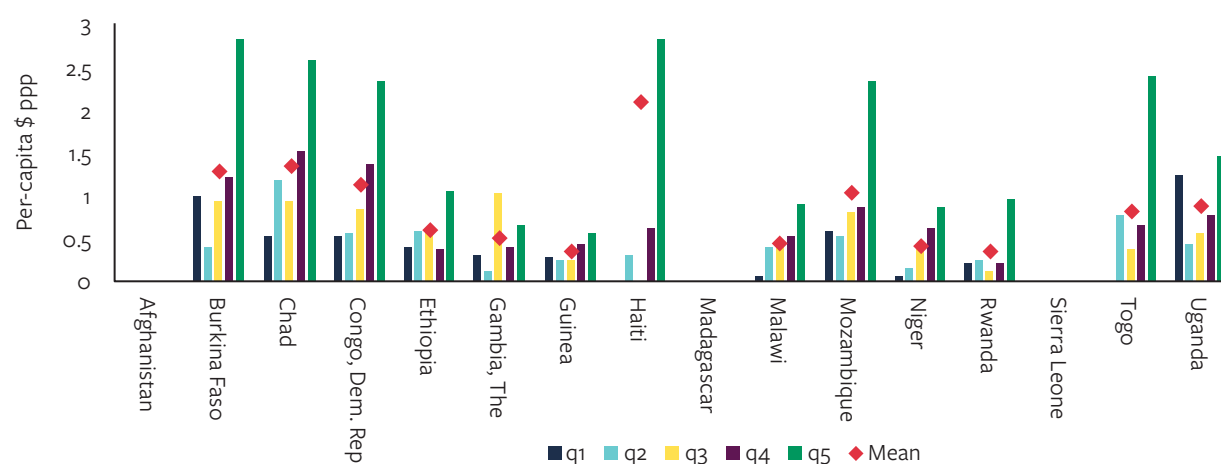


Looking across both graphs in Figure 3, we see that, in 14 out of 17 countries, the overall shape of the comb is pro-rich for private transfers, and in eight out of 17 countries the overall shape is pro-poor for public transfers. The overall headline is that private transfers appear to be regressive in their coverage, while public transfers are more mixed. Table 3 summarises the data shown in Figure 3 by describing each country profile as ‘pro rich’, ‘pro poor’, ‘flat’, ‘u-shaped’ or ‘n-shaped’, allowing us to see if the public to private transfer gradients are similar for each country.

Table 4 Gradient of quintile coverage summaries

	Private transfers	Public transfers
Afghanistan	Flat	Pro-poor
Burkina Faso	Pro-rich	Pro-rich
Chad	Pro-rich	Pro-rich
DRC	Flat	Pro-rich
Ethiopia	Pro-rich	n-shaped
Gambia	u-shaped	Pro-rich
Guinea	Pro-rich	Pro-rich
Haiti	Pro-rich	Pro-poor
Liberia	Pro-rich	Pro-poor
Madagascar	u-shaped	Pro-rich
Malawi	Pro-rich	Pro-poor
Mozambique	Pro-rich	Pro-rich
Niger	n-shaped	n-shaped
Rwanda	Flat	Pro-poor
Sierra Leone	Pro-rich	Pro-poor
Togo	Pro-rich	Pro-rich
Uganda	Pro-rich	Pro-poor

To understand more about the effects on national distributions and overall ‘progressivity’ of private and public transfers, Figure 4 shows a similar profile to Figure 1 but uses the average value of transfers rather than coverage rates for each quintile. Interpretation of gradient profiles is the same as Figure 1. We see that private transfers are pro-rich in 10 out of 17 sample countries, and pro-poor in none. We also see that public programmes are pro-rich in eight out of 17, but pro-poor in seven. This likely reflects the weaker public commitment to social assistance in these countries, and the impact of social insurance on formally employed populations, who will be in the upper parts of the distribution.

Figure 4 Average transfer value by quintile**Private transfers****Public transfers**

Notes: Liberia was dropped as all values were over 10 times higher than for other LICs. No values for public transfers recorded for Afghanistan, Madagascar and Sierra Leone. Value for richest quintile in Haiti is \$9.51, graph truncates at \$3 to allow consistent y-scales.

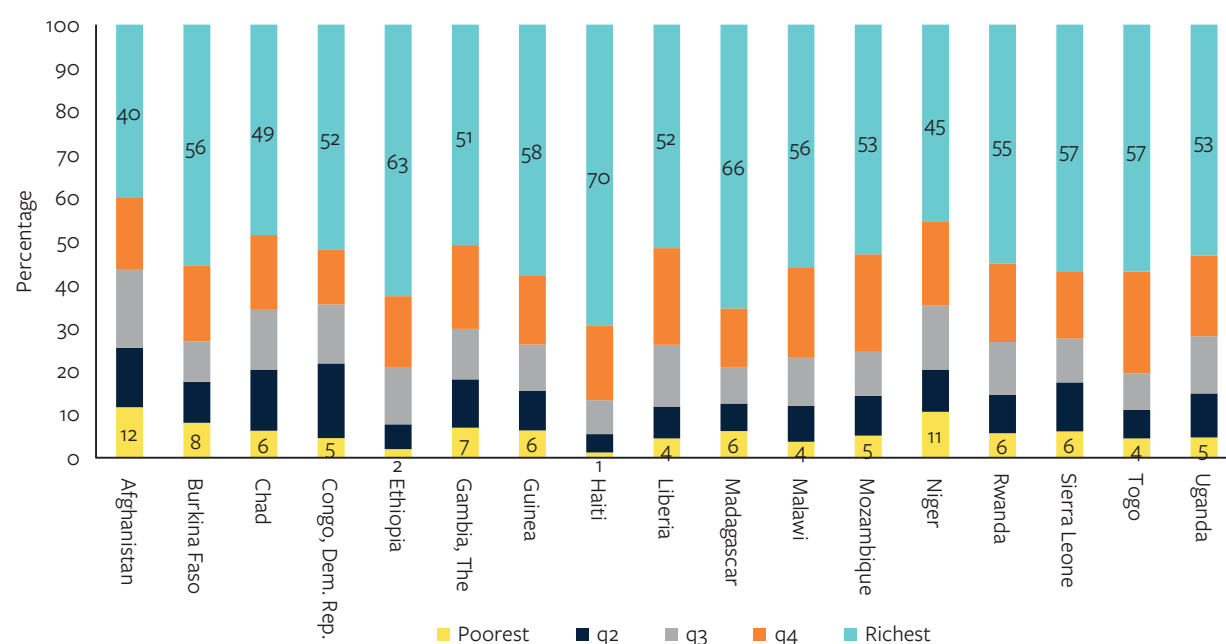
Source: Author's calculations from ASPIRE data

Figure 4 clearly shows that private transfer values are higher for richer quintiles across all 16 LICs. A very similar conclusion comes from values of public transfers, with the richest quintile receiving the highest per-capita transfers in all the sample apart from Gambia, where the highest value went to the third (middle) quintile. But it is unclear how far these profiles are distorted by high-value transfers within private and public systems – in particular there is a clear expectation that international remittances will be higher in value overall, and that social insurance pensions and other contributory benefits will be of greater value than public social assistance.

Figure 4 shows that the proportion of private transfers spending in the country going to each quintile is consistently heavily skewed towards the richer quintiles. Figure 5 shows the extent of such skew across all the countries, and we see that, even in countries that only report domestic quintiles, the richest quintile captures between twice (40% – Afghanistan) and three and a half times (70% – Haiti). In all of these countries, the share of all private transfers going to the poorest quintile is well below 20%, with Afghanistan and Niger having the highest share to the poorest quintile (11–12%) and Haiti and Ethiopia the lowest, 1% to 2% respectively.

Private transfers are clearly regressive across this sample of LICs, even in countries where domestic transfers dominate underlying population coverage, but especially where international remittances additionally benefit the richer quintiles of the population.

Figure 5 Benefit incidence of all private transfers



Source: Author's calculations from ASPIRE data

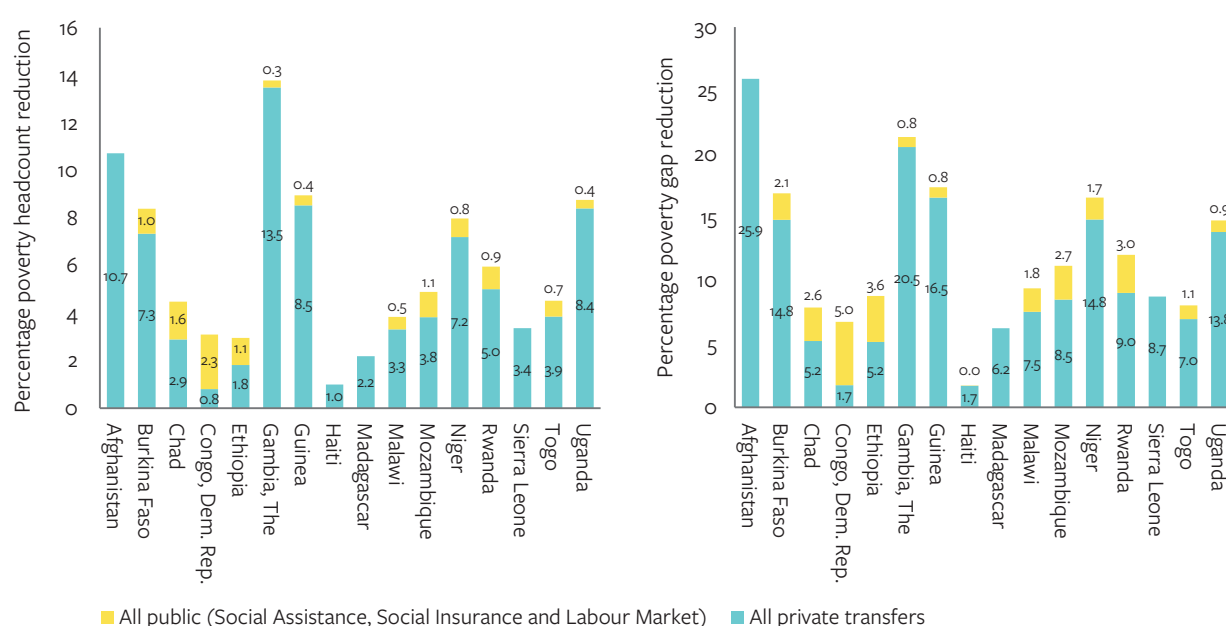
2.3 Poverty reduction

ASPIRE has derived poverty reduction indicators for both headcount and poverty gap reduction. A poverty focus allows a different understanding of redistributive impact than our earlier discussion of quintile-based coverage and transfer values, which provide an overview of the relative distribution of private transfers and underlying inequality in coverage and value. Such a relative profile for low-income countries may be misleading if we want to understand the impact of transfers on poverty, where absolute levels of household welfare may underlie the ability to

meet minimum standards of living. Many of these countries have high absolute poverty levels – and, in some, even being on the median income/consumption level does not guarantee that living standards are over the international ‘extreme poverty’ level of \$1.90 per capita per day in \$PPP.

