Policy Paper on Social Protection

Final Draft September 2004

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Note: a number of 'theme papers' were also produced as part of this exercise: these are listed at the end of the list of references.

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Summary

Social protection is an important dimension in the reduction of poverty and multi-dimensional deprivation. It is an approach towards thinking about the processes, policies and interventions which respond to the economic, social, political and security risks and constraints poor and vulnerable people face, and which will make them less insecure and less poor, and more able to participate in economic growth. More narrowly, it describes a set of policies that governments can pursue in order to provide protection both to the 'active poor', enabling them to participate more productively in economic activity, and to the less active poor, with considerable benefits for society as a whole. Such policies can help to fulfil states' obligations to ensure basic rights for all individuals. Social protection policies are always part of a broader set of policies – on macroeconomic stability, enterprise and employment development, health, and education – aimed at reducing risk and vulnerability and encouraging pro-poor growth.

A social protection approach can make a strong contribution, alongside other approaches, both towards preventing the slide into poverty and assisting with recovery, and towards the long-term reduction of poverty and multi-dimensional deprivation, as one way for chronically poor people or their children to escape poverty. It can also contribute to the achievement of human rights if states progressively take on as objectives of social protection the obligation of ensuring that citizens have an adequate standard of living, backed up by social security in case of loss of livelihood through disability, sickness, old age or other causes.

This paper argues that well designed social protection can have a positive rather than a restraining impact on economic growth (and therefore on the first MDG) and can help to shape the pattern of economic growth in favour of the poor, such that the poor benefit at least as much as, if not more than, the average (reflecting on the inequality indicator for the first MDG). It states that social protection for the less active poor can be affordable even in low-income countries, and that it has significant positive economic externalities. The paper also argues that the difficulties for poor people in recovering from shocks purely or largely through their own efforts, especially when shocks are multiple or sequenced, should not be underestimated: recovery takes longer for the poor and usually benefits from external help, whether from public policy or private support. Informal protection is important and, where it is equitable in its burdens, should be facilitated.

The paper asks what is meant by social protection, clarifying its meaning, purpose and scope within DFID's approach to poverty reduction and programmes (Section 2). The primary purpose of social protection has three parts:

- to prevent, mitigate and enhance the ability to cope with and recover from the major hazards faced by all poor people;
- to contribute to chronically poor people's ability to emerge from poverty, deprivation and insecurity, and to challenge the oppressive socio-economic relationships which could be keeping them poor, by increasing livelihood security and linking such increases to the promotion of enhanced livelihoods; and
- to enable the less active poor to live a dignified life with an adequate standard of living, such that poverty is not passed from one generation to the next.

Social protection also supports economic growth, social integration and political stability, human development, and human rights objectives.

The scope of this paper is broad, covering safety nets, social assistance and social insurance, and mutual and informal risk management. The mechanisms range from pure

transfers to those without access to assets, including their own labour and social networks, through transfers that require a reciprocal action from those able to provide it (e.g. labour contributions or attendance at a public service), through to mutual insurance whereby the entire cost of protection is met by the beneficiary.

Social protection should enable recovery from shocks; however, the effort required to help poor people recover has often been underestimated, and recovery is therefore limited. In order to enable more complete recovery, it is necessary (i) to use the development of a social protection system to extend and systematise humanitarian approaches to recovery; and (ii) to link protection with livelihood promotion, such that assets are safely accumulated over time and vulnerability is reduced. These represent major challenges for social protection approaches.

The developmental importance of social protection lies in its ability to interrupt the high levels of risk and vulnerability which not only lead to people becoming poor, but also contribute substantially to chronic poverty. This enables poor people to participate in and contribute to economic growth (Section 3). Effective social protection can prevent the negative consequences of uninsured risks: investment in liquid assets with lower returns than other investments have; the accumulation of burdens of care for society's carers, usually women, the elderly and older children; irreversible losses of human capital through malnutrition, preventable death, disability and illness.

A disaggregated analysis of vulnerability is necessary in an understanding of its varied sources and degrees, with the end that an appropriate approach to dealing with risk and vulnerability can be developed, and a range and combination of social protection policies can be designed. Social protection can then relieve some of the market failures that prevent or slow economic growth and prevent poor people from taking advantage of the opportunities growth provides. It can also make strong contributions to the protection and building of the human, financial, natural and physical assets of poor people which enable them to grow out of poverty.

There is a battery of policy instruments that governments can use to advance the protection available to the poor – not only in the contributions governments can make directly to reducing risk and vulnerability, but also in regulation that should facilitate private and informal social protection (Section 4). This paper argues that it is combinations of instruments that will make a significant difference and offers a set of criteria by which individual instruments can be judged in a particular vulnerability context. In most low-income countries, some combination of strengthened safety nets, conditional transfers to support human capital development, and basic social assistance measures will be the most effective, given the poverty reduction objectives of government policies and donor support. Countries develop unique social protection 'trajectories' over time, reflecting the risk and vulnerability context and socio-political and economic history.

Targeting is often a less than ideal approach to providing protection: it is difficult to avoid wrongful exclusion and inclusion, it is expensive and administratively difficult to do well, and it reduces social solidarity. However, decision-makers will continue to insist on it, largely on cost grounds. In this situation, the best targeting is the lightest – targeting can be carried out where there are simple categories which make sense (age, location, widely recognised degree of exclusion), within which provision ideally should be universal. As administrative capacity evolves, more sophisticated approaches to targeting can be undertaken.

Public social protection policies are affordable even in low-income countries, though they become more so as economic development takes place and public revenues improve.

Although start-up costs may be high, these can be spread over a number of years, and implementation be progressive. Whereas under project modes of donor financing, support for long-term recurrent expenditure was difficult (and resisted), the increasing use of budget support makes donor support to social protection more possible. The key issue is agreement between donors and government on the uses of budget support; this may not be straightforward, since there are often competing approaches to social protection and contested priorities. Another significant challenge is developing a sufficiently long time horizon for budget support to make it worthwhile a government embarking on particular social protection policies. If this challenge is too great, it may be better to rely on other capital-based financing mechanisms, such as the ILO's Global Trust.

The institutionalisation of social protection does not happen automatically, and there are key strategic decisions to be made (Section 5). Political leadership is critical, as is the articulation of a constituency and the development of a policy legitimation process. Bureaucratic leadership and coordination is also important, as a social protection approach is best 'mainstreamed' across various areas of government business. The Poverty Reduction Strategy Process allows a common policy analytical approach to issues of risk and vulnerabilities, which policies and programmes in various sectors – especially the social and productive sectors, and macroeconomic policy – can buy into. Which departments or ministries would best coordinate the development of a social protection approach is context specific. The corollary of a mainstreamed approach is that it would be important to maintain key cross-cutting safety nets which guard against risks with which protective policies in particular sectors are unable to deal.

Whatever public policy actions are taken, informal provision should always be explicitly considered, with a view both to reducing the inequitable burdens this sometimes imposes and to facilitating the useful mutual protection which is afforded poor people. Mechanisms that strengthen the social networks on which mutuality depends can also contribute.

Where states are fiscally challenged and donors exercise significant policy influence, differences of view between government and donors (or within government and among donors) about the role, organisation and desirable strength of social protection may make the policy dialogue difficult. It would be a mistake to attach too rapid timetables to such a dialogue. For policies with long-term implications, it is important that strong national ownership is there from the start.

1 Introduction

Social protection is an important dimension in the reduction of poverty and multi-dimensional deprivation. It is an approach towards thinking about the processes, policies and interventions which respond to the economic, social, political and security risks and constraints poor and vulnerable people face, and which will make them less insecure and less poor, and more able to participate in economic growth.[1] This is grounded in the view that the limited capacity of households and communities to protect themselves against contingencies threatening their consumption and investment plans (i.e. their vulnerability) is a major factor explaining poverty and underdevelopment.

More narrowly, it also describes a set of policies which governments can pursue in order to ensure protection both to the 'economically active poor', enabling them to participate more productively in economic activity, and to the less active poor, with considerable benefits for society as a whole. Such policies can help to fulfil states' obligations to ensure basic rights for all individuals. Social protection policies are always part of a broader set of policies – on macroeconomic stability, enterprise and employment development, health and education – aimed (partly) at reducing risk and vulnerability and encouraging pro-poor growth.[2]

The poor and deprived are not a homogeneous group: among them are people who are actively forging pathways out of poverty, but also people who have just become poor. There are also people who are chronically poor, and who may pass their poverty on to the next generation. Vulnerability to shocks both makes people poor in the first place, and keeps them poor in the long run. The shocks poor people face can be economic, natural, political, environmental, and health related. The deprivation that can follow from a shock or a series of shocks can have many dimensions: economic, social and political.

A social protection approach can make a strong contribution, alongside other approaches, both towards preventing the slide into poverty and assisting with recovery, and towards the long-term reduction of poverty and multi-dimensional deprivation, as one way for chronically poor people or their children to escape poverty.

Social protection is not the only approach to poverty reduction. It is always to be used in combination with other approaches: the provision of social and economic services, infrastructure development, and institutional development. It offers great potential to include those otherwise excluded from the benefits of these other approaches; it can make a fundamental difference to the sense of citizenship experienced by poor people.

It has been argued that the Millennium Development Goals cannot be achieved without appropriate, well designed and cost-effective social protection mechanisms (Box 1).[3]

This paper argues that well designed social protection can have a positive rather than a restraining impact on economic growth (and therefore on the first MDG) and can help to shape the pattern of economic growth in favour of the poor, such that the poor benefit at least as much as, if not more than, the average (reflecting on the inequality indicator for the first MDG). It states that social protection for the less active poor can be affordable even in low-income countries, and that it has significant positive economic externalities. The paper also argues that the difficulties for poor people in recovering from shocks purely or largely through their own efforts, especially when shocks are multiple or sequenced, should not be underestimated: recovery takes longer for the poor and usually benefits from external help whether, from public policy or private support. Informal protection is important and, where it is equitable in its burdens, should be facilitated.

Box 1: 'Without appropriate social protection mechanisms the MDG targets for 2015 will not be achieved'

Social protection helps reduce both transient and chronic poverty; this could contribute to a 5–10% reduction in overall income poverty incidence. In Kyrgyzstan, without social protection the extreme poverty headcount would have increased by 24%, the poverty gap by 42%, and the severity of poverty by 57%. The vulnerability of the chronically poor can also be reduced through health and education fee waivers, workfare schemes, old-age pensions and other measures that enhance the assets of the poor. In Kyrgyzstan again, pensions significantly reduced poverty headcounts. The poor can take greater risks if protected, leading to higher incomes.

Reduced income poverty helps improve health and education outcomes. Incentives to keep children in school and health insurance enable poor people to tide over the costs of dealing with shocks. Conditional cash and food transfer programmes have good effects on school enrolment and attainment, child labour and health and nutrition, and help households' smooth consumption during crises. Public works improve the supply of clinics and schools, and can contribute to substantial positive change in outcome indicators such as infant mortality rates.

Several social protection instruments have positive effects on gender equality, with spin-off benefits for households, and can also enhance women's social capital. Labour market policies which narrow the gap between men and women in terms of hiring conditions and wages through maternity/paternity leave, affordable childcare, and policies against labour market discrimination, enable women to enter and stay in the labour market and increase the demand for girls' education.

Source: World Bank (2003).

1.1 Structure of the paper

The next section asks what is meant by social protection, clarifying its meaning, purpose and scope within DFID's approach to poverty reduction and programmes (Section 2). Section 3 argues that vulnerabilities need to be understood in a disaggregated way, with the end that an appropriate range and combination of social protection policies can be designed. Social protection can then relieve some of the market failures that prevent or slow economic growth and prevent poor people from taking advantage of the opportunities growth provides. It also argues that social protection can make strong contributions to the protection and building of the human, financial, natural and physical assets of poor people which enable them to grow out of poverty.

There is in progress a discussion of the various policy instruments that governments can use to advance the protection available to the poor – not only in the contributions governments can make directly to reducing risk and vulnerability, but also in regulation that should facilitate private and informal social protection (Section 4). This paper argues: that social protection, like food security, cannot be confined to only one part of government: a social protection approach can be 'mainstreamed' across a number of areas of government business; that the Poverty Reduction Strategy process is well placed to enable this to happen; and that social protection can be supported financially through budget support or sector programming mechanisms, provided that the necessary agreement on objectives and instrumentation has been reached between donors and government. Other more innovative approaches may also have a role (Section 5).

Findings from thematic work on social protection and a number of themes (rights, basic services, food security, gender, HIV/AIDS, conflict and post-conflict situations, as well as pro-poor growth and financing social protection) are woven into this paper, and have produced a number of critical arguments, for example:

> Social protection is compatible with and strengthened by a rights-based approach to development. The development of social protection policies also contributes to the achievement of a number of rights. The relationship to a rights-based approach is illustrated in Box 2.

Social protection and investment in basic services should not be an either/or choice; it should be recognised that good human development outcomes for all can often be promoted by a combination of the two.

Likewise, the relationship between social protection and economic growth does not have to be seen as a trade-off: there are many ways in which reducing risk and vulnerability increases investment and growth, complementarities which can be maximised.

Significant social protection can cost less than 1% of GDP and have both short and long-term benefits for the economy.

Social protection is capable of mitigating and assisting the coping strategies of people facing a wide range of risks and vulnerabilities, including those deriving from shocks as different as HIV/AIDS, food insecurity and conflict.

It is better to include people facing particular shocks (e.g. HIV/AIDS) as beneficiaries of social protection in general, rather than narrowly target them.

Targeting the vulnerable with social protection programmes should not compromise people's ability to meet some of their own needs sustainably; however, it should explicitly try to reduce inequitable burdens, shouldered by women in particular.

Addressing chronic food insecurity requires additional instruments to those which deal with acute short-term crises, and may require modifying the latter as well; it is important to address both forms of food insecurity. The same can be said for chronic and acute vulnerability more generally.

