

Public works programs in developing countries have the potential to reduce poverty

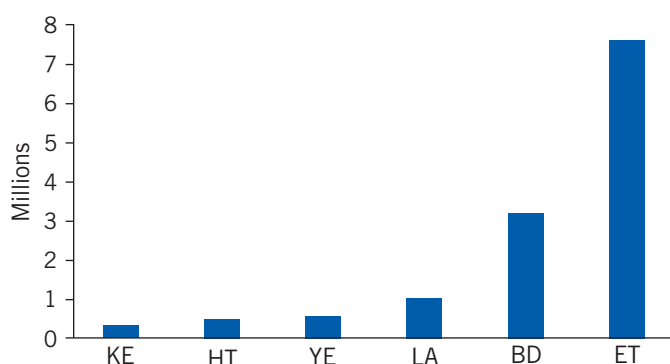
The success of public works programs in reducing poverty depends on their design and implementation—in practice, they do better as safety nets

Keywords: public works programs, poverty reduction, transfers, safety net, antipoverty program, shock mitigation

ELEVATOR PITCH

Public works programs in developing countries can reduce poverty in the long term and help low-skilled workers cope with economic shocks in the short term. But success depends on a scheme's design and implementation. Key design factors are: properly identifying the target population; selecting the right wage; and establishing efficient implementation institutions. In practice, rationing, corruption, mismanagement, and other implementation flaws often limit the effectiveness of public works programs.

People employed in public works programs, 2009



Source: [1].

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KEY FINDINGS

Pros

- + Public works programs provide a safety net for households after economic shocks.
- + Programs can be adapted to a variety of country contexts and to both aggregate and idiosyncratic shocks.
- + Public works programs allow households to self-select into employment when they need it.
- + Programs can be flexible and decentralized.
- + Despite implementation problems, public works programs typically reach the target population.

Cons

- Rationing, corruption, mismanagement, and other implementation problems limit the effectiveness of public works programs in providing employment at specified wages.
- Job-rationing and low-income gains may dampen the impact of public works programs on poverty.
- Public works programs can reduce the availability of private-sector jobs.
- Governments do not always set clear policy goals and instill them into program design and implementation.

AUTHOR'S MAIN MESSAGE

Public works programs have the potential to be important policy tools for reducing poverty, if governments set clear goals and instill them into program design and implementation. But while the safety nets provided by such programs often improve the quality of poor people's lives, many schemes suffer from implementation problems that limit the welfare benefits for the poor. In practice, such programs are unlikely to have a large and lasting impact on poverty.