What role do informal private transfers play in poverty reduction, and how does this compare to public transfers? Figure 6 shows the contribution that private and public transfers (social insurance and social assistance) make to poverty reduction: both in reducing the number of people who are poor (headcount reduction) and in the ‘depth of poverty’ of the poor (poverty gap reduction).

Figure 6 Poverty-reduction effect of transfers



Source: Author's calculations from ASPIRE data

Figure 6 demonstrates that private transfers play a significant role in poverty reduction despite their regressive nature. Indeed, they play a larger role in poverty reduction than public transfers in every low-income country in the ASPIRE database where we can observe both. The poverty headcount (the proportion of the population living in households where per-capita welfare is below \$1.90 per day PPP) falls most due to private transfers in Gambia (13.7%) and Afghanistan (10.7%), and least in the DRC (0.8%), Haiti (1%) and Ethiopia (1.8%). The only country where public transfers reduce extreme poverty headcount more than private transfers is DRC.

Figure 6 also shows the level of reduction from private transfers in the poverty gap (the depth of poverty of the poor – the difference between their level of household welfare and the poverty line). Private transfers clearly make the poor less poor across all the ASPIRE country sample, with reductions in the extreme from 25.9% in Afghanistan and 20.5% in Gambia down to just 1.7% in both Haiti and DRC.

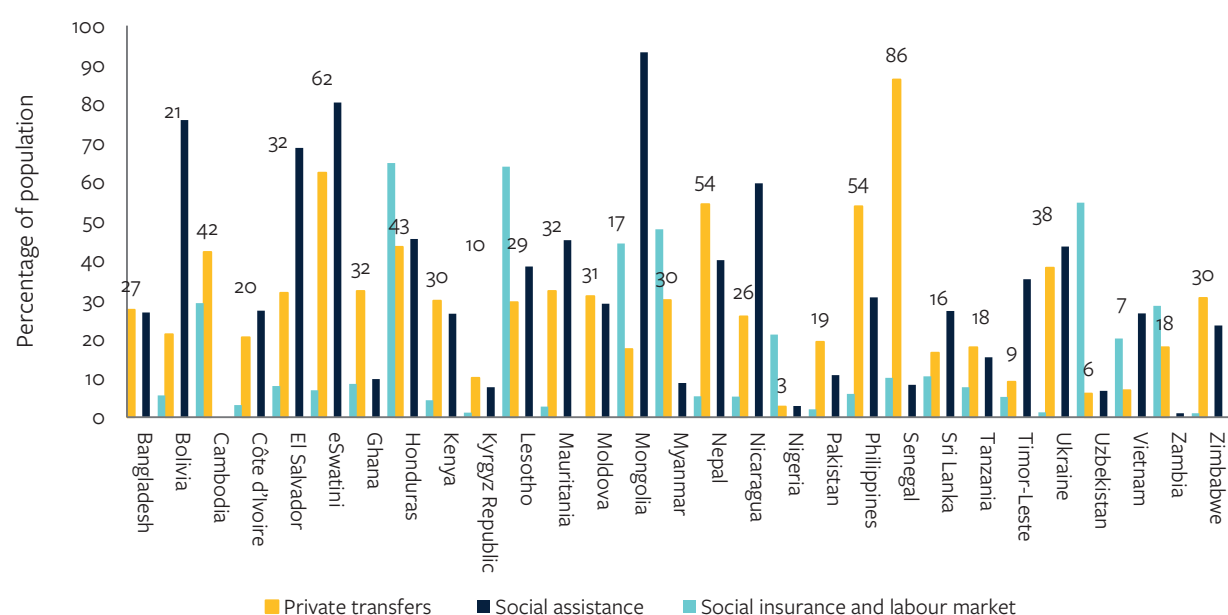
3 Lower-middle-income countries

Our sample of LMICs from ASPIRE data is larger than for LICs: 27 countries have data on private transfers compared to 16 in the LIC sample.

3.1 Coverage and scale

Figure 7 shows that there is a very large range in the coverage of national populations by private transfers – from 86% in Senegal and 62% in eSwatini at the upper bounds to 3% in Nigeria and 6% in Uzbekistan. When weighted by population, Table 5 shows the coverage rate for this selection of LMICs is 46.7%, double the rate for the selection of LICs. Importantly, much higher coverage is also seen for public transfers – with social assistance covering on average 38.1% when weighted for population size, and a further 18.5% for social insurance and 5.5% for labour market programmes. This means that higher coverage from private transfers is occurring alongside expanded coverage by formal social protection transfers.

Figure 7 Coverage of population by transfer type



Source: Author's calculations from ASPIRE data

Table 5 Average coverage across lower-middle-income countries (percentage of population)

	Private transfers	Social assistance	Social insurance	Labour market
Average of national coverage rates	26.5	31.3	12.6	3.3
Population weighted average	46.7	38.1	18.5	5.5

Source: Author's calculations from ASPIRE data

Turning to look at the scale of spending on private transfers across these LMIC countries, there is a sub-set of 23 countries where data allows relative spending on private and public transfers to be identified and an estimate made of the size of expenditure on private transfers relative to GDP. Table 6 shows the results and indicates in the yellow highlighted rows those countries that have higher overall spending in public transfers compared to private: six out of 23 countries spend less on private compared to public transfers. The remaining 18 countries follow the trend shown earlier for LICs, where spending on private transfers is on average two to three times that on public transfers. There is understandably a considerable range, with Moldova, Sri Lanka and Uzbekistan having ratios at or near to parity (1:1), and Myanmar, Senegal and Zambia having ratios of five to six times the level of public transfers. There can be a range of underlying reasons for differences in coverage; from very small public expenditure on transfers (e.g., Zambia) to instances of high levels of international transfers (e.g., Philippines). More detailed country-level research is needed to unpick and validate these summary data.

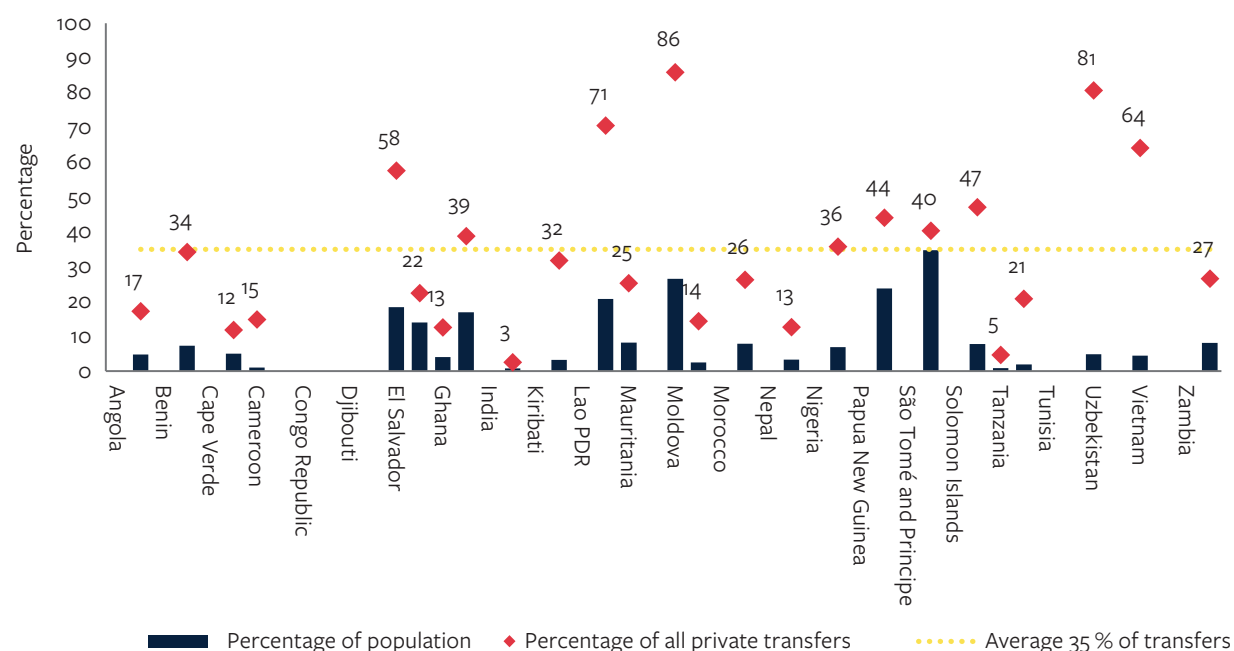
Table 6 Aggregate national spending on private transfers

	Private transfer spending as % of public transfers	Private transfers as % of GDP
Bangladesh	238	1.9
Bolivia	30	2.4
Cameroon	174	2.3
Côte d'Ivoire	145	3.2
El Salvador	210	8.0
eSwatini	221	9.9
Ghana	325	7.5
Honduras	243	2.7
Kyrgyzstan	15	2.4
Lesotho	94	1.9
Moldova	100	13.2
Mongolia	19	2.5
Myanmar	653	5.9
Nigeria	197	3.3
Pakistan	328	6.6
Philippines	361	5.0
Senegal	645	16.8
Sri Lanka	110	2.0
Tanzania	156	3.7
Ukraine	11	2.2
Uzbekistan	103	11.8
Vietnam	38	2.4
Zambia	560	5.6

Source: Author's calculations from ASPIRE data and ILO (2017: Table B.17)

Figure 8 shows how far private transfers represent international transfers/remittances in LMIC countries. On average, international transfers make up 35% of all private transfers – a rate higher than for LICs (28% – see Figure 1). Countries on the periphery of major regional economies have high levels of international remittances. Over 80% of all private transfers in Moldova and Uzbekistan are from international remittances (from migrant workers in Russia in many cases), and many countries in the sample have proportions between a third and two-thirds where out-migration of workers to the Gulf states (from South Asian countries), South Africa (from southern African countries) and to the United States (from Central American countries) underlie remittance flows. Two East African countries, Kenya and Tanzania, show very small proportions of informal private transfers from abroad: just 3% and 5% respectively. Readers should also bear in mind the caveats discussed earlier in relation to Figure 1.