As with food security, mainstreaming a social protection approach suggests that departments of welfare might not always play the leading role in developing social protection work in government. Even where they do, the multiple providers of social protection need strong recognition in any strategy.

Box 2: Is there a human right to social protection?

The international human rights framework recognises the human right to 'social security' in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood, with special care and assistance for motherhood and childhood. This right, which has been codified in particular through the ILO's social security standards and in relation to income security, is, however, too narrow to encompass the full range of issues related to risks and vulnerability to which social protection responds.

The full range of human rights is relevant for social protection. This starts with the 'right to an adequate standard of living' (including food, clothing, housing, medical care, social services as well as social security) but should be expanded to the full set of civil, cultural, economic, political and social rights. For example, the right to be free from torture protects against state abuses that not only violate a person's dignity but also weaken livelihoods opportunities; also relevant are civil and political rights which are preconditions for rights associated with livelihoods, such as the ability to form associations or take part in elections and to demand social protection entitlements.

<u>A rights-based approach to social protection?</u>

A rights-based approach is normative and based on the international human rights framework, which considers citizens as 'rights-holders' and states as 'duty-bearers'. A number of human rights principles, such as equality, non-discrimination, inclusion, participation and accountability, are derived from this framework. Under a rights-based approach, states are obligated to provide laws, regulatory frameworks, programmes and policies which will all enhance the ability of households to manage risks and improve their standard of living. States should also respect human rights (i.e. not violate them directly) and provide protection from violations by third parties. Minimum standards need to be provided, such as a basic form of education, primary healthcare and basic foodstuff. Under this approach, citizens are empowered to take their own decisions, mobilise, claim their rights and entitlements, and hold the state to account. Inclusion and participation in decision-making processes are key. Under this approach, social protection is thus not just a matter of charity or generosity, but also a basic responsibility of states.

For further discussion, see Piron (2004).

2 What do we mean by social protection?

Social protection is both an approach and a set of policies. As an approach, it focuses on reducing risk and vulnerabilities, and includes 'all interventions from public, private and voluntary organisations and informal networks to support communities, households and individuals in their efforts to prevent, manage and overcome risks and vulnerabilities'.[4] Informal networks would include individuals transferring resources to friends and family.

The poorest households and communities face numerous sources of severe risk. Despite their best efforts to protect themselves against these risks through mutual support and informal insurance, the constraints they face in doing so leave them 'vulnerable to long term, irreversible losses of human capital'.[5]

A social protection approach is premised on achieving a degree of agreement across society that citizens are entitled to certain minimum standards of welfare by virtue of their citizenship. This is embodied in the internationally recognised 'right to an adequate standard of living', as well as in a recognition that there is an obligation on states to provide minimum standards in relation to economic and social rights (e.g. to health or education). Social protection measures that promote and protect agreed minimum standards can help realise other rights (for example, achieving a minimum level of healthcare means that children can benefit more from education). The minimum standard of living is usually a politically contested issue and evolves over time, along with prosperity, education, communication and political ideology.

The social protection approach has been influenced by the World Bank and its Social Risk Management (SRM) framework, which focuses on preventing, mitigating and coping with risks and shocks, but which also aspires to provide pathways out of poverty.[6] Actors include individuals, households, communities, NGOs, market institutions, government, international organisations, and the world community. Risk management arrangements include the informal, market-based, and publicly provided or mandated.[7] Risks are either 'idiosyncratic' (affecting individuals or households singly in time) or 'co-variant' (affecting large numbers of households/individuals at the same time).

The major contributions of the SRM framework are, first, to have usefully shifted thinking about livelihood security from a focus on post-crisis safety nets helping poor people to cope, to *ex ante* prevention and mitigation measures across a potentially wide range of public and private decisions and public policy instruments. This is the aspect of social protection which makes it a developmental rather than humanitarian approach: in putting measures in place before a crisis it creates the confidence that the crisis can be survived without recourse to loss or erosion of livelihood or assets that are the basis for income and enterprise. This entails the potential for behaviour change: greater productive investment and risk-taking become possible. For example, poor people can decide to keep children in school for longer, educate girls as well as boys, and invest in land development, enterprise, and skills. Freed from the patron-client relationships that previously assured security, they can also more easily find the social and political capital that enables rights to be asserted. Social protection can also play the role of a 'springboard' out of poverty and deprivation.

Secondly, the SRM framework has drawn attention to the fact that much social protection is in fact provided by family, community, informal and not-for-profit organisations, as well as, in some situations, the private sector: the state is not the only actor, even though it is an important one. This raises challenging questions about not only whether and how governments can avoid crowding out such initiatives, but also whether and how those which are beneficial and equitable in their impact can be crowded in. It also risks diverting attention from the key role that states and the international community must play in meeting the obligations they have under international law (see Box 2 above).

There are two principal issues in addressing the risks faced by poor and vulnerable people which are not well addressed by the SRM approach. First, the chronically poor (of whom there are several hundreds of millions in the developing world),[8] who suffer multiple and sequenced shocks while they are poor and are usually least well equipped to deal with them, may be left out of the picture or at least not sufficiently highlighted. Their continued deprivation may be at least partly attributed to their high levels of vulnerability; chronic poverty also leaves people extremely vulnerable.[9] The consequences of chronic poverty are potentially serious for economic growth prospects – the chronically poor will continue to express low levels of demand for goods and services; they will not be able to take advantage of economic and human development opportunities as these arise; and the chronic poverty of marginal groups and regions may contribute to social and political instability, which is also bad for economic growth.[10] This has implications for both the purpose and scope of social protection, discussed below.

A reason for this potential omission is that the SRM framework (and indeed many governments and donor agencies) does not differentiate adequately between different categories of poor and vulnerable people. It gives less weight to improving the life chances of the chronically poor and, among them, the less active poor as compared with the transitorily and more active poor, because these are not seen as potential contributors to a positive growth process. Social protection needs to include measures that will increase the chances that such individuals and households will be in a position to contribute positively in future, otherwise its proponents could be accused of perpetuating poverty on a massive scale. The need for a disaggregated analysis is returned to in Section 3.1.

Secondly, there is a presumption that risk prevention, mitigation and coping strategies will be enough to enable full *recovery* from shocks or stresses; that poor people will 'bounce back' to where they were before, or a better place. Empirically,[11] and theoretically, this is not always the case. Recovery and new opportunities may require access to scarce resources. The process of recovery needs at least to be problematised, rather than assumed away, or assumed to have been dealt with by 'development' – there is a substantial *risk of non-recovery* which also needs to be managed and overcome. This is particularly important for the development of more and stronger pathways out of poverty. For example, if poor people, post-crisis, simply return to rely on the same patronage relationships for security which previously ensured that they were 'safe but poor',[12] this could hinder a substantial recovery: the springboard effect of social protection will be limited. Where the risk of non-recovery is widespread, a good understanding of the reasons will be needed in order to design a laddered, incremental approach to supported recovery which will make a reality of the 'springboard' effect.

In the case of chronic conflicts, people are likely to have to adapt to changed circumstance rather than recover in any absolute sense (Box 3). This offers social protection strategists a deep challenge.

Box 3: Dealing with the risk of non-recovery from conflict, with reference to Afghanistan

In the immediate aftermath of war, particular groups may be especially vulnerable – refugees or internally displaced, widows, orphans, disabled, and ex-combatants, and short-term assistance may be targeted at them. It is noteworthy that these are similar to the most 'vulnerable groups' in other crisis situations – and the groups to which social assistance efforts are often channelled, where these exist. This suggests that societies which already have social assistance policies will be better able to deal with the impoverishing consequences of conflict and with rehabilitation in its aftermath. Short-term assistance may not be enough, however: for example, ex-combatants and displaced people may require sustained support over a period of years, depending on experience, resources and the environment to which they return.

There may be an opportunity in the aftermath of war to redistribute assets – land, educational opportunities – in favour of disadvantaged groups. There may also be opportunities to link social protection (e.g. conditional transfers) to the restoration of basic services, to ensure these include the vulnerable and impoverished. More broadly, the development of social protection in a country like Afghanistan 'provides an agenda for making a smooth transition from the chaotic and haphazard collection of humanitarian projects to a more reliable and regularised system that protects the population as a whole', and by moving the centre of activity to the government, strengthens the legitimacy of the state 'by allowing it to re-shoulder its responsibilities for ensuring the basic survival of its citizens'. Since Afghanistan is highly prone to natural disasters, it also needs a system to respond to these; increased livelihood security may provide the conditions needed to draw opium producers to alternative livelihoods. However, social protection in Afghanistan will also need to confront the structural asset deficit faced by very large numbers of people for years to come. All of this will take a long time, as the capacity of the public sector is so low. It would be important in this situation not to abandon humanitarian relief programmes before alternative livelihood security measures were in place. These could rather be integrated into an overall social protection strategy.

Source: based on Darcy (2004) and Christoplos (2004).

Social insecurity in extreme circumstances has impoverishing effects, and societies in turmoil are in a weak position to rebuild the basic social fabric of relationships and a minimum level of trust. These situations stretch the concept of social protection beyond the narrow purpose of dealing with risks and vulnerabilities in an even more extended way than famine or epidemic conditions induced by natural hazards. Where the state is hostile, a critical part of the problem, obligations which would normally rest with it arguably should be temporarily transferred to the international community. This is because the solidarity on the basis of which responsibility for basic welfare is distributed has broken down. A question for this paper is the extent to which international practice on social protection should stretch to encompass this terrain. There are universal rights which suggest that it should:

> The right to life
>
> 'The right of everyone to an adequate standard of living…including adequate food, clothing, housing…'
>
> 'The right of everyone to the enjoyment of the highest attainable standard of physical and mental health…'[13]

Protracted violent conflict may create a vacuum in terms of implementing such rights. In practice, the burden will be taken by informal and private mechanisms, and support to these may be the most practical approach the international community can take. There are also protective rules of international humanitarian law in place which prevent starvation being used as a method of war and the destruction of crops, livestock, drinking water sources, essential medical supplies and other 'objects indispensable to the survival of the civilian population'.[14]

The obligation progressively to achieve these rights lies primarily with the state. But there are practical difficulties in enforcing or implementing such rights in situations of violent conflict.

2.1 The purpose of social protection

Based on the above discussion, we can distinguish primary and related purposes for social protection. Its primary purpose has three parts:

- to prevent, mitigate and enhance the ability to cope with and recover from the major hazards faced particularly by all poor people;
- to contribute to chronically poor people's ability to emerge from poverty, deprivation and insecurity and to challenge the oppressive socio-economic relationships which could be keeping them poor, by increasing livelihood security and linking such increases to promoting enhanced livelihoods; and
- to enable the less active poor to live a dignified life with an adequate standard of living, such that poverty is not passed from one generation to the next.[15]

Households and communities have institutions and practices that are consistent with risk management strategies. Any interventions by governments (or donors) act on systems of risk management that exist already, not in a vacuum. The objective of such interventions should therefore be to support functional behaviour and institutions and weaken dysfunctional behaviour and opportunities.

These ideas represent the primary purpose, but they can feed a number of other important objectives which can be explicitly included in social protection policies. Economic growth can be enhanced, especially the extent to which it benefits the poor. Social protection can make the process of economic improvement 'socially bearable' by mitigating its negative aspects. An environment can be created in which recovery from shocks is feasible for the poor. Poor people can be enabled to become more assertive in claiming their rights and entitlements, without fear of loss of security. Social protection can explicitly help to protect against discrimination – in the job and other markets, and in living arrangements more generally. Social and political stability and the legitimacy of a state can be enhanced through social protection measures which strengthen the social contract between state and citizen.

2.2 The scope of social protection

The social protection menu is a long one, in terms of what is provided, by whom and to whom. There are many choices to be made along the way (discussed in Sections 4 and 5). A social protection approach goes well beyond well established concepts of safety nets (Box 4), social insurance and social assistance (Box 5), as it suggests a reconsideration of a range of public policies and societal processes from the perspective of risk and vulnerability. Before developing public policy responses, a true social protection approach would take very seriously the need to understand households' and communities' own institutions and practices that contribute to protection. There is usually a gaping hole in countries' understanding of these 'informal' aspects of social protection, one which needs to be filled in order to design policies which genuinely complement, or knowingly and for good reason 'crowd out'.

Box 4: Social protection and safety nets

Safety nets are put in place to prevent individuals from falling below a given standard of living, and are usually short-term emergency measures. Social protection supports households in reducing, preventing and overcoming hazards which adversely affect wellbeing, consumption and investments. Safety nets were advocated as responses to financial crises and adjustment. Social protection thinking developed as a result of the failure of safety nets – they worked imperfectly, did not fully reach intended target groups, and could not be set in place fast enough. Social protection is, by contrast, in place before the crisis arrives. Well designed safety nets can, however, be an important part of a social protection approach, if their existence is well known before the crisis hits.

Box 5: Social protection and social security

It is useful to distinguish *social security*, as a subset of social protection. Social security is 'the protection which society provides for its members through a series of public measures: to offset the absence or substantial reduction of income from work resulting from various contingencies (notably sickness, maternity, employment injury, unemployment, invalidity, old age and death of the breadwinner); to provide people with healthcare; and to provide benefits for families with children'.[16] Social security systems are based around formal employment, and include social insurance and social assistance measures.

The principal debate in developing countries has been how to extend coverage of formal social security to the large numbers of self-employed outside the formal sector. Social insurance and social assistance against unemployment represent traditional security mechanisms that are not applicable to the bulk of the poor in developing countries who work in the informal sector. There are no short cuts to including the majority of workers in such schemes: sustained economic growth which expands the formally employed workforce, and creates the revenue base for redistributive social protection, is the long-run answer. The informal sector is progressively brought under the umbrella of publicly provided or guaranteed social protection in this vision.