Figure 8 International private transfers in LMICs

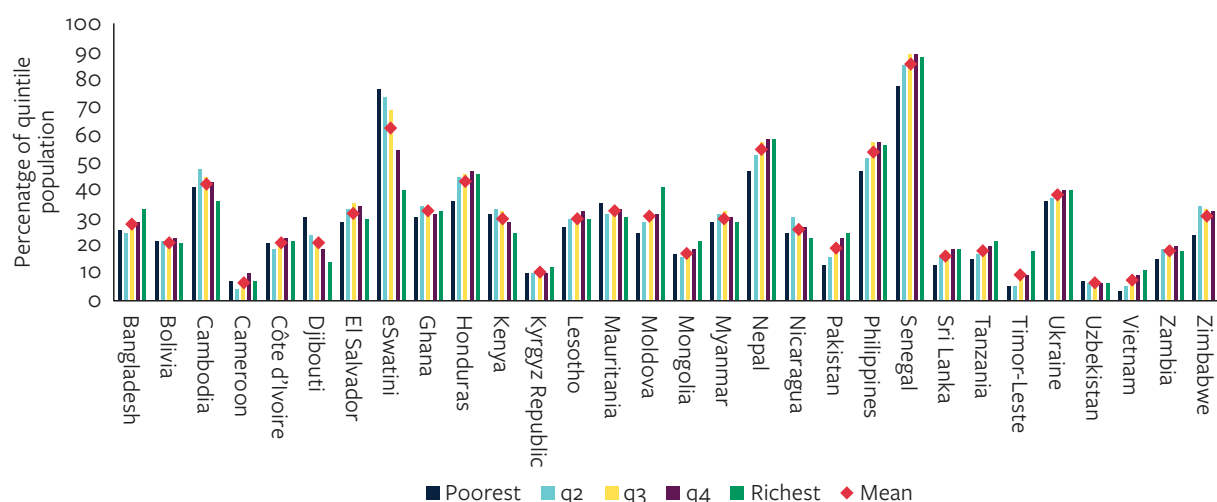
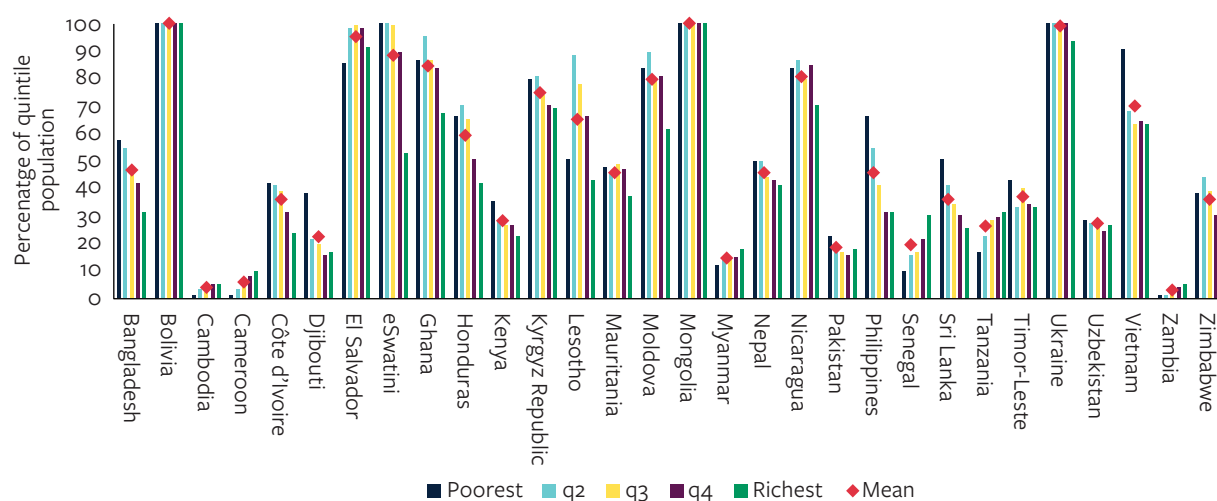


Note: Population-weighted averages. Nigeria dropped as only international transfers seem to be present in ASPIRE country data.

Source: Author's calculations from ASPIRE data

3.2 Distributional incidence

Population coverage from private transfers in LMICs remains inequitable, as with LICs. Figure 9 shows the quintile population coverage in the form of 'combs', as described earlier in Figure 3. LMIC countries in the ASPIRE sample have a 'pro-rich' coverage for private transfers in 15 out of 30 countries, and a 'pro-poor' profile in just four. The contrast with public transfers appears to be greater in this selection of LMICs compared to LICs in Figure 3. Public transfers are more equitable than private ones.

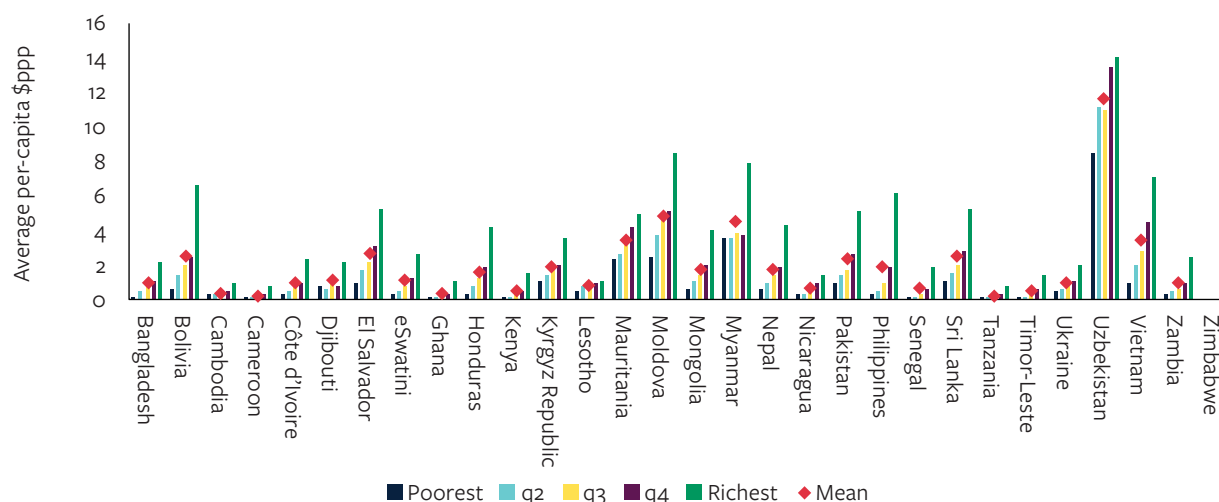
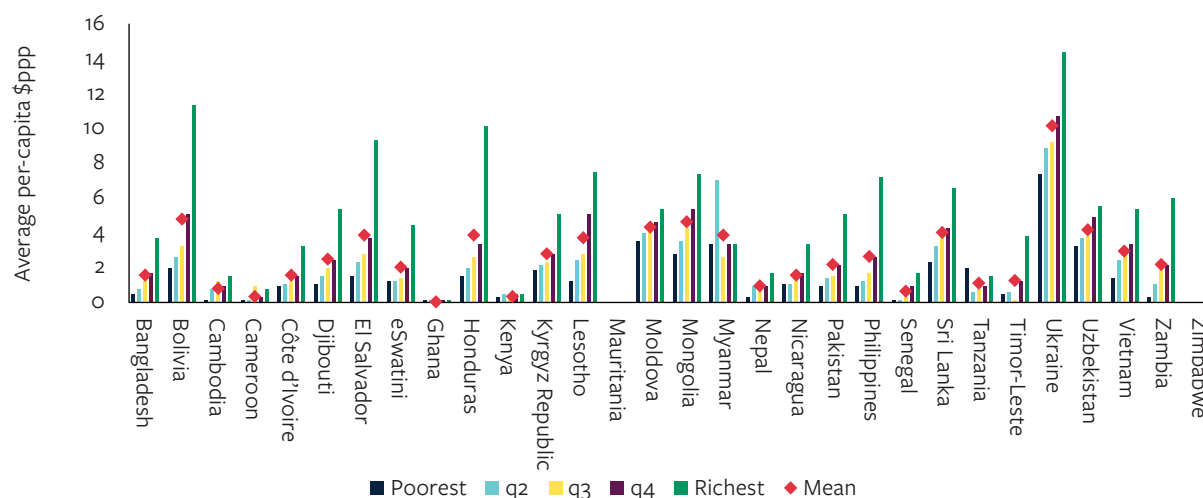
Figure 9 Coverage of each quintile population**Private transfers****Public transfers**

Source: Author's calculations from ASPIRE data

Sixteen out of 30 countries have pro-poor profiles, while five have pro-rich profiles for population coverage. Some countries show 'universal' coverage, with close to 100% of each income quintile of the population covered. The ASPIRE definition of social assistance includes price subsidies as well as transfers that are likely to go to high proportions of the population (such as child benefits in high-fertility countries). Table 7 gives a summary comparison of coverage equity profile across private and public transfers and suggests that public transfers are more consistently in place across the income distribution in LMICs, and increasingly 'counter' the pro-rich incidence of private transfers.

Table 7 Summary gradient of quintile population coverage

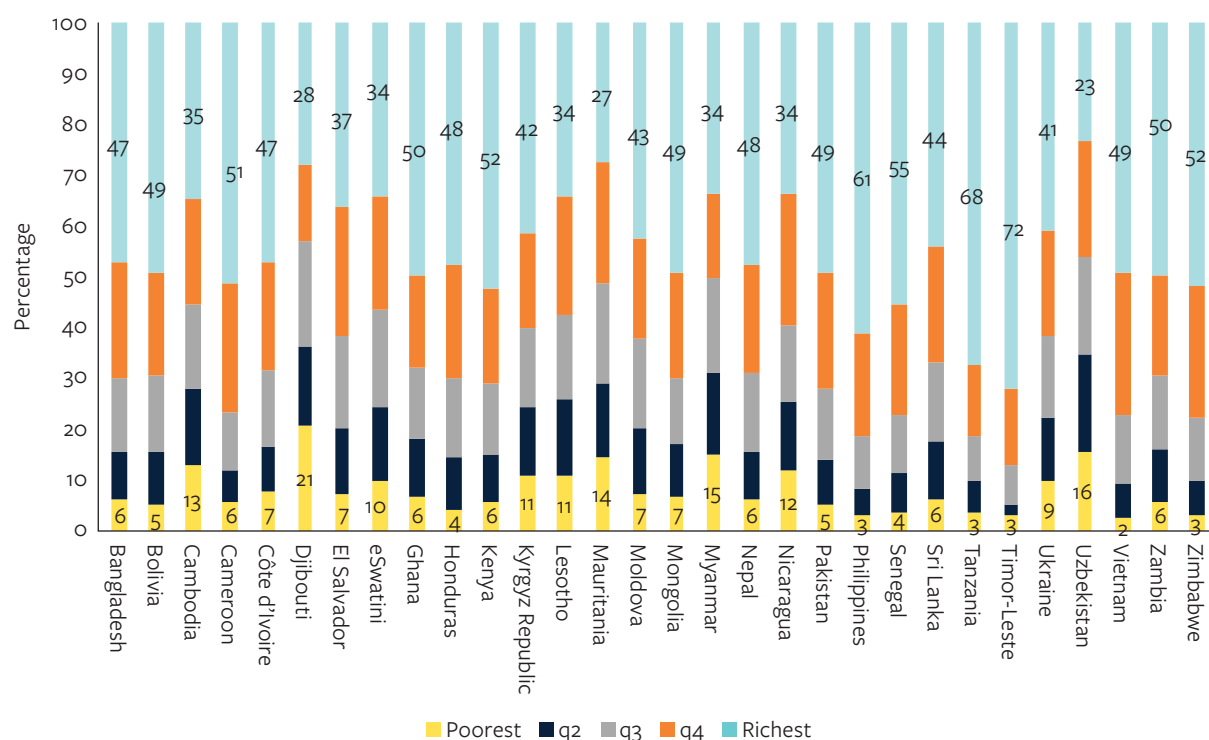
	Private transfers	Public transfers
Bangladesh	Pro-rich	Pro-poor
Bolivia	u-shaped	Flat
Cambodia	n-shaped	Pro-rich
Cameroon	u-shaped	Pro-rich
Côte d'Ivoire	u-shaped	Pro-poor
Djibouti	Pro-poor	Pro-poor
El Salvador	n-shaped	n-shaped
eSwatini	Pro-poor	Pro-poor
Ghana	n-shaped	n-shaped
Honduras	Pro-rich	Pro-poor
Kenya	Pro-poor	Pro-poor
Kyrgyzstan	Flat	Pro-poor
Lesotho	Pro-rich	n-shaped
Mauritania	Pro-poor	Pro-poor
Moldova	Pro-rich	Pro-poor
Mongolia	Pro-rich	Flat
Myanmar	n-shaped	Pro-rich
Nepal	Pro-rich	Pro-poor
Nicaragua	n-shaped	n-shaped
Pakistan	Pro-rich	Pro-poor
Philippines	Pro-rich	Pro-poor
Senegal	Pro-rich	Pro-rich
Sri Lanka	Pro-rich	Pro-poor
Tanzania	Pro-rich	Pro-rich
Timor-Leste	Pro-rich	Pro-poor
Ukraine	Pro-rich	Pro-poor
Uzbekistan	Flat	Pro-poor
Vietnam	Pro-rich	Pro-poor
Zambia	Pro-rich	Pro-rich
Zimbabwe	n-shaped	n-shaped

Figure 10 Transfer value per quintile**Private transfers****Public transfers**

Source: Author's calculations from ASPIRE data

Figure 10 confirms that inequitable coverage of private transfers is reinforced by higher-value transfers also going to the richer quintiles across all of the LMIC countries. Figure 10 also shows that public transfers to richer quintiles are of higher value in all countries in the ASPIRE sample apart from Myanmar. This finding downplays the overall equity implications of solely interpreting impacts from greater coverage of public transfers across quintiles as shown in Figure 9.

When coverage and value are considered together and benefit incidence calculated (the proportion of all national 'expenditure' on transfers by quintile), Figure 11 shows that there is a definitive regressive profile for all private transfers in the LMICs represented in ASPIRE. On average, 46% of all private transfer spending in these LMICs goes to the richest quintiles, and 7% to the poorest.

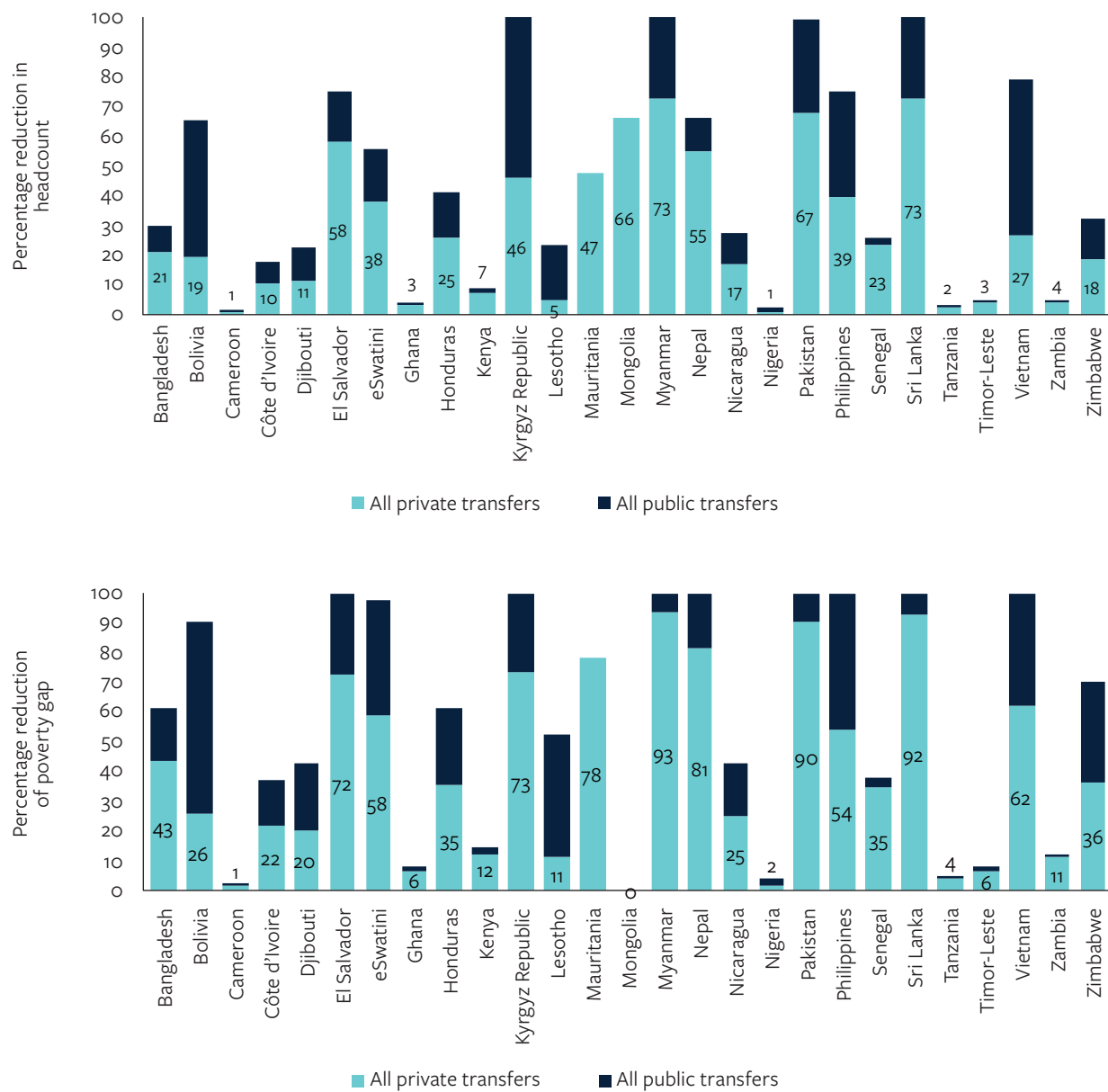
Figure 11 Benefit incidence of private transfers

Source: Author's calculations from ASPIRE data

3.3 Poverty reduction

The poor progressivity of private transfers and the concentration in the higher parts of countries' income distribution does not mean that they have a negligible impact on poverty reduction.