Under its 'Decent Work' agenda, the ILO has proposed the following roles for social protection: combating the impact of poor health, particularly HIV/AIDS, on employment and incomes; priority financing of healthcare, including extending insurance to poor and vulnerable people; income support systems for families with school-age children, the elderly and people with disabilities; reform of existing social insurance schemes with a view to a medium-term strategy for extension of coverage and synergy with small-scale schemes; improvement of mechanisms for establishing and enforcing minimum wages; occupational health and safety policies, with particular focus on hazardous occupations, such as agriculture, construction, mining and small-scale manufacturing; community maternal support.[17]

In addition, having recognised that in poor countries much protection against risk is privately and informally provided, social protection approaches have a duty to consider how the beneficial aspects of these can be facilitated and enhanced, and the inequitable or negative aspects diminished. The regulation of informal and private provision is thus a serious dimension of a social protection approach. This will involve first assessing what informally or privately provided protection has net benefits, with a view to 'crowding them in'. Informal and community-level provision is generally better at dealing with idiosyncratic risk; the community 'moral economy' is less effective at a time when everyone is hit by a crisis. On the other hand, protection provided by other poor people, at great cost to themselves and sometimes to the social fabric, and by patrons intending to render clients dependent and therefore unable to make useful investments for themselves or their families, can be 'crowded out'.

Strong efforts can also be made to link livelihood protection with promotion in order to assist the active but chronically poor away from continued dependence either purely on safety nets or on the patronage relationships which limit investment and growth. Furthermore, a social protection approach can be included in mainstream economic and social policies, such that these also contribute to reducing risk and vulnerability, developing agreed minimum standards for an adequate quality of life, and providing the basis on which escape from chronic poverty becomes possible.

2.2.1 The range of measures

The range of activities is well represented in the World Development Report 2000/1,[18] and reproduced, with an additional row, in Table 1. The major instruments of social protection are assessed further in Section 4. These range from pure transfers to those without access to assets, including their own labour and social networks, through transfers which require a reciprocal action from those able to provide it (labour contributions, attendance at a public service), through to mutual insurance whereby the entire cost of protection is met by the beneficiary.

The addition of addressing the risk of non-recovery (row 5), the challenge of reaching the poorest, and the importance of informal provision may suggest additional instruments. Social protection as a policy framework involves finding and implementing an appropriate mix of activities that could support communities, households and individuals in achieving secure livelihoods.

The additional focus on recovery, building on humanitarian action (see Box 3 above) as well as development programming, helps to deal with the 'Catch 22' of social protection: that those countries whose people are most in need of social protection have the least ability to provide it.[19] Very low incomes, an absence of a strong economic growth path, scarce public revenues, and a strong subsistence sector, all constrain poor countries from establishing effective safety nets and social security systems.[20] Where humanitarian action in such a situation is *ad hoc*, the development of a social protection system provides an opportunity to transform haphazard safety net programmes into a nationwide system to aid poor people's recovery. Where the condition of the state may still be part of the reason for poor people's vulnerability, partnerships between humanitarian organisations and parts of the state designated to take up the social protection mandate could ensure a degree of accountability to ordinary people, if the process is designed with accountability in mind. Part of the recovery process is the re-establishment of social integration and the legitimacy of the state; accountable social protection measures can contribute to this.[21]

Full recovery also requires strengthening the link between protecting and promoting livelihoods. Social protection measures which smooth and increase income can in practice enhance the asset position of poor households if households save and invest (as they often do!)[22] part of this income. Measures to restore assets ideally need to be accompanied by new financial institutional structures which can prevent asset loss or mortgaging in a crisis. Legal reforms can also contribute to reducing vulnerability, by granting better access to common property resources, and granting rights and strengthening the mechanisms to claim rights. This sort of combination of policies would help to transform livelihoods, enabling vulnerable households to adopt medium and long-term actions (like investment in education) to ensure they overcome structural constraints and limitations. Social protection can facilitate change and promote more extended horizons.

The concern to crowd in equitable informal or private provision, and crowd out excessively burdensome provision means that regulation will become a key policy function. Given the liberalisation of insurance markets in many countries, regulatory structures are necessary in any case, and in many cases are being put in place. Few, if any, have the capacity to assess and deal with informal provision, however. This requires considerable institutional development. It is very likely that NGOs will continue to be the best vehicle for understanding and working out the ways in which to support and strengthen equitable informal provision.

Thus, a social protection approach to risk and vulnerability goes well beyond safety nets and social security, even if these provide a menu of public actions which may be appropriate.

Table 1 Mechanisms for managing risks

Objective	Informal mechanisms		Formal mechanisms	
	Individual and household	Group-based	Market-based	Publicly provided
Reducing risk	Preventive health practices Migration More secure income sources	Collective action for infrastructure, dikes, terraces Common property resource management		Sound macroeconomic policy Environmental policy Educational and training policy Public health policy Infrastructure (dams, roads) Active labour market policy
Mitigating risk: Diversification	Crop and plot diversification Income source diversification Investment in physical and human capital	Occupational associations Rotating saving and credit associations	Saving accounts in financial institutions Microfinance	Agricultural extension Liberalised trade Protection of property rights
Mitigating risk: insurance	Marriage and extended family Sharecropper tenancy Buffer crops	Investment in social capital (ritual, reciprocal gift giving)	Old age annuities Accident, disability and other insurance	Pension system Mandate Insurance for unemployment Illness, disability and other risks
Coping with shocks	Sale of assets Loans from money-lenders Child labour Reduced food consumption Seasonal or temporary migration	Transfer from networks of mutual support	Sales of financial assets Loan from financial institutions	Social assistance Workfare Subsidies Social funds Cash transfer
Recovering from shocks/reducing the risk of non-recovery	Saving assets (at the expense of consumption) Increasing recourse to limited known strategies, which become overcrowded	Insurance payments for lost assets (mitigation) Inclusion of losers in collective arrangements (e.g. savings groups) Creation of losers' groups	Asset replacement loan schemes Labour market and other 'opportunity' information Financial support to market intermediaries	Incentive support to group or market-based recovery Additional support to schools to keep children to a minimum useful threshold Focus infrastructure improvements on affected regions and local areas Increase coverage of social security schemes to include non-recoverers

3 Risk, vulnerability and pro-poor growth

Exposure to uninsured risks can create poverty traps: households are prevented from taking reasonable risks, and engage in low-risk, low-return activities, keeping a stock of liquid but not necessarily very productive assets which can be sold off in emergency. They are constrained in the risks they take and from investing in a full range of assets because of market failure in credit and insurance markets. The poor then have low levels of assets, and those assets generate low returns. Continued exposure to high levels of risk can induce chronic poverty. Social protection can change the perception of risk by poor people, such that they invest in riskier, higher return activities, accumulate diversified portfolios of assets, and put some of them to higher return uses. Income growth becomes possible for swathes of people for whom it was previously unlikely. Social protection can also provide poor people with the environment in which they can accumulate assets which can lead to future income growth.

3.1 Analysing risk and vulnerability

3.1.1 The consequences of uninsured risk

Risks reduce income growth, by reducing investment and tying up resources in coping and survival strategies. There are long-term impacts: recovery from shock may be slow.[23] A malnourished child has little chance of catching up, and the loss of human capital may lead to significantly lowered lifetime income. Conversely, higher levels of human and other assets contribute to higher rates of economic growth. In low-income countries some of the costs are born by local NGOs and faith groups, the state or the international community, usually inadequately. Most of the costs of coping with risk and the consequences of shocks are born by poor households themselves and, within them, by the 'carers' – women, the elderly, and older children in particular. This has consequences for intergenerational poverty as well as for these individuals and their dependents.

Adjusting asset portfolios to cope with risk often means investing in liquid assets with lower returns. Social protection may prevent this. Adjustment strategies are not generally able to cope with serious and repeated shocks, especially co-variant. Effective *ex ante* social protection can reduce the likelihood of co-variant shocks leading to huge asset loss.

Box 6: The welfare costs of ineffective risk management

'The consequence of the failure of the diverse risk management strategies is a massive loss of welfare. In Ethiopia this occurs in a number of ways. The most visible form is large scale physical death. Lives lost to drought have been tragically high, especially in the past. HIV/AIDS killed hundreds of thousands to date and this is expected to continue. The same is true for malaria…The losses do not end there. Income losses have been staggering…droughts can shrink household farm production by up to 90% of output in a normal year. Households are willing to pay up to 30% of their farm income to prevent malaria for one year, which gives one an idea of the economic cost of malaria [for] farm households. Reduced income in turn leads to lower consumption. For instance, a 10% reduction in income reduces consumption by 15%. A decrease in rainfall by 10% can lead to up to 10% loss in consumption. For a single household, even a single experience of one of these shocks would be unbearable. But when they are bunched together, as is often the case, the scale of the problem becomes magnified.'

Source: World Bank (2003b: 8).

3.1.2 Disaggregating risk and vulnerability

Social protection focuses on the vulnerable, and the way in which 'vulnerability' is constructed is a crucial determinant of who benefits. This would include those who are vulnerable to absolute poverty as well as those who are already poor. In Indonesia, the US$2 a day poor tended to be vulnerable to absolute poverty.[24] In other situations, 150% of the poverty line is sometimes taken. Vulnerability can be identified by other means: people are vulnerable at certain points in their life cycle: in old age; in childhood; in pregnancy. We know that these vulnerabilities to a degree cut across income poverty levels. Focusing social protection on the vulnerable US$1–2 a day poor and the multi-dimensionally vulnerable has the advantage that a substantial proportion of the population of most developing countries would be included. This makes social protection policies politically more sustainable, and would widen their potential impact.

However, this raises the issue of whether the already poor do or can benefit from social protection. And, in a situation where financial and human resources are severely constrained, difficult choices about priorities will have to be made. This is the major challenge for social protection.

Risks and vulnerabilities among the poor vary significantly. Those faced by the economically active can be distinguished from those faced by the less active or inactive. Different approaches will be necessary within an overall commitment to reducing vulnerability for poor people.

It is sometimes thought more cost-effective to focus first on the transitorily poor, who can more easily 'bounce back' to non-poor status through their own actions, with minimal support. The chronically poor, by contrast, need asset transfers if they are to climb out of poverty. These are political choices, the outcomes of which will vary from one context to another. The Social Risk Management framework recognises that the 'already poor' also experience risks, and need protecting against those risks.[25] However, the framework needs extending and adapting if it is really going to be able to focus on the risks and vulnerabilities of this group as much as those of the transitorily poor and non-poor.

Box 7: Risk management objectives for the very poor, the poor and the non-poor

Risk management objective 1: minimise the size of the maximum possible welfare loss. Especially relevant for the very poor since maximum loss is destitution or death.

Risk management objective 2: minimise the probability of a loss in consumption below a certain threshold. Relevant for individuals around the poverty line.

Risk management objective 3: maximise the expected rate of return given a level of variability of returns. The risk here is not poverty or destitution, but not making the most of the resources available, because of inadequate information about risks.

Source: Siegel and Alwang (1999).

There are three categories of risk management objective, relevant respectively for the very poor and vulnerable, for those around the poverty line, and for the non-poor (Box 7). This allows appropriate responses to be designed: the poorest require measures which minimise the maximum possible welfare loss: for example, healthcare, food distribution, and asset insurance (including life, accident). Minimising the probability of falling below a consumption threshold (e.g. the poverty line) suggests consumption smoothing via saving and 'dis-saving', or insurance instruments. For higher income groups, portfolio diversification and insurance would help prevent significant fluctuations in returns.[26]

Risk is a major factor in *maintaining* people in poverty over long periods, as well as generating it.[27] The likelihood is that many chronically poor people will not escape poverty without significantly enhanced livelihood security. The evidence is that social protection *can* address the needs of the chronically poor,[28] and that carefully designed programmes can help the poor onto an accumulative trajectory (e.g. Hulme and Matin, 2003).[29]

Vulnerability and risks vary within the life cycle and by gender: it is important that social protection policies and programmes recognise and address these variations. As a result, individuals within households may be appropriate units of analysis for social protection strategies, especially if the objective is to operationalise the 'springboard' effect of social protection. Children, women and the disabled may need protection against *particular* risks which may otherwise reduce wellbeing, render them destitute, or contribute to mortality. And protecting them, especially through education and nutrition, has many spin-off benefits for their dependents and wider households, which can contribute to interrupting intergenerational poverty.

Women are subject to general risks, which may be intensified by gender considerations – for example the discrimination that women experience in labour markets and institutions may be enough to account for the slower recovery which women-headed households may experience after a shock.[30] Women are more sensitive to changes in income, prices and labour demand than men in some situations. This means that women could require greater social protection to achieve the same outcome.[31]

Women are also subject to gender-specific risks which result from their biological roles in reproduction, and from socially ascribed caring and other roles. Specific risks also arise from restrictions on public role and taboos against women or men carrying out certain tasks. Many of these are 'life-cycle' risks, which can be predicted: girl children are at risk of not attending school because of domestic or income-earning responsibilities and are particularly at risk of withdrawal as adolescents; unmarried women often have restricted access to the labour market and both they and married women may be subject to sexual harassment at work; adult and older women may have to bear much of the cost of disease and death in the family, and may lose work because of caring responsibilities; divorce and widowhood may bring stigma and loss of assets.[32] Box 8 explores the implications.

Social protection arrangements do have the potential to enhance the scope for including excluded groups into the mainstream. However, a big caveat is that households and communities are the basic units active in social protection. Within households, resources are distributed and redistributed according to norms and rational calculation. Attempting to target individuals within households can only be approximate, as those individuals or others in the household with decision-making power will often determine how those resources are used and by whom. This may in some cases even stigmatise the individual, and result in reduced welfare. Although it helps to have a disaggregated understanding of risk and vulnerability, it does not immediately follow that a disaggregated (or targeted) policy response is appropriate.