Figure 12 shows that, in many LMICs, private transfers do more to reduce poverty than public transfers. Only in Bolivia, Kyrgyzstan, Lesotho and Vietnam is the role of public transfers in poverty reduction greater than that of private transfers. Figure 12 also shows the contribution to reducing the poverty gap and this reflects the volume of transfers of both kinds that go to poor households, without necessarily having the effect of taking them over the poverty line. Only in Bolivia and Lesotho do public transfers have a greater effect on poverty gap reduction than private transfers.

Figure 12 Poverty reduction effect of transfers

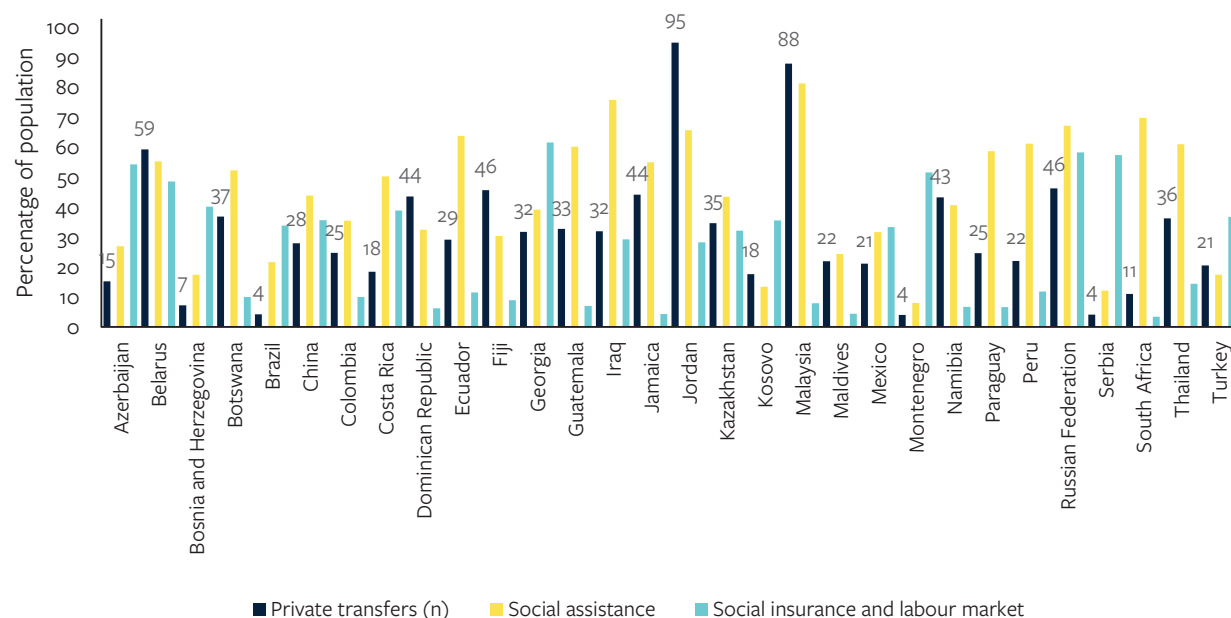
Source: Author's calculations from ASPIRE data

4 Upper-middle-income countries

4.1 Coverage and scale

There are 30 UMIC countries represented in ASPIRE that have data on ‘private transfers’ over the most recent 10 years. Figure 13 shows these countries and the coverage of the population of private transfers, social assistance, and other social protection (social insurance and labour market shown together). Private transfers cover over half the population in only Belarus (59%), Jordan (95%) and Malaysia (88%). Table 8 summarises coverage rates across all 30 countries using both country-level rates and population-adjusted rates for all transfer types. On average, private transfers have a lower population coverage than social assistance under any measure of the average. Private transfers have a lower level of coverage even compared to social insurance when population weighted averages are used in addition. The presence of China and its huge population share of these 31 countries does not affect these results. This means that, while private transfers still cover large and significant population shares at over a quarter of the population (on average between 26.9% and 30.4%), public transfers cover more across these 30 UMIC countries. Social assistance covers between 44.1% and 44.8% of the population, and social insurance covers between 23.4% and 32.8% of the population on average – with differences arising from population weighting assumptions.

Figure 13 Coverage of population in UMICs by transfer type



Source: Author's calculation from ASPIRE data

Table 8 Average coverage across upper-middle-income countries (percentage of population)

	Private transfers	Social assistance	Social insurance	Labour market
Average of national coverage rates	30.4	44.1	23.4	2.4
Population weighted average	27.5	44.6	32.8	0.9
Population weighted average without China	26.9	45.8	28.2	2.3

Source: Author's calculations from ASPIRE data

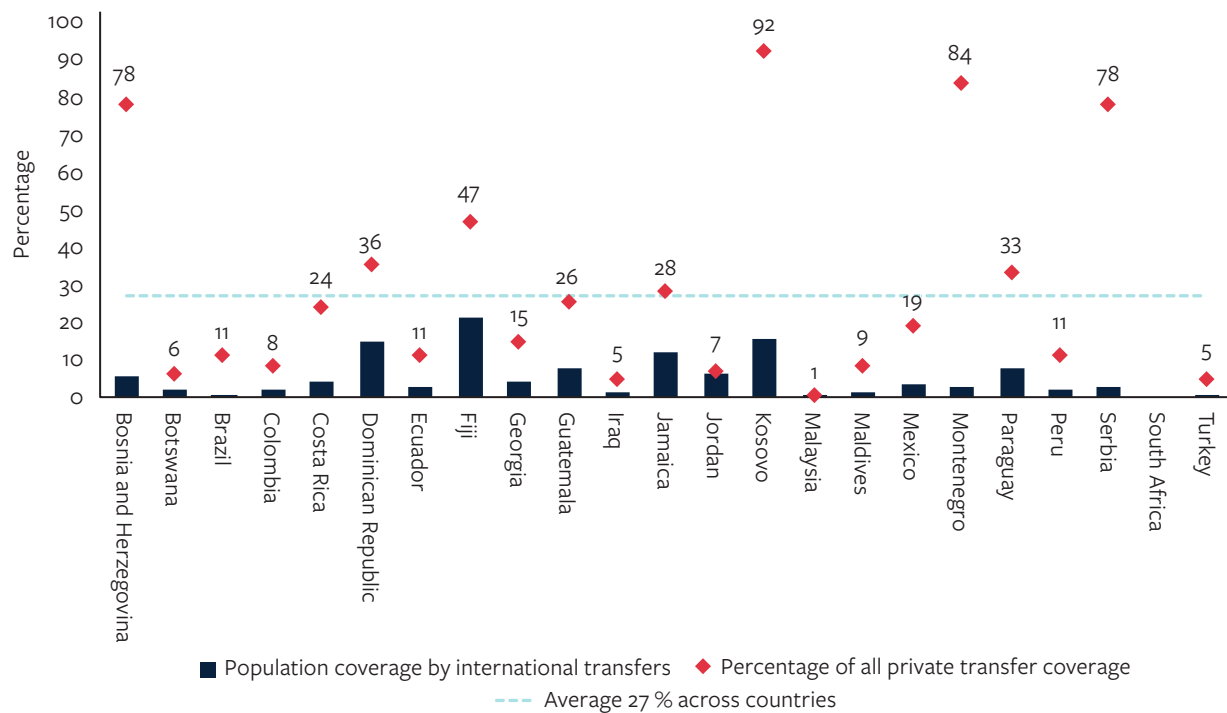
Table 9 shows results for estimates of the scale of private transfers when calculated as a percentage of all spending on public transfers and as a percentage of GDP. The earlier caveats about data for these estimates apply. The shading of the 23 countries shows whether spending on private transfers is more red or less yellow than on private transfers, and it is clear that, compared to the earlier tables for LICs and LMICs, the majority of the UMIC sample show a large majority where private transfer spending is lower than public transfers.

Table 9 Aggregate national spending on private transfers in UMICs

	Private transfer spending as % of public transfers	Private transfers as % of GDP
Azerbaijan	1	0.12
Belarus	20	2.16
Brazil	3	0.58
China	20	0.83
Colombia	29	3.76
Costa Rica	16	2.53
Dominican Republic	234	13.32
Ecuador	68	0.54
Fiji	360	7.56
Georgia	139	13.47
Guatemala	130	5.45
Jamaica	319	8.93
Jordan	68	4.35
Kazakhstan	17	0.78
Malaysia	99	1.39
Mexico	32	1.42
Namibia	59	2.43
Paraguay	150	6.47
Peru	59	3.63
Russia	15	2.47
Serbia	4	0.82
Thailand	166	6.81
Turkey	17	1.68

Source: Author's calculations from ASPIRE data and ILO (2017: Table B.17)

There are just seven out of 23 UMICs where private transfer expenditure is greater than public social protection transfers.

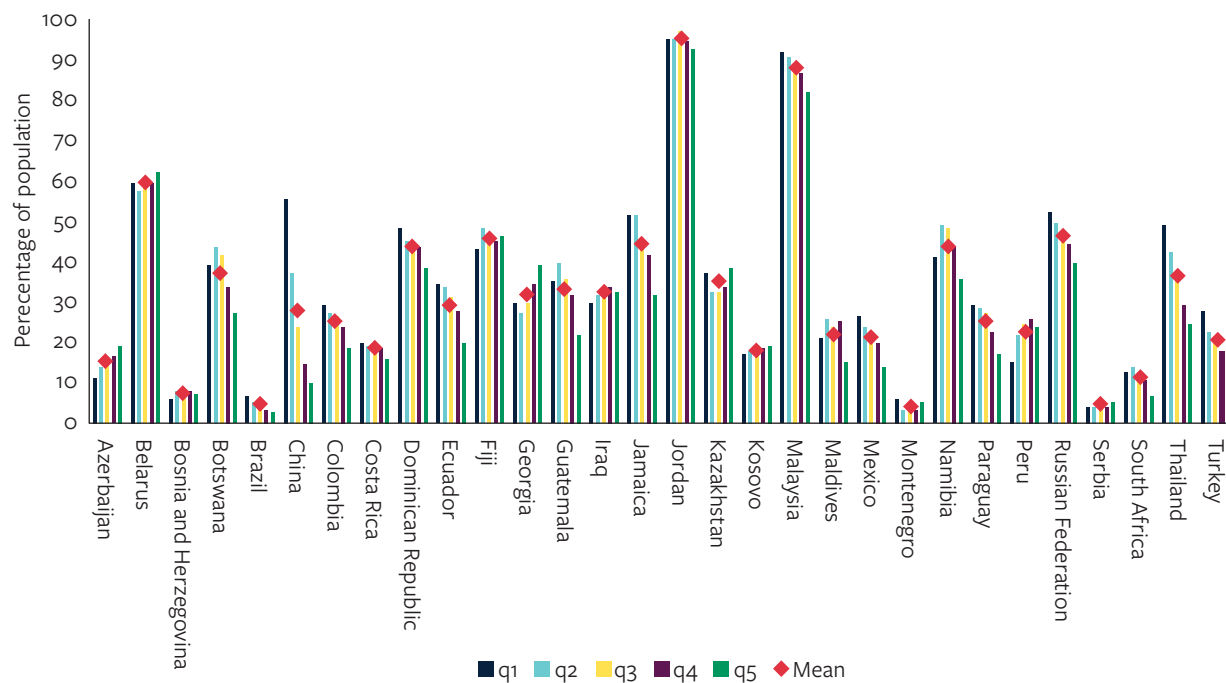
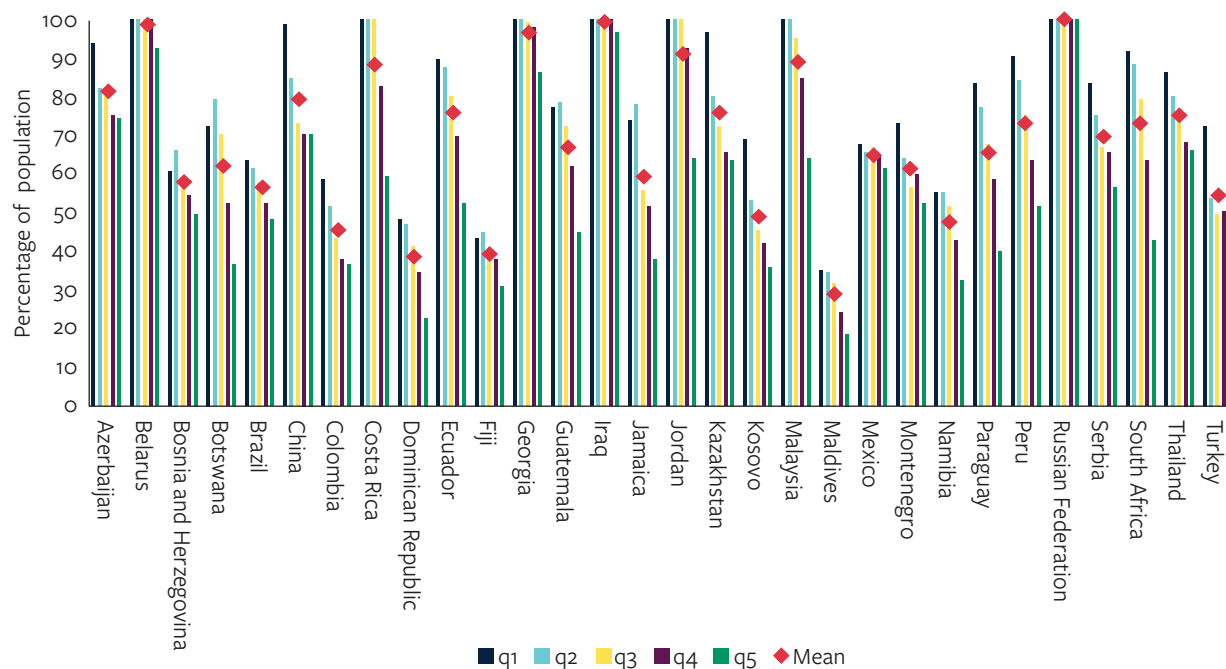
Figure 14 International private transfers

Source: Author's calculations from ASPIRE data

Figure 15 shows the level of population coverage assigned to international transfers across the 30 UMIC countries recording such transfers in ASPIRE. Population coverage in this sample is on average 6%, and international transfers make up, on average, 27% of all private transfers, with the highest proportions in the Balkan states of Bosnia and Herzegovina, Kosovo, Montenegro and Serbia – perhaps a reflection of recent migration from conflict-related state formation in the area.

4.2 Distributional incidence

Figure 15 shows the coverage of private and public transfers per income quintile for each UMIC country. Quintile population coverage in the form of 'combs' are shown as described earlier. Table 10 summarises the visual graphical representation as per previous discussions for LICs and LMICs. In terms of coverage, there is overall a more pro-poor profile across the UMIC countries for private transfers: 15 out of the 30 countries are 'pro-poor' in population coverage. For public transfers the figure is 28 out of the 30 countries. Compared to LICs and LMICs, there appears to be greater access to and provision of public transfers by the lower parts of the income distribution, probably a result of greater access to social assistance and also a more pro-poor profile for private transfers. As the samples are not representative, this would need confirmation by more detailed research.

Figure 15 Coverage of each quintile population**Private transfers****Public transfers**

Source: Author's calculations from ASPIRE data

Table 10 Summary gradient profiles of quintile population coverage

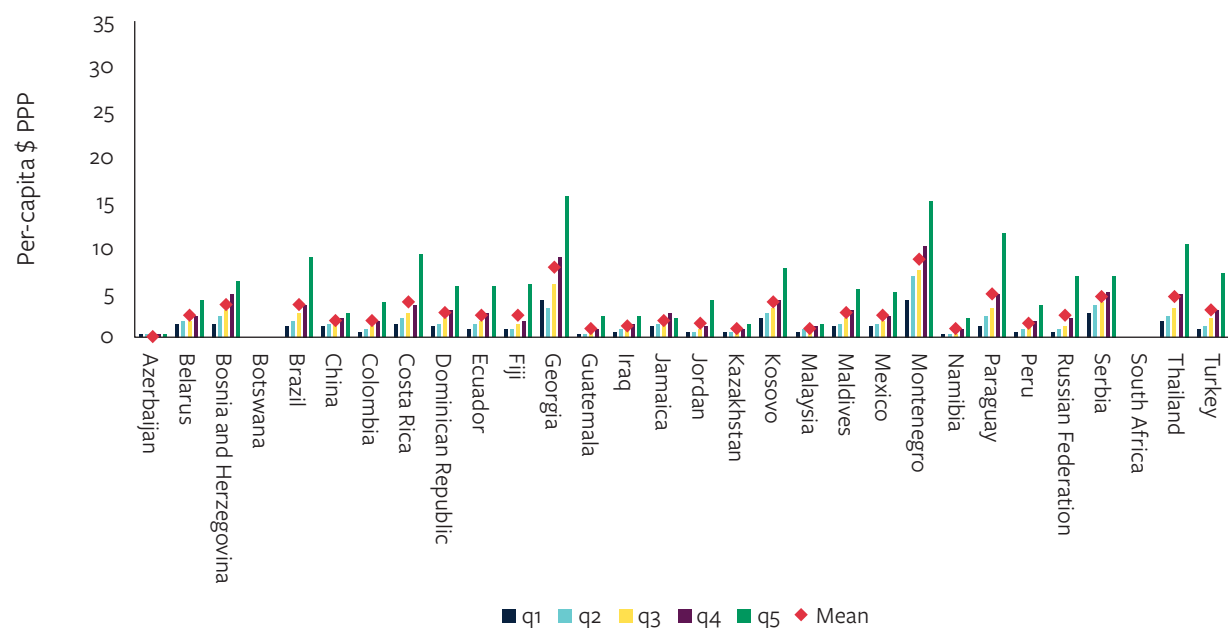
	Private	Public
Azerbaijan	Pro-rich	Pro-poor
Belarus	u-shaped	Pro-poor
Bosnia and Herzegovina	Pro-rich	Pro-poor
Botswana	n-shaped	Pro-poor
Brazil	Pro-poor	Pro-poor
China	Pro-poor	Pro-poor
Colombia	Pro-poor	Pro-poor
Costa Rica	Pro-poor	Pro-poor
Dominican Republic	Pro-poor	Pro-poor
Ecuador	Pro-poor	Pro-poor
Fiji	Pro-rich	Pro-poor
Georgia	Pro-rich	Pro-poor
Guatemala	Pro-poor	Pro-poor
Iraq	Flat	Flat
Jamaica	Pro-poor	Pro-poor
Jordan	Flat	Pro-poor
Kazakhstan	u-shaped	Pro-poor
Kosovo	Flat	Pro-poor
Malaysia	Pro-poor	Pro-poor
Maldives	n-shaped	Pro-poor
Mexico	Pro-poor	Pro-poor
Montenegro	Flat	Pro-poor
Namibia	n-shaped	Pro-poor
Paraguay	Pro-poor	Pro-poor
Peru	Pro-rich	Pro-poor
Russia	Pro-poor	Flat
Serbia	Flat	Pro-poor
South Africa	Pro-poor	Pro-poor
Thailand	Pro-poor	Pro-poor
Turkey	Pro-poor	Pro-poor

Figure 16 shows that this greater equity in coverage is not replicated in transfer values: despite the pro-poor shift in coverage in UMICs, the value of private transfers is consistently higher for richer income quintiles across all countries. We also see this pro-rich profile of transfer values for public transfers in UMICs apart from Georgia, where transfer values are flatter across the distribution.