Box 8: Addressing the particular risks to which women are exposed

Men and women may be exposed to different risks; they may also experience the same risk differently. Women are biologically more susceptible to some diseases (HIV, STDs) and suffer high maternal mortality. They are also at risk of domestic violence, which may be socially accepted. Gender roles and patterns of resource ownership and control constrain responses to risk and vulnerability. Property rights, norms about mobility, freedom to remarry are examples of gendered dimensions of socio-economic life which constrain men and women differently in their responses to risk. There are many specific risks linked to women's life cycles. However, social protection approaches generally deal poorly with these specific risks.

Women are rarely well protected by property laws, and where there is progress (e.g. Uganda), the judicial mechanisms to implement women's rights are often inadequate or biased against their interests.[33] Maternity benefits and childcare provision have potential but rarely receive priority. The provision of mobile crèches at migrant construction worksites in Mumbai by a voluntary agency is an exception. The Maharashtra Employment Guarantee Scheme has also provided crèches facilitating participation by mothers. Other public social protection mechanisms which are likely to benefit poor women include: pensions, perhaps targeted at the over 75s and widows; childcare facilities and allowances; and conditional transfers to keep girls in school. Other policies with critical protective elements include legal reforms, and effective protection of legally sanctioned property and individual security.

Women are often very vulnerable at work. It is difficult to extend formal social insurance to cover the informal sector where most poor women work. However, SEWA in India illustrates what is possible when the gendered nature of risk is understood: a health insurance scheme with support from government and the private sector, relying on the mutual trust among SEWA members as collateral; maternity benefits against a fixed deposit plan with premiums and payment structure designed to suit different income groups among the poor; and the basic banking services providing savings accounts and credit.

Women are heavily involved in informal strategies for managing risks. These include strong informal associations around common property resource management and collective work, savings and credit, reciprocal gift-giving and intra-community transfers, and borrowing. Finding ways of strengthening the informal sector represents uncharted territory: no government or development agency has done it; no research on informal protection has been carried out with this question in mind. Neither has any assessment been made of the displacement effects formal provision may have on the informal, and what of this may represent desirable burden reduction as opposed to undesirable crowding out.

Source: based on Luttrell and Moser (2004).

Risk and Vulnerability Assessment

Decision-makers need to ask the following questions:

What are the main hazards to which poor people are most vulnerable? And which people are vulnerable to which hazards?

What combination of instruments will best protect them against the major hazards?

A Risk and Vulnerability Assessment (RVA) should give answers to these questions. Institutionalising such assessments in policy analysis and as part of the evidence base for policy is critical. The second question can be answered in two stages: first, by assessing what is known about the effectiveness and impact of individual instruments in a particular country (or in similar contexts, if no information is available on a country) – see section 4; and secondly by mapping feasible and (potentially) effective instruments against the major hazards faced by the poor. The second step should generate appropriate combinations.

This exercise would help to identify priority gaps in the coverage of risks. For example, in Bolivia, a vulnerability assessment which identified illness and injury, old age and disability, and domestic violence as the major idiosyncratic risks, and harvest failure and food price fluctuations, unemployment, precarious informal sector enterprises, and the eradication of *coca* as the main co-variant risks, the following gaps in provision were identified:

Education was not included in the Bolivian (or the World Bank's) approach to social protection; arguably this should appear strongly in the risk reduction category, 'since it provides opportunities for livelihood security'. Education does now figure strongly in this category through conditional cash transfer programmes, which provide additional cash or food incentives to persuade parents and children of the value of remaining in school through adversity and poverty.

Informal provision has not been assessed for its scope, coverage or impact. This needs to be done before strategies to strengthen provision are developed.[34]

The Ethiopian Risk and Vulnerability Assessment identified limitations of existing public risk management programmes. Risk mitigation strategies (irrigation, water harvesting, agro-ecological packages and resettlement) all contributed to food security but introduced their own risks in health, environment and conflict, which were not addressed. Even if well implemented, they would also assist only a fraction of the vulnerable or extremely poor. Existing risk coping strategies have a narrow focus on drought and food insecurity. Other risks, such as malaria, HIV/AIDS and malnutrition – which are just as powerful drivers of poverty as droughts – remained unaddressed. The food security programme also has a narrow geographical coverage, hard choices having been made, and is overwhelmingly designed and seen as useful only for relief, not for protecting and building assets. This analysis provided the basis for a policy dialogue.

Hazards and vulnerability are context specific. Social protection responses need to be similarly problem-based. There is little mileage in advocating universal magic bullets. At the very least, a menu of options is needed, from which the 'best' can be chosen – depending on objectives (see Section 4).

3.2 Social protection and growth

Growth usually benefits the poor, but can benefit them disproportionately if there is broad access to assets and markets, and if risk and vulnerability are controlled. The argument advanced here is that social protection can contribute to economic growth, and *may* be essential if growth is to be 'pro-poor'. Achieving the income Millennium Development Goal should include a focus on increasing the average incomes of the poor. DFID's draft policy framework on pro-poor growth emphasises the need to:

create strong incentives for investment;

foster international economic links;

provide broad access to assets and markets; and

reduce risk and vulnerability.

Reducing risk and vulnerability is part of a broad strategy: the degree to which direct interventions are needed will depend on the degree of success achieved in the other three elements of the strategy, as well as the nature of hazards, the level and spread of risks, and the degree of vulnerability poor people experience. Ideally, the costs and benefits of reducing risk and vulnerability through social protection measures should be compared with other approaches. Of course, if there were developed credit and insurance markets there would be less need for social protection.

Economic growth is critical for social protection: it provides both the additional incomes which allow for critical private and informal transfers and mutual support, but also the basis for public revenues which can be used as insurance and for basic social security to enhance the quality of life for citizens. This is especially important for the non or less economically active. This is relatively uncontested: on the other hand questions about *how much* public revenue should be used for such purposes will always be controversial; the potentially negative impact of such expenditures on growth has received much learned attention, and is a reason why governments and the international community have been historically reluctant to devote substantial resources to social protection. However, it should not assumed that there is a trade-off between economic growth and social protection: the argument here is that there are likely to be complementarities and synergies.

Market failures

Market failures are partly responsible for the levels of risk and vulnerability faced by the poor. The absence of insurance markets and the failure of banking services to reach poor people mean that the poor have less opportunity to save for their own protection, and no access to formal insurance against shocks. Such failures may account for a substantial proportion of persistent low rates of economic growth.[35] Dealing with the causes of such market failures (high transactions costs, asymmetric information) will take time and institutional development; financial sector reform combined with spreading microfinance institutions to the greatest extent possible represents the way forwards. In the meantime social protection not only may provide substitutes for savings and insurance opportunities, particularly for the poor, which will enable them to become more productive, but will also help correct market failures.

Labour market failures are also important for poor people, who tend to gain significant proportions of their livelihood through casual labouring, migration and (for the lucky) remittances. Poor people are often not free to associate and bargain over wages and working conditions; may be subject to forms of forced labour; and may have to rely on child labour and experience social discrimination in the labour market.[36] The implementation of the internationally agreed core labour standards dealing with these issues will take time to achieve, especially for the poor in the informal economy. Social protection measures can play a role in tightening wage labour markets, preventing child labour, and reducing discrimination. For example, the much studied Maharashtra Employment Guarantee Scheme combats social discrimination by offering a minimum employment by right.

Social protection can also have significant impacts on transactions in local markets. Providing pensions or other widespread forms of cash allowance puts income into the hands of many people who have little and may be economically less active; they are likely to use it in local markets and buy local produce. This can have an impact on the structure of demand, and produce multiplier effects in the local economy. In terms of pro-poor growth, this may have particular importance in remote regions where demand is stagnant and often satisfied from outside.[37]

Public works can also contribute to improving poor people's access to markets by developing *local* infrastructure, which is often the most difficult for governments to focus on through their regular programmes.

Growth through asset development

The effect of social protection on growth will be especially potent if the result of social protection is greater investment by the poor in human, physical, natural and financial assets. There is growing evidence that social protection leads to asset accumulation, and that this has income-enhancing effects where there are opportunities to use the assets:

> Pensioners in Southern Africa invest in their grandchildren's education, feeding and clothing as well as caring for orphans; on the family farm, and in micro-enterprises, pensioners' working age children are liberated to do the same; we need to know the extent to which social protection leads to asset accumulation and investment;

- Conditional transfers can increase human capital: in Bangladesh, providing food for education significantly increased school attendance, with only modest loss of household income from child labour;[38]
- Labour-based infrastructure programmes can also enhance workers' skills through on-the-job training; this is less true in the larger employment-based safety nets;
- Public works programmes can build local infrastructure and community assets but, if not well designed, the benefits are often short term and mainly for the local elite.

Social protection may also contribute directly to social and political stability, if coverage is wide, allocation of benefit seen as fair, and it is seen as contributing to the 'social contract' between state and citizen – e.g. if it prevents famine. In turn, stability and a strong social contract lay solid foundations for growth.

A further, but more complex relationship which requires further investigation is that between social protection and inequality, which in turn is known to affect growth. It is plausible that social protection benefiting the poor will reduce inequality, but if it improves conditions for investment, this may also contribute to increased inequality. South Africa's good social protection system has not prevented such an increase in the last decade.

Conclusion
What is clear is that a country's social protection strategy cannot be considered in isolation from wider development policies: integration with other approaches to poverty reduction through key policy processes (national development plans or PRSPs) is necessary. A key question for national development strategies, with poverty reduction as an (or the) objective, is the extent to which pro-poor growth can be achieved *without* social protection, and over what time period.

In summary, social protection can contribute to growth in the following ways:

- it helps correct market failures that contribute to poverty;
- it enables risk-taking livelihood strategies;
- it facilitates investment in the human and physical assets that can increase returns to economic activity as well as reduce the risk of future poverty. In this sense, it contributes to two of the objectives of pro-poor growth and moves well beyond welfare;
- it facilitates more rapid recovery from exposure to risk for those less able to recover quickly;
- it can include the non-active as well as the economically active poor;
- it reduces behavioural responses to vulnerability, such as postponing healthcare or switching to poor quality foods, which are understandable in the context of vulnerable households, but restrict growth and development in the medium and long run;
- it reduces incentives for unproductive and antisocial behaviour;
- by providing strong safety nets and fostering social cohesion, it also facilitates positive social and economic change and reduces the likelihood of conflict.

Explicitly linking protection with livelihood promotion is one way of ensuring that social protection contributes positively to economic growth. This can be accomplished in two ways: first, by infusing promotion policies or programmes with risk and vulnerability reduction objectives. This is illustrated in the case of the agricultural sector in Section 4.1. Investments can all have substantial positive and negative impacts on the risks faced by vulnerable and poor economically engaged households.[39] The corollary of this is that policy-makers should also keep livelihood promotion and growth as an important criterion for assessing the utility of protection.

Secondly, the linkage can be made by ensuring that there are ‘ladders’ out of welfare. This provides stepped opportunities for the non-active or less active to become as active as they can, whether through self-employment or wage employment. There is a range of (largely NGO) programmes attempting to create ladders of opportunity from which lessons might be drawn. The most famous of these is the BRAC Income Generation for Vulnerable Group Development.[40] However, other NGOs (e.g. CARE) have also developed extensive experience. Government policy in the productive sectors can also contribute.

4 Choosing social protection instruments

The purpose of this section is to offer a framework for deciding which public policy instruments are appropriate in a particular context. This is not a well researched topic, so this paper is breaking new ground.

Arriving at an appropriate set of instruments requires knowledge about the likely hazards and poor people's vulnerabilities, as well as how a range of instruments function or are likely to function in a particular setting, both individually and in combination. This knowledge can be relatively easily created in many situations, as in through RVAs. It is important that this knowledge be as disaggregated as possible if the critical gaps in provision are to be identified.

No one social protection instrument will address the multiple hazards different groups of poor people face. While much knowledge is available about the functioning of *individual* instruments, these have universally been treated by analysts and policy-makers in isolation from each other: there is little information available about the effectiveness of *combinations* of instruments. This should be a priority for future research on social protection.

Trying to assess and provide guidance on the cost-effectiveness of particular instruments poses challenges. It involves comparing disparate strategies, with different aims, target groups and modes of operation, and de-contextualising a wide range of instruments in order to do so. To our knowledge, such assessments have not taken place. Where comparisons have taken place within a sector/ area of social protection, such as nutritional support, we report these below. DFID country programmes could support analysis of the relative cost-effectiveness of different options.

It is likely that any country will experience a 'social protection trajectory' over time. Different combinations of instruments will be appropriate and feasible at different times, depending on changing needs, resources, and political structures. The criteria on which choices are made should evolve, as society's demands and collective capacities change. The poorest countries, which are generally also those with greatest governance challenges, will have to start with straightforward approaches aimed at the main insecurities faced by their populations, a large proportion of whom are poor. These might include delivering transfers through local administrations, for example, ensuring that key basic services are free at the point of use, or that recurring environmental risks are addressed. Countries affected by conflict present a particular challenge. The need for social protection is often particularly profound in countries affected by conflict, since livelihoods, essential services and protective institutions have often been destroyed. Temporary truces have been called to enable immunisation of children in Sri Lanka, for example, and it may be possible to negotiate to extend this principle to other forms of social protection.

It is important to start from the point a country has reached, and identify the critical risks and vulnerabilities which are effectively reduced by existing policies or informal/private measures, before going on to identify gaps in provision or debate the merits of existing approaches.