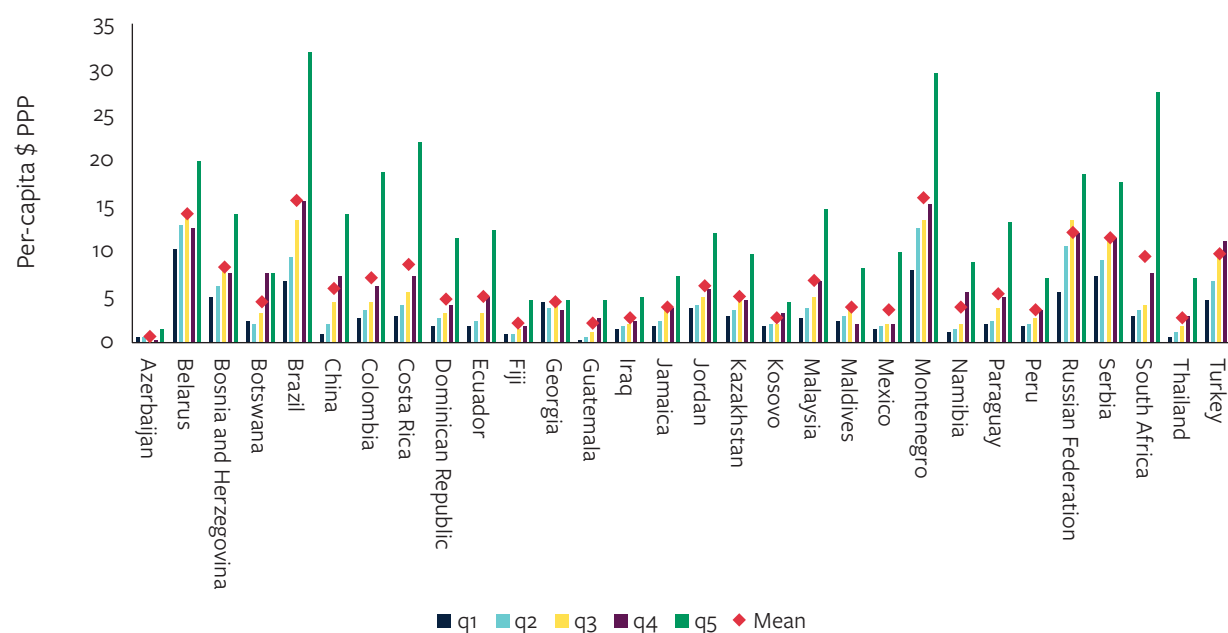
Figure 16 also demonstrates that average values for public transfers are much higher across UMICs than private transfers, representing overall increases in public transfer values compared to LICs and LMICs.

Figure 16 Transfer value per quintile

Private transfers



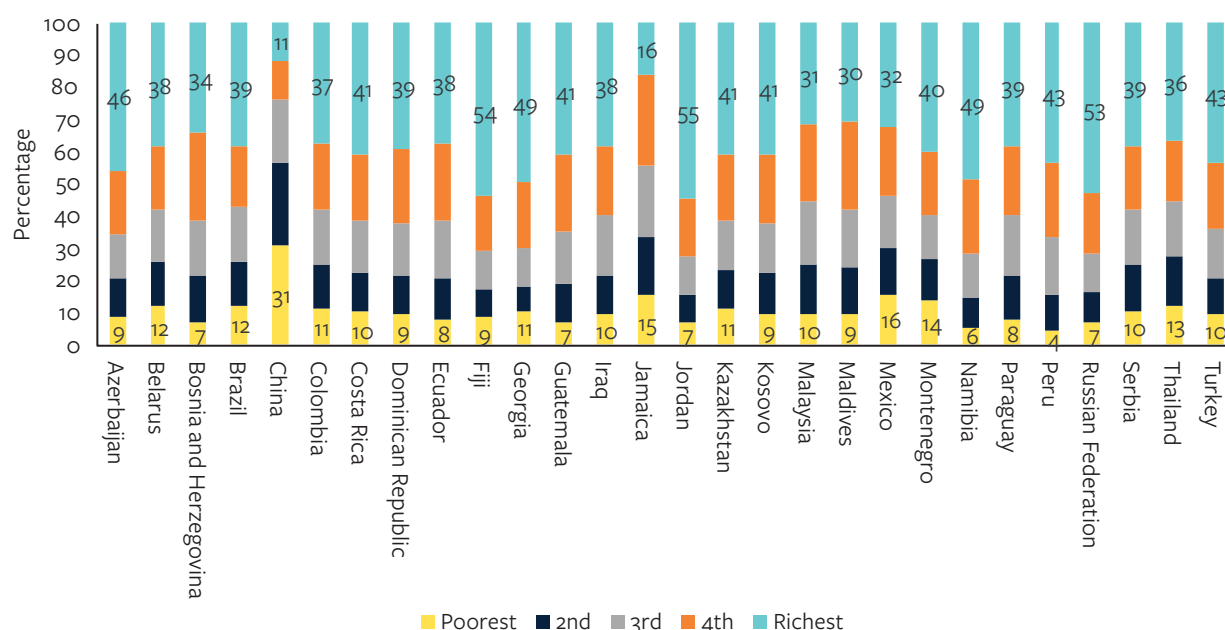
Public transfers



Source: Author's calculations from ASPIRE data

Following the earlier analysis in LICs and LMICs, the overall distribution of all spending on private transfers gives a clear picture of the regressivity of private transfers across the majority of UMICs. The big outlier is China, where over 31% of private transfer spending goes to the poorest quintile and just 11% to the richest. This is a reflection of transfers from urban migrant workers to their elderly parents (and children) in rural areas. If we exclude China and consider the other UMICs, the average percentage of private transfer spending going to the poorest quintile is just 10%, while on average 40% goes to the richest quintile.

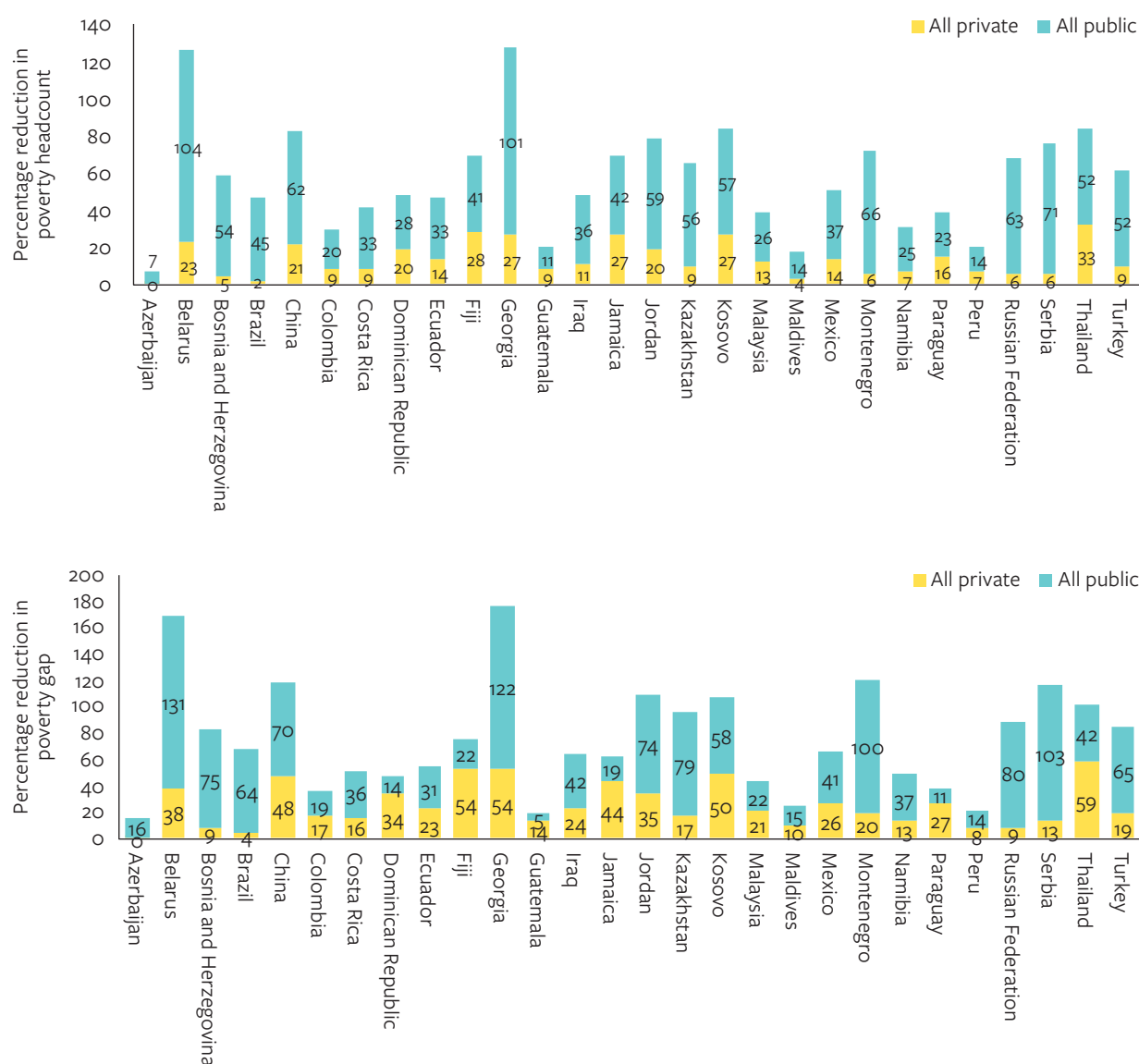
Figure 17 Benefit incidence of private transfers



Source: Author's calculations from ASPIRE data

4.3 Poverty reduction

Capturing the role and scale of private transfers in reducing poverty in UMICs cannot be done in a way that is consistent with the analysis for LICs and LMICs discussed earlier. Poverty rates at the international \$PPP poverty line (\$1.90 per capita per day in purchasing power parity) are too low in many of the UMICs in this sample to allow for interpretable results. If a poverty line based at 20% of poorest people in these countries is used instead, Figure 18 shows that private transfers are playing a lesser role in poverty reduction overall. In all of the countries with data for this measure, we see much larger contributions from public transfers in poverty reduction compared to private transfers. A comparison with earlier results for LICs and LMICs should proceed carefully due to different poverty thresholds, but the overall picture can be seen as supporting the greater coverage of poor by public transfers and higher relative values of public to private transfers shown earlier for UMICs.

Figure 18 Poverty reduction effect on transfers (poverty line set at bottom 20%)

Source: Author's calculations from ASPIRE data

It is not the case that private transfers are insignificant in achieving poverty reduction. Their contribution to poverty headcount reduction ranges from 6% in Montenegro, Russia and Serbia to 33% in Thailand and 27–28% in Fiji, Jamaica, Kosovo and Georgia. Similarly, when considering the reduction effect on poverty gaps (the income gap of poor households compared to the poverty line), public transfers are contributing more to reduction than private transfers across all the UMICs in the database, but private transfers still contribute between 4% and 9% at the lowest margin in Bosnia and Herzegovina, Brazil, Peru and Russia, up to over 59% in Thailand and 54% in Georgia and Fiji.

5 Discussion and conclusions

The prevalence and effects of private transfers are currently under-recognised in discussion of the expansion of formal social protection. Most studies of private informal transfers have focused on their provenance in economic behavioural terms and on their extent and impact, particularly their potential to be ‘crowded out’ by formal public transfers. Recent analysis has also tried to incorporate private transfers (and informal taxes) into fiscal analysis and profiling (Evans et al., 2020; forthcoming). But the evidence on their prevalence and overall impacts on redistribution is still very limited. This paper has attempted to provide a more ‘global’ profiling across low- and middle-income countries. We have used the World Bank’s ASPIRE database to do so, and our first area of discussion relates to the strengths and weaknesses of that data.

The data on private and public transfer incidence in ASPIRE comes from national household surveys that are not entirely consistent. This leads to differences in the underlying detailed data on private and public transfers when it comes to coverage and values. Some surveys cover both national and international private transfers, while others only ask about one of them. This means we can identify all countries in the database that report ‘private transfers’, but then have to rely on a sub-set when it comes to disaggregating between national and international transfers. It also means that the data on the coverage and values of these transfers is not entirely consistent across both those forms of private transfers. The situation on private transfers is similar to issues with the public social protection system, where some surveys will ask solely about receipt without then recording the amounts of transfer received. But these weaknesses in the granularity and consistency of data are outweighed by the contribution that ASPIRE makes to our understanding of headline-level data on the scale, extent and aggregate effects of private transfers – both in their own terms and relative to public transfers – across 76 countries (17 LICs, 29 LMICs and 30 UMICs). Literature reviews on studies of informal transfers identify far fewer national profiles and are also subject to inconsistencies between studies (Cox and Fafchamps, 2008).

The findings from this analysis are suggestive rather than conclusive. The selective capture of countries by ASPIRE, as well as the differences in reporting across the past 10 years within the database, mean that it is inappropriate to suggest certainty or representativeness. Even so, despite the limitations of data we can clearly put forward several suggestive facts.

The scale and coverage of private transfers across our sample of countries – from low- to upper-income – is considerable. In terms of population coverage, 24% of the population receive private transfers in our sample of LICs, 48% in LMICs and 27% in UMICs. Interpreting differences across the country-income continuum is not easy as samples are not representative, but it seems clear that private transfers do not diminish as countries’ gross national income (GNI) increases in general. There are considerable non-linearities that would be worth deeper and more detailed exploration. One factor in the overall profile is the role of international remittances, which seem to be more prevalent as flows into LMICs. But emphasising the role of international transfers would also be

mistaken. While they are prominent in some countries with significant levels of out-migration to the Gulf states, South Africa, Russia and Organisation for Economic Co-operation and Development (OECD) countries, the level and extent of domestic transfers remain very large in most countries in our sample across countries' economic status (GNI per capita country classification). At one extreme, China has a huge level of internal remittances from urban workers and migrants back to their rural families, while in other countries such urban-to-rural flows are accompanied by other forms of income-sharing between households – to the elderly and children, for instance, but also in terms of income and production smoothing – in-kind transfers of seasonal produce as well as cash. The underlying profile is too nuanced and has too many parameters to be captured in ASPIRE – but the crude outcomes of these domestic transfer flows are clear despite data inconsistencies.

There is one aspect of the scale of private transfers that does appear to change as we move across LICs, LMICs and UMICs – and that is the relative scale compared to public transfers. The position appears to be that LICs and LMICs are often spending more on private than public transfers, but that UMICs spend more on public transfers in both absolute and relative terms. This is a huge simplification but would reflect a common-sense interpretation that public spending on social protection grows in UMICs to produce a different balance between public and private transfers.

This change in public transfer coverage also reflects who is covered within countries – with poorer quintiles under-covered by both public and private transfers in LICs and in the majority of LMICs, but with 'equity' in coverage in public transfers growing in LMICs and emerging as the majority in UMICs. Private transfer coverage does not change to the same extent as national GNI group changes and as countries get 'richer'. The value of transfers is always pro-rich – both for private and public transfers, even as coverage of public transfers grows. Private transfer spending is regressive in all countries save China among our sample. The richest quintile gets the largest share in every other case.

Private transfers, while regressive, have large impacts on poverty reduction. They outperform public transfers in poverty reduction in the sample of LICs and in many LMICs, but then are overtaken in their role in poverty reduction in UMICs.

Better indicators of incidence across both public and private transfers and comparison that have more granular profiles and clearer data from national accounts would provide a more robust profile of the role of private transfers. Our findings set out preliminary outlines for more robust analytical research to follow.

For many social protection analysts and policy-makers, the question on private transfers is 'so what?'. The focus is on policies that formalise transfers and related services to produce national systems of social protection. To answer the 'so what?' question is to suggest that private transfers should first

be acknowledged as an important factor in national risk sharing and recognised as playing a role in redistributing resources across households alongside formal transfers and taxation. From that point, policy-makers and analysts may need to work together to assess the following.

First, how the payment and receipt of informal transfers are recorded and quantified in national datasets. From such an appraisal the ability to measure and analyse the flows of income and payments (often of in-kind production as well as cash) can be taken forward. One way of taking that forward has been demonstrated in the illustrative analysis of Rwandan informal taxes and transfers (Evans et al., 2020), which adopts the CEQ ‘fiscal incidence analysis’ approach.

Second, how should policies reflect informal transfers and respond to their scale and distributional impacts on income and expenditures? This is where the design of formal taxation and transfers needs to be informed by the evidence and by sound principles at both macro and micro levels. In terms of taxation, it would probably not be sensible to define small regular inter-household transfers within countries as ‘taxable income’ as their nature is informal and difficult to identify and record, and part of reciprocity based on community and familial norms. Taxation of international transfers through income tax of richer recipients may be more efficient and effective, but the pros and cons of doing so are hotly contested (see Stevenson, 2016). However, some taxation in the receiving country may already occur through other means – particularly where electronic ‘e-payments’ are taxed – as these may already be having an effect on the regularity of transfers and the amounts transferred between households informally. An assessment of the progressivity of such e-payment transfer taxes would seem an important place to start.

When it comes to social protection there are several ways in which different arms of the social protection system can recognise and respond to informal transfers. First, where such transfers reflect legal obligations to maintenance through alimony or child support, there is the issue of enforcement of those obligations and acting in ways to promote the empowerment of the payees to ensure regular and correct payments. Second, the treatment of these and other informal payments by ‘means-tests’ would need to be carefully considered. In many countries these informal transfers play a large role in poverty reduction and, for the same reasons as income tax policy discussed above, identifying them, and quantifying them in a full documented means-test, could be counterproductive, both in terms of changing the incentives to report and quantify them and in the administrative complexity of doing so. Even in means-tested approaches, the treatment of such amounts should be clearly aimed to optimise their support to the living standards of low-income households alongside public transfers. Whether this is by ignoring them in total or in part in any means-tested approach is a matter of detailed policy design that promotes both efficiency and effectiveness. Third, these informal payments are often made to ‘types’ of people – to elderly parents or children or to people with disabilities. Universal benefits and so-called social floors designed to go to similarly defined groups must then consider how informal transfers work alongside public ones. Where social pensions are concerned, the informal obligations of adult sons and daughters should be cautiously assessed – no policy-maker would want to perfectly

substitute informal for formal transfers. One way forward would be to see how inter-generational contributions to pensions and savings are considered together across formal and informal sources. If adult children pay into their own pension fund, then social pensions to their elderly parents help them save in those schemes as well as help set off some of the costs of contributing directly to their parents. Some countries already have in place rules that try to target social pensions to those with no familial support (e.g. Vietnam), which is one way of ensuring a more unilateral interpretation of inter-generational support.

It should also be recognised that informal transfers are just one way families pool and share resources, and that transfers between households necessarily mean that those in the ‘sharing pool’ do not live together already. Policy-makers must consider how the balance of sharing and pooling through informal means is affected by formal transfers. In doing so, it is best not to adopt too narrow an assumption on the effect of public transfers – they often do not substitute but contribute to the informal pooling and redistribution of cash and non-cash resources across extended families. Studies indicate that the relationship between formal/public transfers may work either way, with examples of how they contribute to/are linked with higher informal transfers and vice versa with reduced informal transfers (see Gulesci, 2020). One recent analysis of social assistance in Zimbabwe reported that ‘even the poorest of families spend 10% of their income on transfers to others’ (American Institutes for Research, 2013), and thus formal transfers went into the underlying funding of informal transfers.

The only way to make informed and optimal policy decisions on social protection and tax policies’ treatment of informal transfers is based on clear and careful assessment of evidence – not just the ‘fiscal incidence’ and any identified regressive effect of informal transfers, but also the values and norms that underlie such transfers. In that regard, the extensive informal transfers that occur under Islamic obligations is one area where clear policy design must align with social norms and community values (Evans et al., forthcoming). These discussion points are not designed to be conclusive but to be illustrative and to open up thinking about the role of informal transfers and their potential to influence policy and household welfare. In response to the ‘so what?’ question as to the relevance of informal transfers, the answer is a gentle reminder: they are significant and have wide-ranging distributional and poverty reduction effects that are hugely important for social protection systems.

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