4.1 Choosing combinations of instruments

Based on the analysis in preceding sections, criteria for choosing social protection instruments would include:

- contribution to reduced risk and vulnerability, resulting in income-smoothing and reduced dependence on adverse socio-economic relationships for the poor and vulnerable;
- potential for asset development across the range of livelihood assets including human capital, especially for the chronically poor, enabling them to participate in and contribute to economic growth and assert their rights, and to recover after shocks;
- potential for contributing to economic growth through reducing (credit/insurance) market failure;
- contribution to socio-political stability through cost-effective broad national coverage and policy dialogue about criteria for inclusion;
- costs compared with benefits;
- complementarity with existing instruments and programmes;
- implementability, including political sustainability, financing, targeting, ability to be scaled up and down, and administrative capacity required; these are particularly important in poor countries with low governance capacity;
- possible crowding out/in effects (there may be a net benefit to the poor of what is to be crowded out/in).

As mentioned above, the emphasis should be on examining the combination of instruments in place, their effectiveness, identifying gaps as well as problems with the current combination, and means of filling those gaps and addressing the problems identified. This could be done by locating the range of instruments against (i) the results of a Risk and Vulnerability Assessment and (ii) the criteria identified above in a matrix.

In what follows, these criteria are briefly and selectively applied to individual instruments grouped in the following categories:

- safety nets
- social security
- human development measures
- informal provision
- linked protection-promotion

In most cases, benefits or disadvantages are not inherent to an instrument but depend on programme design. In discussing each instrument or cluster of instruments, where evidence exists, we highlight the ways impact and effectiveness can be maximised.

4.1.1 Public safety nets

These are designed to prevent destitution and help people cope with emergencies. Coverage can be wide, with strong survival impacts where there is logistical capacity, but targeting brings the potential for errors of both exclusion and inclusion. Safety nets smooth incomes and, if they are implemented with regularity and well resourced as part of a ‘social contract’, they may acquire the characteristics of insurance schemes and enable positive changes of attitude among the poor towards more risky and productive activities, and thus contribute to economic growth. This is unlikely if they remain emergency temporary measures. In the latter case, the developmental impact is weak or even negative. In general, a social protection approach would move away from policy based purely on safety nets, although they remain an important constituent in many poor countries.

Food distribution and food aid
Emergency food distribution is a mechanism of last resort, applied when other protective devices have failed. It will remain important, given the absence of effective social protection in most poor countries. There are specific concerns from a development perspective – in particular, the potential to distort food markets and depress production. Distribution may also respond more to a donor's wish to shift food grain surpluses than the economic bases of vulnerability in particular context. A social protection approach would focus significant effort on alternative instruments wherever possible.

Public works and employment guarantees[41]
Public works schemes can encourage *risk-taking and greater productivity* by providing a safety net, especially if this is sustained and guaranteed over a period of years, thus effectively providing insurance against risk. It is also possible to provide widespread *coverage* for the working poor through cash or food for work programmes. Beneficiaries often support non-working household members. Careful design may also enable less able-bodied people to participate. Where such programmes become an employment guarantee, sustained over a period of years and well integrated into government structures and processes, like the famous Maharashtra Employment Guarantee Scheme in India, there is evidence that farmers plant higher risk crops and the poor use savings for micro-entrepreneurship more readily than elsewhere.[42] Critically, the guarantee is institutionalised in law: the poor have a *right* to a certain number of days work per year, which has substantially enhanced its social protection effectiveness.[43] Other programmes in Southern Africa have had similar effects.[44] Public works programmes which principally aim to create infrastructure typically have smaller coverage, but careful design and attention to payment methods can lead to greater inclusion of women or the less able-bodied.

Generally, *wage rates* are set so as to discourage all but the poorest people from participating. Although this helps avoid inclusion of better-off people, it also limits the contribution employment schemes can make to social protection, essentially to guaranteeing survival. This can be compounded where work days are rationed to ensure that most people in need access at least some work. For example, wage rates for public works in Zambia, set at slightly higher than market rates, combined with an allowance to participants of a generous number of work days, enabled participants to accumulate useable assets that helped them improve their situation. At the same time, many poor people who could have benefited from a lower waged scheme were excluded.[45]

A major area of concern with employment programmes is that they may compound *nutritional problems*, in that poorly nourished participants are required to undertake heavy labour for low remuneration. This is particularly the case for women, older people and young people or children.[46] The latter groups are particularly likely to participate where wages are based on piece rates, when there are strong incentives for families to maximise income by involving as many members as possible.

Infrastructure constructed through public works can principally benefit local power-holders or be located so as to enhance potential patronage gains (i.e. not necessarily in the geographically neediest areas). However, well designed public works programmes, as in some social funds, can manage to create synergies between employing poor people and creating infrastructure which enhances livelihoods (e.g. roads, irrigation facilities in remote areas) or wellbeing (e.g. improved sanitation or renovation of school buildings).[47]

The *administrative costs* of public works programmes may be high in relation to the benefits (in addition to programme administration, there are the costs of building materials and equipment, and targeting). Cash transfers *may* be more cost-effective, despite concerns about welfare dependency. However, many very poor people highly value infrastructure improvements, despite the lukewarm response of many development professionals who see them as insufficiently developmental.

4.1.2 Social security

These are often the most controversial instruments, with policy-makers understandably worrying about welfare dependence and budgetary commitments. However, pensions and allowances have the potential to start small in a poor country, and grow over time as the country can afford more, enabling investment of savings by poor families in enterprise and education. Demand for local goods and services is generated, even in remote areas, and cash transfers may be a better way to achieve this than expensive area-based development programmes.[48] The feasibility of achieving widespread geographical coverage through the private sector, post offices or local administration could potentially bring socio-political integration benefits.

Food subsidies
Many countries which had universal subsidies on basic food commodities have moved to targeted subsidies and ration card systems to reduce the costs to the budget. Targeted food subsidies on staple products are an effective way of enhancing the nutritional status of groups vulnerable to malnutrition, or to protect people during a crisis. While they are relatively expensive, food subsidies have played a role in ending vulnerability to famine in Bangladesh, India, Indonesia and elsewhere. If well designed in terms of targeting, the value of the subsidy, the degree of stigma involved in benefiting, and administrative efficiency, targeted food subsidies (e.g. via ration cards) may represent an effective social protection instrument; however, the storage costs of food mean that these can be more expensive to implement than cash transfers, and may be more subject to loss and theft. A critical issue is ensuring that the value of the ration keeps place with inflation and is set at a level which provides adequate food supplies to poor and vulnerable people. When Sri Lanka switched from a universal food subsidy to a targeted ration in 1979, failure to index the ration to rising food costs meant that its protective value to poor households halved over a three-year period.[49]

Targeted transfers: allowances and pensions
Cash transfers may be based on either an insurance mechanism (whereby recipients have paid a certain fee over a defined period in order to be eligible for financial assistance during hard times – contributions which may be supplemented by the state), or may constitute social assistance, which is non-contributory and paid out of general revenues. This section will focus on social assistance, which is much more common in poor countries. Social assistance transfers aim to secure wellbeing by making poor or destitute people's income up to an agreed threshold level, often defined with reference to a minimum food basket. They thus aim to protect against hunger and provide a minimum nutritional floor, usually with some allowance for other basic goods such as soap or clothing. Usually, such transfers are provided for a specific period, and are often means-tested.

The effectiveness of cash transfers in protecting recipients clearly depends on the size. However, even very small transfers can have an important protective effect. For example:

> In *Hungary* in the mid-1990s, without family allowances, child poverty would have been 85% higher, while *in Poland* it would have been a third higher. [50]
>
> Without *Kyrgyzstan's* social protection system, 24% more people would be living in extreme poverty. As poverty is concentrated among families with children, many of these would have been children.[51]
>
> In *Zambia,* a GTZ supported programme is proving effective in supporting very poor households with no members of working age, enhancing food security and improving children's school attendance.[52]

Cash transfer programmes are also in place in South Africa, Brazil, Ecuador, Chile, Colombia, Honduras and Jamaica, as well as most Central and Eastern European and former Soviet countries.[53]

A major concern about cash and in-kind transfers is that these can create dependency (discouraging paid or income-generating work). However, in most poor countries, it is unlikely that benefits can be set at levels that do so – at most they will supplement incomes and prevent the most damaging effects of poverty. Meanwhile, transfers that manage to reduce working hours, particularly among parents of young children, could have a substantial positive impact on child wellbeing, given young children's particular nutritional health vulnerability.

Pensions

Pensions play a key role in old age support, but research and policy have focused on contributory programmes promising retirement income for formal sector workers. Non-contributory pensions, on the other hand, consist of cash transfers programmes targeted at poorer older persons and their households. A particular focus on non-contributory state pensions is justified by the potential of even modest pensions to have significant income-smoothing and asset development effects, as well as influencing the pattern of demand for goods and services in a pro-poor direction, and the disproportionately high rates of poverty among older people in many countries. Even poor countries (India and Nepal, for example) have introduced universal pensions for the over 75s, widows, and some other specific categories, with high rates of coverage and a reasonable degree of 'customer satisfaction' and popular support achieved within a decade.[54] The starting point has been limited – targeted, and low value, enabling widespread coverage – but can evolve over time into provision which has greater developmental impact. Middle-income countries in Southern Africa and Brazil have universal pension schemes which have enabled pensioners to support grandchildren through school and better cope with health crises, and working adults freed of financial responsibility for parents to do the same, or to invest in small businesses.[55] In Southern Africa, non-contributory pensions also play a critical role in protecting households where adults are absent owing to HIV/AIDS or labour migration. Many of the same points are likely to apply to disability allowances.

Labour market measures

DFID has made a commitment to supporting the ILO's four 'core labour standards'[56] as universally applicable human rights: freedom of association and the right to collective bargaining; elimination of all forms of forced or compulsory labour; effective abolition of child labour; and elimination of discrimination in respect of employment and occupation. Other 'substantive' measures, including protective ones such as minimum wages and social security measures for the formally employed and control of workplace hazards are seen as context specific.

Given that the poorest people are generally not employed in formal sector jobs with such levels of protection, these are instruments for preventing employed people falling into poverty, rather than helping lift the poorest out. Specific aspects of employment protection, such as maternity protection or accident insurance, can make particularly strong contributions to protecting the wellbeing of mothers and children or households in general at vulnerable periods of the life cycle or moments of shock. Maternity protection consists of the implementation of legal rights (to protective employment conditions) and cash transfers for periods of childcare. This includes:

- guaranteed periods of maternity leave with the job kept open;
- protection from work potentially injurious to health during pregnancy, and adequate protection at other times;
- cash benefits during maternity leave, usually financed through a system of social insurance payments.

As a country progresses along its ‘social protection trajectory’, there will be opportunities to extend coverage to the informal sector where most poor people are employed. The critical issue is therefore to get trades unions to take up the cause of the informal sector and work with government, insurance organisations, the small-scale private sector, and other civil society organisations, to extend protection. SEWA, the union of self-employed women in India, provides a classic example.

4.1.3 Human development and child protection measures[57]

There is a variety of instruments which can prevent shocks destroying human capital, where poor people respond to shocks by taking children out of school, reducing food consumption, or stopping using health services (especially for children and women). Interrupting intergenerational poverty can also be facilitated by measures that improve the access of poor households to human capital – through better health (especially for breadwinners), child and maternal nutrition, and education. These represent important measures to spread the benefits of increased investment in health and education services to the poor. While the economic benefits are long term, inclusion will be appreciated in the short term, with significant political integration benefits for a country.

Targeted fee waivers and exemptions, and life line tariffs
Fees and user charges are widely held to have reduced the use poor people make of public services and to have increased their spending on health and education. Their abolition is beneficial to the poor, but has to be accompanied by significant investment in improving the quality of services. In Uganda, the abolition of health charges involved increased budget allocations for pharmaceuticals, improvements in drug supply systems, a two-thirds increase in pay for doctors and speeded up payroll reforms.[58]

Exemption to the charges for a particular service (e.g. immunisation), and a general waiver of fees for accessing health, water or education as a whole are measures which fall short of abolition of charges, and therefore may be attractive to policy-makers. Waivers are certainly preferable to charging full costs for poor people. Benefiting is usually based on membership of a vulnerable group (defined by age, pregnancy, or geographical location), or a means test. However, if fees are a small proportion of the total cost of accessing a service, complementary support will be required to reduce or provide for meeting the other costs.

Waiver policies are generally introduced for basic services. However, it is often at secondary level that charges are highest and that the biggest opportunities for risk reduction and human capital development occur[59] – so there are strong arguments for extending waivers to cover services at that level.

Life line tariffs for water have been introduced to ensure a basic minimum level of consumption, with charges levied above that minimum on those judged able to pay. In South Africa, for example, 6,000 litres per year is provided free to each household, with additional consumption billed at an increasing tariff. This requires providers to generate a surplus through slightly higher marginal costs for bulk users. A critical mass of fully paying customers is needed: this approach is applicable to towns and cities, and may need to be supplemented by measures to enable poor people to get connected to the service in the first place – such as payment in kind, or microfinance. The vast majority of poor people in many cities still live beyond major service provision infrastructure. Measures to support small-scale providers in providing quality services at reasonable cost may be more cost-effective.

Health insurance
Health insurance schemes are introduced as an alternative to user charges, both to finance the health service and to promote access to it. Subsidies on formal sector schemes may reduce the resources available for services used by poor people. However, the extension of national formal sector health insurance to cover the poor has succeeded (with the exception of reaching the poor in remote areas) in Thailand, where poor families can buy a health card for 30 baht a year. This is being tried out elsewhere.

More tried and tested are community health insurance schemes in situations where users pay substantial amounts for health services. These 'offer considerable benefits to the majority poor. However, the poorest require special arrangements to enable them to access benefits under the scheme (such as subsidies from government or from higher income scheme members) and few schemes have effectively implemented these arrangements'.[60] It is difficult to design a scheme which is both affordable and provides adequate cover, but some schemes have achieved this – for example, the Burundi Carte d'Assurance Maladie was affordable for 77% of the population, and had enrolled 54% of the target population by 1992.[61] Where the majority of the population is very poor and unlikely to be able to afford even low insurance premia, it is probably better to try other measures.

Conditional transfers
Though historically, in the OECD and transition countries which have had the most extensive social assistance programmes, cash transfers have not required any specific action from recipients, a newer kind of transfer, conditional on recipients or their families undertaking certain activities (e.g. children attending school) has become increasingly common, particularly in Latin America. Such programmes aim to maximise the value of a particular transfer by ensuring it both alleviates current poverty and enhances future wellbeing, particularly through supporting children's school attendance and, in some cases (e.g. Mexico, Nicaragua), mandating visits to health centres.

> In *Mexico*, *Progresa* (now renamed Oportunidades), a child benefit and social development programme which is conditional on children attending school has reduced teenagers' involvement in work by 12–20%, reduced the incidence of illness among participating 0–5 year olds by 12%, and reduced rates of stunting.[62]
>
> In *Nicaragua,* the *Red de Protección Social* managed to stop food consumption declining in poor families during a coffee price shock that seriously undermined poor people's livelihoods. It has also increased school enrolment by 22% and attendance by 30%.[63]

In *Bangladesh*, children participating in the Food for Education programme (now renamed and reoriented to provide Cash for Education) have 20–30% higher enrolment rates and stay in school between six months and two years longer than non-participant children. This may increase lifetime earnings by 7–25%.

Conditional transfers are a part of a package which must also include investment in health and education services to improve quality and coverage. Bangladesh's experience with funding entirely from domestic revenues illustrates that these can be financially sustainable in a low-income country. No evaluations of conditional transfer programmes have yet examined how beneficiaries perceive the conditions they have to satisfy, and the argument can be made that they are inconsistent with a rights-based approach. Conditional transfers are likely to be most appropriate where the opportunity cost of using a service is high (e.g. a strong market or demand at home for child labour). Where the barriers are financial, a simple subsidy (e.g. a scholarship) may have lower administrative costs.

Childcare and child nutrition

Early childhood development programmes are much in favour as win-win human development investments which also release adults for productive work or siblings for school attendance.[64] However, there is little evidence of their effectiveness in helping break intergenerational poverty cycles (owing in part to low levels of resourcing, and in part to the short periods of existence of many such programmes in the South).[65] Their greatest contribution to social protection may be in providing secure care for young children while enabling their carers to work, an important issue for the majority of low-income households, and of specific importance where poor households have taken in orphaned young children.

Micro-nutrient supplementation programmes represent a cost-effective way of contributing to interrupting intergenerational transmission of poverty, for example through iron and folic acid supplementation for pregnant women, and vitamin supplements for young children. These recognise that poor people are often unable to buy or grow their way out of nutritional deficiencies. The fortification of staple foods (such as salt with iodine) needs to be subsidised to reach poor people. In the longer term, these need to be combined with food security measures to enhance self-provision.

School feeding programmes are popular with policy-makers, but have been generally negatively evaluated as far as improving the nutrition of vulnerable children is concerned, since the latter are not specifically targeted, are often pre-school or not in school and, on receiving food at school, may get less at home. There would appear to be strong educational benefits, however, with increased school attendance and improved educational performance, especially of malnourished children. Where poverty and hunger undermine children's ability to concentrate at school, school feeding is likely to be effective, particularly if provided before classes. It would be useful to compare the effect with that of conditional transfers.

Microfinance

Microfinancial services can form part of a social protection strategy in the following ways:

- credit components can contribute both to income-smoothing and to investment in production;
- savings components can provide a buffer to draw in case of shocks, and can help finance longer term investments;

micro-insurance components (less common) can provide protection against crop failure or health shocks.

The contribution any of these microfinancial instruments make to social protection will depend largely on programme design. Maximising flexibility to users is likely to increase the socially protective value of microfinancial instruments, e.g. a scheme which allows savings to be accessed easily is likely to be more useful than one with a number of restrictions on the use of funds, though there are trade-offs between flexibility and low operating costs and thus low costs to users. As is widely accepted, the contribution of microfinance to protecting the very poorest is likely to be minimal. This is both because scheme design tends to encourage exclusion or self-exclusion of the poorest, and because participation can actually increase the risks poor people face, especially where default on payments leads to confiscation of assets. However, as numerous evaluations have shown, microfinance has proved a useful tool for many poor people.

Agricultural (or other sectoral) policy
The interactions between the domestic (household consumption) and productive spheres are neglected by policy-makers, who are typically divided into communities (ministries, departments, professions) dealing with one or the other. Support to the domestic sphere (transfers, micro-savings, support for school attendance etc.) allow beneficiaries to consume and thereby express demand for goods and services. On occasion, transfers are invested in productive activities, as, for example, with South African pensions.[66]

By contrast there are relatively few efforts within the agricultural or productive sectors to bring the extremely poor or non-working poor into the productive sphere, through special programmes like the BRAC Vulnerable Group Development Programme

4.1.4 Conclusions

Of the instruments discussed above, cash transfers have the greatest flexibility. They can enable poor and vulnerable people to make their own choices about how best to improve their own situation, what and when to invest, and what and when to consume, and as such are most consistent with a rights-based approach to social protection. Though of all social protection instruments, cash transfers raise the greatest concerns about affordability, sustainability and dependency, the administrative costs are arguably lower than for instruments involving the provision of food or procurement of building materials and tools. Increasingly, cash transfers are supplanting in-kind transfers – for example, cash for work rather than food for work programmes are increasingly common, and school subsidies are starting to displace school feeding programmes.

However, cash transfers alone are not best placed to address all forms of vulnerability. Clearly, large-scale environmental risks or epidemics will require correspondent public action: safety nets remain important. Specific nutritional risks are likely to be best tackled through a combination of specific nutritional support and wider action to improve food security. There may also be concerns about transfer recipients not passing on benefits to intended beneficiaries, though these may be partially addressed either by targeting the intended beneficiary directly or by making transfers conditional on certain activities (e.g. school or health centre attendance).

4.2 Targeting

Having emphasised the need for a disaggregated analysis of risk and vulnerability (Section 3.1), and the ways in which social protection can work to the benefit of the chronically and less active poor as well as the transitorily and active poor (Section 2), it would seem logical to argue a strong case for targeted social protection.

The debate rages on the relative merits of *universal versus targeted* (or means-tested) transfers. Both are potentially consistent with a rights-based approach to social protection, one approach emphasising the universality of entitlements, the other particularly supporting poor, vulnerable or marginalised people. The case for universal entitlements is that (particularly in very poor contexts) means-testing is simply too costly, and the middle-class and elites will have a greater stake in, and thus will be more likely to support, a programme from which they also benefit. This may particularly be the case for social insurance-based programmes.[67] The South Africa Basic Income Grant campaign argues for universal transfers which are reclaimed from better-off people through the tax system; however, this is clearly only workable in economies where substantial proportions of better-off people are in the formal economy.

The case for targeting is supported by some empirical evidence. 30+ social protection programmes in Latin America were found as more likely to benefit the genuinely poor than was untargeted provision of basic services.[68] A wider sample of 111 projects in developing countries suggested that targeting generally produced better results, but in a quarter of the projects there was a regressive outcome.[69]

The case for targeted support rests mostly on cost grounds, and is intended to avoid leakage to non-poor people; on the whole, donors and governments are more inclined to this position, and the vast majority of social assistance transfers are targeted. However, the lessons of decades of targeting benefits to the food insecure are:

> There is a need to differentiate between the technical identification process and the implementation process.
>
> The costs of exclusion errors (excluding people who should have been in a scheme) can be much greater than the benefits of cost savings derived from introducing targeting. The result may be that fewer poor people benefit under a targeted scheme than under a universal scheme if scarce benefits are captured by the better-off.[70]

On balance the food security literature suggests that benefiting the whole community – at least at the local level – is better than attempting to target. This suggests that targeting can be carried out where there are simple categories which make sense (age, location, recognised degree of exclusion), within which provision ideally should be universal. Examples would be pensions targeted at all over 75s, widows and agricultural labourers over 65. However, depending on the structure of the labour market, the latter category might be difficult to operationalise at the point of retirement unless it has been an administrative category during an agricultural labourer's life.

Poor countries typically have less administrative capacity for targeting, and this is where the highest errors are likely to be. It is especially important to keep targeting simple in this context. Narrow targeting excludes. In OECD countries, the working poor are commonly excluded. In Kyrgyzstan, 96% of social assistance goes to poor families with children. Poor childless families are thus effectively excluded.[71]

Targeting by stage in the life cycle (e.g. children (especially child labourers), disabled people, workers reliant on labour markets, old people) tends to focus on easily categorisable groups rather than guide policy-makers to investigate how life cycles affect vulnerability at different times. Older people, for example, face many different risks and hazards and are vulnerable in different ways depending on status, age, position in a family and so on. Understanding these in a disaggregated way is a useful function for a vulnerability assessment. Some countries have developed different levels and criteria for supporting these different groups within older people.

The evidence suggests that targeting is often not the best approach, although it will continue to be invoked on cost grounds. Given this, it is important to review briefly the pros and cons of alternative targeting mechanisms (Table 2).

Table 2 Advantages and disadvantages of targeting mechanisms

Targeting mechanisms	Administrative costs	Susceptibility to inclusion and exclusion errors	Political aspects
Means-testing	High – incomes are very difficult to assess	Low, providing accurate information can be obtained, depending on honesty of administrators.	Degree of intelligence required to verify claims may be unpalatable; politically may be only way to make acceptable to elite.
Proxy indicators	Medium	Medium	
Community-based	Low for government; but high for local community which has to take invidious decisions. May perceive targeting as irrational or impossible: 'we are all poor'.	Variable – necessary transparency and flexibility hard to achieve in practice.	Liable to local elite capture and to replicate existing forms of discrimination. May exacerbate divisions in a community.
Self-targeting	Low	Low if well designed. However, targeting is usually not the driving feature of design.	Can create stigma for poorest and socially excluded households if achieved through low wages, or inferior food payments.

4.3 Financing social protection

There is a broad statistical relationship between economic development and public expenditure on social protection, but this comes with considerable regional and inter-country variation. Political economy explains the demand for it; revenue collection capacity constrains its supply. Increased expenditure requires redirecting expenditure from other areas (difficult to achieve except over long time periods), raising revenues, or external support (or a combination). Social insurance (taxation through the payroll) is not a policy option for low-income countries. Closing indirect tax exemptions (which often have strong benefits for the non-poor) may hold greater promise. Linking tax specifically to social protection (earmarking) may hold attractions for politicians who have to justify tax changes. The options for low and very low-income countries are very limited, and external finance is crucial.

The start-up costs of a formal social protection system are high, but not insurmountable. A system intended to provide universal (targeted) coverage can be implemented in certain geographical areas and then extended. *Progresa* in Mexico did this. Alternatively, it can be initiated with certain vulnerable groups and then expanded. For example, South Africa's Child Support Grant was initially provided to households with children under 8, and is now being extended to under 13s.[72]

Donors have shown strong preference for short-term, discrete, and infrastructural projects, as opposed to more broadly supporting the development or strengthening of social protection policies and programmes. But ‘social protection is not just for Christmas’ – it requires sustained recurrent resourcing in order to maintain *ex ante* measures. International moves to budget support as a main vehicle for external financing offers an unparalleled opportunity to enhance external finance for social protection, since the main financial requirement of well institutionalised social protection is predictable recurrent funding, and priorities would be determined through a PRSP and budget process. The challenge for donors is to ensure that budget support is predictable and can be extended over the longer time periods required to institutionalise social protection.[73]

A further challenge occurs in financially devolved governmental systems, where local government may use its legitimate discretion to decide not to allocate its resources to social protection, even if this has been the understanding between donor(s) and government. Vietnam is a case in point, where the degree to which province governments are concerned about risk and vulnerability and advance social protection programmes probably depends on a mix of the strength of the relevant department at the province level, the resources available, the imagination of officials involved, composition of the local population (which may carry with it some political implications), and a variety of other factors.[74]

5 Institutionalising social protection

This section starts with an investigation of the country contexts for social protection, and proceeds to outline the key decision areas important in institutionalising it in national development policy.

5.1 Context matters

There are four types of country context in which different sets of issues will emerge. There are transitional countries with a good institutional infrastructure, a strong constituency for social protection, but tremendous difficulties maintaining previous standards of provision (Box 9). There are Middle-Income Countries, which have started down the welfare state road either through social insurance (common in Latin America) or social assistance (common in Southern Africa and East Asia). These countries have normally achieved a limited extension of formal social security mechanisms to the poor. A third group is of poor countries which have nevertheless a range of social protection mechanisms in place – largely in South Asia. Here the problem has been to grow and universalise these schemes. The fourth and biggest group of developing countries are those with very little formal or institutionalised social protection. This category includes both countries with Poverty Reduction Strategies supported by donors, some of which feature social protection, and countries which are variously labelled ‘difficult to assist’, fragile, ‘poorly performing’, and in which operational PRSs are rarer. Most of this section is directed at the latter category.

Box 9: Lessons from poor transition countries: case study of Kyrgyzstan.

As part of its Soviet legacy, Kyrgyzstan, like other CIS-7[75] countries, has formal systems of social protection which, in principle, cover all citizens. CIS-7 countries have implemented social protection reforms with WB assistance – aiming to increase sustainability, reduce the administrative costs of the system and improve targeting. Kyrgyzstan – like other poor countries in the CIS – indicates that a very poor country (Kyrgyzstan’s GDP capita was US$270 in 2001) can run a social protection system that helps protect the most vulnerable.

Kyrgyzstan's social protection system now comprises a social insurance fund (known as the Social Fund) from which old age and disability pensions are paid; a Mandatory Health Insurance Fund, which covers the costs of health treatment both for the working population and for children and older people; and a social assistance system, which provides small amounts of cash assistance on a means-tested basis to people living below the Guaranteed Minimum Consumption Level.

As in other CIS countries, both pensions and benefits (social assistance) have been subject to a number of problems over the transition years. Problems of cash flow have meant that both have often been paid late, and sometimes in kind (i.e. with surplus humanitarian food aid), though there is some evidence that these are starting to improve now (FiA and CASE, 2003). Low pensions and benefits are also a cause for concern, though the available evidence suggests that these do make an important contribution to the living standards of the poorest – the average monthly benefit of 93 som in 2002 (equivalent to £1.20) constituted on average 15% of recipients’ income (ibid.:79). The Ministry of Labour and Social Protection is experimenting with providing monthly cash assistance (known as the Unified Monthly Benefit) as lump sums which recipients can use to invest in businesses. So far this has not been very successful; however, one reason for this is the small size of the lump sum, and the Ministry is now doubling this to see if it is any more effective.

Where poverty is so widespread, as in Kyrgyzstan, the social protection system is not simply protecting people from falling into worse poverty, it is doing an important job of contributing living standards, guaranteeing a minimal level of consumption, and thus protecting people's basic rights to food. Indeed, World Bank analysis suggests that, without the social protection system, the extreme poverty headcount would have increased by 24%, the poverty gap by 42% and the severity of poverty by 57%, while the overall poverty headcount would have increased by 10% (World Bank, 2003a:162). Furthermore, these levels of social protection do not represent an unsustainable drain on public resources – in 2002, they represented 3% of GDP and are scheduled to rise to 3.7% of GDP in 2006 (GoKR, 2003). Social protection in Kyrgyzstan thus forms one important component of an integrated poverty reduction strategy.

Different social protection 'trajectories'[76] will be discernable in these varied contexts: in the last category, many governments will be sceptical, preferring to focus on economic growth and basic services, and arguing the unaffordability of *ex ante* social protection given limited public revenues. They may prefer to stick with 'safety nets' for the time being. One could envisage a progression from the public provision safety nets designed to take over from individuals, households and communities only when their coping strategies fail; through the development of conditional transfers which support access by the poor and vulnerable to basic services; to a basic social assistance package comprising disability allowances and basic pensions. The latter would be likely to be seen as the least growth enhancing – though the arguments in Sections 2 and 3 of this paper might help to convince policy-makers otherwise.

5.1.1 The politics of social protection

It is a truism that poor and vulnerable people lack voice, and that policy priorities and implementation processes do not represent their interests. The question is what can be done about this? There are medium-term answers around building social solidarity – changing social values, particularly of elites and the middle classes,[77] so that it becomes unacceptable (or more strongly and universally unacceptable) that people go hungry or risk becoming destitute. Solidarity is easier to maintain and build when the middle and upper classes are socially connected with the poor and more vulnerable. Allowing the rich to opt out of public services means that these, without their best potential advocates, are left to become second class. However, once the rich have opted out (as they have in many developing countries),it is probably too expensive to attract them back in the short-medium term. Other ways need to be found to enhance the social solidarity between advantaged and disadvantaged which would allow a degree of public support for social protection.

Drama helps: if vulnerability is dramatically exposed by events, this may help to keep alive a public debate about the obligation of the state to ensure the reduction and mitigation of risk, and lower the vulnerability of the most poor and vulnerable. Where there is no drama – as with the continuing but quiet scandals of child malnutrition, maternal mortality, girls' withdrawal from school, or old-age poverty – information asymmetry needs combating through active journalism and research, underpinning social movements which can advocate change and solidarity. There is often a dearth of relevant research and good journalism in many countries on these issues, and research rarely gets disseminated to the public and decision-makers. Social movements need freedom to operate with available information. Statistical services need resources and capacity to provide the statistics.

Politicians play key roles in developing the policy constituency for social protection and legitimating the policy discourse – 'talking it up' with key constituents who will act as policy supporters. But other actors are also important here: civil society organisations, both those with representative functions (trades unions, associations) and non-governmental organisations and community-based organisations, and the media. Consultation efforts need to be wide-ranging.

The decisions about what and how much social protection a state (or society) should offer its citizens, how targeted it should be, and how it should be financed are fundamentally political. There are no 'right decisions' in most cases, simply less wrong ones. It requires political judgement to decide on the most appropriate combination of instruments. Social protection only makes sense where it is sustained, so long-term political support for a country's approach and specific policies is vital: creating a dialogue and a consensus around approach and policies across the political spectrum is very important. While this dialogue can be informed by technical arguments, decisions are ultimately taken on a political basis, depending on political objectives. An ideal situation would be where political parties compete to produce the best possible approach and set of schemes to deal with the major recognised risks and vulnerabilities.

Social protection programmes generate their own politics which is little understood: targeting and eligibility criteria and processes offer opportunities for patronage and corruption; resource flows offer opportunities for capture. Making information about entitlements transparent and creating a culture in which appropriation is not acceptable are necessary accompaniments to a positive social protection trajectory. Creating implementation mechanisms which are remote from local politics is also advisable: involving strong institutions (e.g. banks, post office)[78] or the private sector in delivery of benefits, as in South Africa's universal pension scheme, secures benefits for the right holder.

5.2 Key decisions in institutionalising social protection

In strengthening political commitment and institutional capabilities for social protection, there are a number of questions which have emerged from the previous sections and the literature. These are:

- Are social protection policies narrow and implemented by one department, or broad and necessarily implemented by many?
- How can strong political leadership be achieved?
- Which agency should lead and coordinate social protection policies?
- How can informal provision be taken into account?
- How can donors address the ownership question when government is reluctant to take a wider social protection agenda on board?

5.2.1 Mainstreaming the social protection agenda

Like food security, social protection arguably does not belong in any one ministry or area of government, but should be 'mainstreamed' across it.[79]

Particularly in low-income countries, the institutional constraints on providing social protection through the public sector may be substantial. In this case, it is tempting to argue that the appropriate approach is to spread actions to respond to vulnerability across a range of policy sectors where there is a strong possibility of reasonable implementation, and where the addition of an additional dimension would be less expensive than developing new (or greatly enhanced) administrative structures. This would argue for more active inclusion of vulnerability as a consideration in macroeconomic, social sector and other relatively strong policy areas (e.g. agriculture), and adjusting these policies to reduce vulnerability and mitigate risks. PSIA can play a role at the macroeconomic level, particularly in moderating the pressure placed on governments by the Bretton Woods institutions. In the social sector, free services, fee waivers, and conditional transfers would play a role. Box 10 examines mainstreaming social protection in the social sectors.

The corollary would be continued provision of safety nets to catch people as hazards occur. In poor countries, the obligation to do this rests heavily on the international community – both in international law and in practice. A number of key risks are likely to remain uncovered – especially the silent, undramatic ones featured above. The danger is also that organisations capable of protecting the poorest would not be privileged under the mainstreaming approach.

What is required is a balance, specific to each country, between mainstreaming and specific measures. In most cases, giving strong weight to risks and vulnerabilities in macroeconomic and social sector policies would be extremely advantageous, and widespread understanding and support for the social protection approach is desirable. Key factors in deciding the balance will be:

- the constraints on the development of organisations within the public sector which are capable of enabling and regulating or providing specific social protection schemes;
- the availability of funds, and the political sustainability of different schemes;
- the possibilities of contracting provision out to the private sector or NGOs, where necessary or advantageous.

Box 10: Mainstreamed sector-based social protection: towards a decision framework

Enhancing the accessibility of basic services to poor, marginalised and vulnerable people, improving their quality, can play an important role in reducing vulnerability. Where the state is the dominant service provider, the priority to achieve this will be investing in state services via sectoral or general budget support. Where the poorest people make use of a greater range of service providers, securing poor people's access to quality services is likely to require a wider range of actions and be less amenable to financial support via sectoral or general budget support. This includes: improved regulation of private providers, including requirements to provide cross-subsidies or life-line tariffs to give access to the poor; and subsidies to non-state insurance providers or the poor as their clients. Removing non-financial barriers is also important: physical and cultural access is enhanced by addressing service provider motivation (often pay-related); improving drug and learning material supply and use; providing mother tongue instruction at least in the early stages of education; addressing cultural congruence of justice institutions in post-colonial societies; and ensuring physical access to services – for example, ensuring women's and girls' needs are taken into account in water supply and sanitation decisions. The role of donors is likely to include financial support for reforms and technical assistance in certain areas.

Investing in mainstream services alone is unlikely to secure poor people's access and to promote human development outcomes. For poor and vulnerable people, the opportunity costs of using even good quality, accessible services may be prohibitive. Child labour among poor households which need the child's labour or income is a good example; another is not accessing health services because of transport costs. Social protection mechanisms that address these continued barriers to uptake are needed to complement investment in good quality accessible services. The most relevant social protection mechanisms will depend on the key constraints to service access, but are likely to include cash transfers - whether conditional on the use of a specific service (as in the case of legal aid, or cash for education transfers) or unconditional payments to poor households.

Many social protection entitlements are unclaimed simply because poor people are unaware of them. Strengthening transparency about services and poor people's entitlements is another critical dimension of enhancing the contribution that services can make to social protection. Without stronger emphasis on provision of information, enhanced accountability will be impossible.

Mechanisms for enhancing service provider accountability are also vital, both to enhance accessibility and service quality. To be most effective these require some legal underpinning of the right to information, and to hold service providers to account. Particular promising mechanisms include: district, municipality or village-level monitoring of government budget allocations and actual disbursements; user-provider councils; and citizen report cards.

Ensuring complementarity between policies and provisions, within and between sectors, is vital. Mechanisms to promote access to services should strengthen and be strengthened by interventions in other areas. Examples include ensuring that livelihood support measures do not undermine nutrition because they require poor people to expend excessive energy; or that health and nutrition interventions address the accessibility of clean water. This requires strong coordination between and within sectors, whether through a PRS or more conscious linking of sector strategies.

Short-term interventions which address immediate needs (e.g. tackle serious nutritional deficiencies) need to be balanced with those that address longer term problems (e.g. food insecurity). There may be contradictions and trade-offs between the two objectives and decisions should be based on an evaluation of the costs and benefits of particular approaches. In doing so, it is important to bear in mind that although tackling immediate human development needs may appear 'welfarist' or 'relief-oriented', it may also have long-term (even intergenerational) benefits in breaking poverty cycles, and thus enhance productive capacity and productivity in the long run.

Source: Marcus, Piron and Slaymaker (2004).

5.2.2 Leadership and coordination

Leadership is both political and bureaucratic. The commitment of leading politicians is therefore essential. The arguments advanced under the 'purpose' of social protection above should be convincing to political leaders wishing to achieve widespread popular support, and this has been recognised by many regimes – examples are mainly from East and South Asia, but also from South Africa and Latin America. The political momentum behind social protection tends to gather force over a period of time. An example would be Tamil Nadu (India), whose state government has been at the cutting edge of policy development in India for several decades on pensions, allowances, nutrition programmes and school meals.

Political support should not be difficult to elicit where electoral politics are taken seriously, since large numbers of people in developing countries are poor and vulnerable. The inclusion of the vulnerable widens the potential constituency considerably – taking US$2 or US$1.50 a day as a proxy for vulnerability puts a very substantial proportion of the population in this category in most developing countries.

If we accept that it is practical to mainstream social protection across a number of key areas of government, this is unlikely to happen efficiently without bureaucratic leadership and coordination. The lessons of 'gender mainstreaming' should be apparent: most sector-wide approaches (SWAps) have focused on very narrow aspects of the gender dimension of a sector's work.[80] The gender mainstreaming experience suggests that social protection work should proceed with comprehensive analysis, inclusive consultations, broadening the field of officials knowledgeable about and concerned with social protection issues, linking with PRSs or other national development strategies, and influencing or developing monitoring tools which draw attention to the public management of risk and vulnerability.

It is difficult to be axiomatic about where the best leadership would come from within a government. Leadership may be best from an overarching department like finance or planning; or from a ministry in close touch with poor and vulnerable people (in India this might be the Ministry of Rural Development, which is already responsible for pensions and public works programmes), or from a traditional welfare-oriented ministry. Social welfare ministries are weak in most low-income countries. Whether they can be strengthened or not depends on various factors – if their budgets increase, so will their power and they may stop being such weak players. If they are in charge of activities generally recognised to be socially important (e.g. disbursing pensions) their status is likely to rise compared with if their functions are running orphanages, juvenile detention centres and overseeing adoptions, roles often considered marginal.

If a country does assign an important role to a leading ministry, there is some evidence that the separation of assessing eligibility and bearing the costs has benefits for the poor and vulnerable, since budgetary considerations are not uppermost in the procedures and considerations affecting eligibility.[81] For example, eligibility would be assessed by a social welfare department, while the service is provided by a ministry of health or education.

A Poverty Reduction Strategy process, or equivalent, supplies an opportunity not only to feed into the policy process risk and vulnerability assessment and knowledge about the appropriate combinations of social protection instruments with a view to designing a social protection strategic framework, but also to develop a leadership structure and coordination mechanisms among the actors involved. Most I-PRSPs[82] and many PRSs have identified measures to reduce vulnerability, though few have made addressing risk and vulnerability through social protection a key component.

Coordination within government is costly and difficult to achieve – witness the Vietnamese Hunger Eradication and Poverty Reduction programme, which attempted to coordinate government departments concerned.[83] Much better to achieve this through shared policy analysis and concepts, with each ministry or department working out how these could usefully inform its own actions and, if additional resources are available, bidding for resources against a set of criteria. This procedure would give teeth to the process of coordination, and suggests that the role could be played by a central ministry (finance or planning).

5.2.3 Facilitating and regulating informal provision

This paper has made a strong plea that the current efforts of poor people themselves to reduce risk and vulnerability, and cope with shocks when they arise, should not go unrecognised in policy circles. It is particularly women who are often left with the burdens of caring for orphans, the sick and the elderly, and looking after their households in times of emergency. Not surprisingly, it is also often women who develop collective approaches to risk management. Few public policy instruments aim to build social capital in ways which would reduce burdens on women and enhance the effects of informal collective provision. Examples are: support for savings and credit groups and their associations and federations in terms of matching resources and links to insurance schemes;[84] support to claimant groups to claim rights – for example to food, where this is recognised in law, as in India;[85] providing reinsurance cover to mutual efforts at protection, so that when these collapse under the strain of a bigger catastrophe, they can recover rapidly.

There is so little formal social protection available in low-income countries that it is unlikely that equitable informal protection mechanisms would be crowded out by greater formal provision. Far more likely is that burdens would be reduced, particularly on women, and energies released either for productive investment or for better grounded mutual protection.[86]

NGOs and faith groups provide safety nets, dealing with all kinds of crises in the communities where they are located, often doing it in innovative ways. These could be brought into national dialogues about social protection with advantage. Persuading them to reorient some of their energies towards risk prevention and mitigation and assisting recovery could reap significant dividends. Many countries have registered NGOs and CBOs, and governments have fora in which they can promote such shifts. Where there is good NGO geographical coverage in a country whose government is reluctant to expand the social protection umbrella, this may be a way to make progress in the meantime.

The private sector can also play a positive role as contractor as well as provider. Provision by the private sector tends not to have been progressive – the poor are usually excluded from insurance, for example. And tax breaks for private insurance can effectively leach resources from public expenditure. However, NGOs or government can also link groups of poor people to insurance providers for accident/life, health and other forms of insurance, and correct the biases of the market. NGO providers of microfinance that become private banks may still retain socially responsible objectives, which can include the provision of savings and insurance products for the poorest, particularly if NGOs or CBOs make the necessary links.

The private sector can implement social protection schemes: the classic case is the South African pension, which is distributed and protected by private firms. Public-private partnerships may have particular relevance where government's outreach is limited, and where private sector agents can be held more accountable than is possible in the public sector.

5.2.4 Ownership of the agenda

Governments in low-income countries committed above all to fostering higher rates of economic growth may be reluctant to widen the social protection umbrella out from the scanty safety nets already provided often with considerable international help.

Can donors stimulate greater political interest and leadership? Here, the case of Malawi is of interest, where donor pressure was instrumental in the development of a strong social protection pillar in the PRSP. However, this had the effect of putting the government on the back foot in two ways:

> There was a presumption among donors, especially the World Bank which led the process, that there was a right way to reduce livelihood insecurity in Malawi, whereas in reality there was a spectrum of possible contrasting approaches, involving more or less state intervention, with no easy method of distinguishing one 'right one'.
>
> A contest over who would control the process – government or World Bank – emerged, obscuring the merits of the case. In a fiscally weak state like Malawi, donors have a huge amount of power with which they can steamroller through their solutions. This does not allow national policy ownership to evolve.[87]

However, the upshot of this debate is that social protection is firmly on the policy agenda in Malawi, and it will be interesting to see what real progress can be made despite the donor origins of the emphasis.

Ethiopia provides a further example of government and donors collaborating to take the social protection agenda forwards (Box 11).

Box 11: Ethiopia: support for a national safety net

Background

Hunger is widespread in Ethiopia. Even in years without shocks (e.g. drought) at least seven million people require relief (a figure that increased to over 13 million in the drought years 2002/3). This reflects the existence of a large 'chronically food insecure' population. Even if the climate is favourable, these people have insufficient assets (e.g. land, oxen for ploughing, labour) to produce or earn enough to meet their needs. The response to these predictable chronic needs is the same as that for unpredicted emergencies – that of short-term emergency relief. This has two major problems: (i) emergency relief – largely food aid – feeds people but does not prevent increasing destitution over the years. Faced with crisis and insufficient and untimely relief, households deplete the very assets they need for future survival. Once destitute, they are unable to escape their dependency on relief. At the same time, this 'chronic' group is not benefiting from growth-related 'development' programmes, as these tend to favour those who already *have* productive capacity and assets. It is this 'gap' – between relief and development – that the government of Ethiopia (GoE) and partners wish to address with a national safety net. (ii) Chronic food insecurity remains outside of government accountability. Through recourse to international emergency appeals, government has relinquished its responsibility for structural food insecurity to the international community.

By replacing the current 'emergency' system for the chronically food insecure with a multi-annual safety net, we can better help people move out of destitution and assist the state transformation agenda for more accountable government.

First, the delivery of more predictable, timely and adequate resource transfers will serve as a *protective* measure by reducing the need for households to make hasty decisions (such as distress sales of assets) that erode their chance of escaping poverty in the longer-term. It can also be *productive*. For example, guaranteed transfers allow households to undertake activities which incur some risk, but may lead to greater productivity (e.g. through on-farm investments). In addition, with the use of conditional transfers (e.g. transfers linked to public works), safety nets can directly generate community assets that help reduce vulnerability.

Secondly, the government budgeting for five million chronically food insecure increases its accountability for vulnerability in its own citizens – moving away from a system where needs are primarily met by international appeals to a system where the government provides a multi-annual budget – thereby increasing democracy.

The GoE Safety Net Programme

GoE prioritises the need to escape from year-on-year emergency relief. Both the *Coalition for Food Security (2003)* – a government framework supported by all donors – and the country's Sustainable Development Poverty Reduction Programme (SDPRP) include the establishment of a national safety net as a core programme with which to address chronic food insecurity.

The Joint Government-Multi-Donor Safety Net Task is finalising the programme implementation manual for the national safety net. This will bring five million chronically food insecure people out of unpredictable, *ad hoc* emergency relief, and into a predictable safety net by January 2005. Implementation will begin in pilot districts in September 2004 as a means to identify additional capacity building requirements.

The safety net programme will provide cash transfers largely through DFID, World Bank and EC support, and some food transfers through USAID and WFP to households identified by their community as chronically food insecure. To the extent possible, transfers will be linked to employment in public works designed to reduce vulnerability of communities (e.g. terracing and soil conservation measures to improve land productivity, access to markets through feeder road construction, afforestation, fodder production, and rainwater harvesting measures).

The safety net is designed to get those with potential back on the ladder of productivity – it is not simply social welfare for five million people – while recognising that a certain number of people will not graduate (e.g. disabled, widow-headed, orphan-headed households etc.). The safety net is therefore explicitly designed to promote *graduation of households out* of extreme hunger, as the impact of predictable transfers and asset-building reduces their vulnerability over time (something that unpredictable relief fails to achieve).

The prospects for graduation will be further maximised as the safety net is to be integrated as a core component of the national food security programme. Those five million eligible for transfers through the safety net will also be eligible for the 'asset-building' interventions of the national food security programme. This aims to provide households with improved technologies and farming practices, loans for livestock, beekeeping, off-farm income-generation skills, and household micro-ponds for rainwater harvesting to reduce vulnerability. The GoE has already allocated US$260 million of treasury resources to this budget line for July 2004/05, and has already established the sub-budget line that will deliver transfers.

In preparation, the government has also reduced the mandate of the Disaster Prevention and Preparation Commission (DPPC) to 'unpredictable emergency' functions only. Concomitantly, GoE has restructured its former institutions to bring together the Ministry of Rural Development and Agriculture (MoARD), which has assumed the mandate for the chronically food insecure.

Early budget estimates for the safety net component are of an annual cost of US$170 million for five million people – US$34 per head. This is estimated at *one-third* the cost of providing (mostly) food transfers through the annual emergency assistance, doing little more than feed people. As the primary trend under the emergency system is for a growing food insecure caseload over time, we could expect costs to increase even further.

Government and donors will contribute to a joint account, with funds flowing down to the districts through the existing food security block grant mechanism. Implementation, monitoring and reporting will be through existing state structures.

Source: Joanne Raisin, DFID (pers. Comm.)

6 Brief glossary

Conditional transfers: a transfer which is conditional on the recipient's behaviour

Co-variant: affecting numerous households, a community or communities, a region, country or several countries

Idiosyncratic: affecting individuals or households

Informal social protection: provided by mutual agreement, through kinships, friendship or other informal networks

Risk: the probability of a hazard occurring

Social assistance: cash allowances

Social insurance: contributory insurance variously covering unemployment, health, accidents

Social security: social insurance and social assistance

Vulnerable: Vulnerability defined by combination of exposure to risk, sensitivity to shock (i.e. the impact when a shock happens) and level of resilience

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8 Endnotes

[1] See Glossary for definitions of terms.

[2] Social protection should be distinguished from social policy, which is grounded on the view that market economies generate social problems which can be compensated with social policies; social protection believes that risk and vulnerability explain why households adopt behaviour and invest in assets that are dysfunctional to human and economic development.

[3] World Bank, 2003a: 3.

[4] Barrientos *et al.*, 2004.

[5] World Bank, 2001: 18.

[6] Key Bank publications are: the World Development Report 2000/1 (Chapters 8 and 9); Holtzmann and Jørgensen, 2000.

[7] There are Bank publications which view social protection as 'a set of public measures that support society's poorest and most vulnerable members, and help individuals, households and communities better manage risks' (2003a: 2).

[8] Chronic Poverty Research Centre, 2004: Chapter 1.

[9] Fafchamps, 2003: 198.

[10] Kucera, (2001).

[11] Bird and Shepherd (2003) show that recovery from the 1991 drought had eluded many households in semi-arid Zimbabwe by 1997; and Shepherd, Kyegombe and Mulumba, 2003 show that a decade on from the peak of the AIDS epidemic in one heavily affected Western Ugandan village, recovery has not occurred for around half of households.

[12] Wood, 2003.

[13] UN, 1966

[14] Additional Protocol II, to the Geneva Convention of 12 August 1949, Article 14.

[15] The distinction between the more and less active is, however, somewhat artificial in poor households in low-income countries, since there are very few who are not active. Moreover the 'less active' live in households and communities like the rest of the population and the focus of risk management and policies to aid it also is also focused on households and communities.

[16] ILO, *World Labour Report* 2000: 29.

[17] ILO, 2003: 104.

[18] World Bank, 2001: 141.

[19] Devereux, 2003.

[20] Smith and Subbarao, 2003.

[21] Darcy, 2004.

[22] Devereux, 2002a.

[23] Dercon, 2003; Kinsey *et al.*, 1998; Bird and Shepherd, 2003.

[24] Suryahadi, A. and Sumarto, S., 2001.

[25] World Bank, 2001: 145–46.

[26] Holtzmann and Jørgensen, 2000: 13.

[27] Fafchamps, 2003: 198.

[28] Devereux, 2001; 2003.

[29] There is more evidence from schemes and projects than has been collated on this issue. Bringing it together should be a priority.

[30] Bird and Shepherd, 2003.

[31] Luttrell and Moser, 2004.

[32] Ibid.

[33] Bird, 2004.

[34] Moser and Antezana, 2001: 15 and 26.

[35] King and Levine, 1993. (ref in Greenslade and Johnstone NOT YET COMPLETED)

[36] DFID, 2004.

[37] Farrington and Gill, 2002.

[38] However, whether increased education contributes more to growth than other potential uses for the resources – both other social protection instruments, or other uses of public expenditure – requires research.

[39] Farrington, Slater and Holmes, 2003: iv.

[40] Matin and Hulme, 2003.

[41] With food for work schemes, many of the issues discussed above, related to cash for work, apply. However, food for work programmes typically also raise the same issues as food distribution, discussed above.

[42] Devereux, 2001.

[43] Joshi and Moore, 2000.

[44] For example, see Devereux, 2001.

[45] Devereux, 2000.

[46] Devereux, 2003: 18; Jackson and Palmer-Jones, 1998.

[47] Graham, 1994.

[48] Farrington, 2004.

[49] Edirisinghe, 1987.

[50] Barrientos and de Jong, 2004.

[51] World Bank, 2003c.

[52] Schubert, 2004.

[53] Barrientos and de Jong, 2004.

[54] Irudaya Rajan, 2004.

[55] Barrientos and Lloyd-Sherlock, 2003.

[56] ILO (1998)

[57] For further details see Marcus, Piron and Slaymaker, 2004.

[58] Yates and Cooper, 2004.

[59] Grant and Hulme, 2004.

[60] Bennett and Gilson, 2001, in Marcus, Piron and Slaymaker, 2004.

[61] Arhin-Tenkorang, 2001, quoted in Marcus, Piron and Slaymaker, 2004.

[62] Morley and Coady, 2003.

[63] Morley and Coady, 2003.

[64] cf Young, 1998.

[65] Penn, 2004.

[66] Devereux, 2003.

[67] Armando Barrientos, personal communication.

[68] Grosh, 1994.

[69] Coady *et al*., 2002.

[70] An example was the Malawi Starter Pack programme which supplied free seeds and fertilisers. When community-based targeting was introduced the result was that fewer poor people benefited, as the scarcer goods were captured by the better-off (Levy and Barahona, 2002).

[71] World Bank, 2003c.

[72] Barrientos and de Jong, 2004.

[73] Findings from DFID's Budget Support Evaluability study indicated that financial flows might be less predictable compared to project-based funding.

[74] Communication from Carrie Turk, World Bank.

[75] The CIS-7 initiative aims to bring greater poverty focus to aid and development in the poorest CIS countries.

[76] But we do not have a precise idea of what these trajectories are in developing countries – the comparative research has not been done.

[77] Hossain and Moore, 2002.

[78] Farrington *et al*., 2003

[79] Cromwell and Slater (2004) make this argument strongly for food security.

[80] DAC, 2003: 4.

[81] Bitran and Giedeon, 2003.

[82] Marcus and Wilkinson, 2002.

[83] Shanks *et al*., 2004.

[84] The DFID supported West India Rainfed Farming Project has been doing this.

[85] Dev (2003) in Cromwell and Slater, 2004.

[86] Luttrell and Moser, 2004.

[87] This is extensively discussed in Devereux (2002b).