



Promoting Pro-Poor Growth

SOCIAL PROTECTION



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ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

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Foreword

Promoting pro-poor growth is about increasing the contribution of economic growth to poverty reduction. This is pursued through policies enabling a pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to and benefit from growth. Effective strategies and measures in these areas are critical in achieving a sustainable trajectory out of poverty and meeting the Millennium Development Goals - especially the target of halving the proportion of people living on less than one dollar a day. Developing and sharing good practice in advancing this agenda has been the focus of the Development Assistance Committee (DAC) through its Network on Poverty Reduction (POVNET) since 2003. This is all the more important today as developing countries struggle to deal with the consequences of the global recession and embark on growth enhancing and poverty reduction strategies.

Social protection is an investment in people. It enables households to invest in productive activities and human capital, which raises their productivity and incomes. It helps poor women and men adopt more sustainable strategies to tackle vulnerability, and to pursue more effective strategies out of poverty, *e.g.* via more successful participation in the labour market. Social protection can be affordable, including for low-income countries, but needs political commitment and effective policy processes for it to be politically and financially sustainable.

Social protection is an on-going development priority which has gained added importance in the current difficult economic period. There is growing demand in developing countries for more public action on social protection. To help donors respond, DAC Ministers endorsed the enclosed policy statement at their High-Level Meeting on 27-28 May 2009 which encourages donors to provide adequate, long-term and predictable financial assistance to underpin developing countries' efforts to build social protection systems. In addition, through the POVNET, the DAC has developed the enclosed Policy Guidance Note for donors on Social Protection. The background papers which were drawn on to prepare the Policy Guidance Note are also included in this volume. This work on social protection complements the policy guidance POVNET has developed on employment, as well as the previously published work on *Agriculture, Infrastructure, Private Sector Development and Poverty Impact Assessment*.



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In order to achieve its aims, the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose members have agreed to secure an expansion of aggregate volume resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Community.

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Acronyms

ADB	Asian Development Bank
AFD*	<i>Agence Française de Développement</i>
AFRODAD	African Forum and Network on Debt and Development
BCN	Better Care Network
BMR	Basal Metabolic Rate
BWPI	Brooks World Poverty Institute
CARE	Cooperative for Assistance and Relief Everywhere
CCT	Conditional Cash Transfer
CPRC	Chronic Poverty Research Centre
DAC	Development Assistance Committee (OECD)
DECT	Dowa Emergency Cash Transfer Project
DFID	UK Department for International Development
DRR	Disaster Risk Reduction
EPRI	Economic Policy Research Institute
ESARO	Eastern and Southern Africa Regional Office
EUDN	European Research Development Network
FAO	Food and Agriculture Organisation
GTZ*	<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i>
HPG	Humanitarian Policy Group
HIPC	Heavily Indebted Poor Countries Initiative
IADB	Inter-American Development Bank
ICDC	International Child Development Centre
IDS	Institute of Development Studies
IDPM	Institute for Development Policy and Management
IFPRI	International Food Policy Research Institute
ILC	International Labour Conference
ILO	International Labour Organisation
IPC	International Poverty Centre
IMF	International Monetary Fund
ISSA	International Social Security Association
ITUC	International Trade Union Confederation
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MDRI	Multilateral Debt Relief Initiative
NGO	Non-Governmental Organisation
NREGA	National Rural Employment Guarantee Act

ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
POVNET	DAC Network on Poverty Reduction
PPP	Purchasing Power Parity
PHC	Primary Health Care
RHVP	Regional Hunger and Vulnerability Programme
RVCC	Reducing Vulnerability to Climate Change Project
SALDRU	Public Works Research Project of the Southern African Labour and Development and Research Unit
SEWA	Self Employed Women's Association
Sida	Swedish International Development Cooperation Agency
SRC	Social Research Centre
SRM	Social Risk Management framework (World Bank)
STAKES	National Research and Development Centre for Welfare and Health
STEP	Strategies and Tools against social Exclusion and Poverty
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UN-ISDR	United Nations International Strategy for Disaster Reduction
UNRISD	United Nations Research Institute for Social Development
USAID	United States Agency for International Development
USD	United States dollars
WCCA	World Class Cities for All
WDR	World Development Report
WHA	World Health Assembly
WHO	World Health Organisation
WHOSIS	World Health Organisation Statistical Information System
WIEGO	Women in Informal Employment Globalizing and Organizing
WTO	World Trade Organisation

* Denotes acronyms in original language.

PART I

Policy Statement
on Employment and Social Protection

and

Policy Guidance Note on Social Protection

Making Economic Growth More Pro-Poor: The Role of Employment and Social Protection*

Sustained economic growth, in which poor women and men participate directly, as both agents and beneficiaries, is essential for reducing poverty. Recurring crises expose the vulnerability of poor individuals and families as well as their jobs and livelihoods. The current economic crisis, and the on-going challenges of population growth, price volatility, food insecurity and climate change, highlight the need for more effective public actions to address the real constraints and opportunities faced by poor women and men.

Employment and social protection, two critical avenues towards achieving pro-poor growth and the Millennium Development Goals (MDGs), have not received enough attention in public policy-making:

- Productive employment and decent work are the main routes out of poverty. Well-functioning labour markets and an enabling environment for local entrepreneurship are essential to increase employment opportunities for the poor. Policies that recognise and improve conditions in the informal economy, where most poor women and men earn their livelihoods, are critical to poverty reduction. Increasing the employability of poor people, especially for women and youth, unlocks their potential to contribute to growth.
- Social protection directly reduces poverty and helps make growth more pro-poor. It stimulates the involvement of poor women and men in economic growth, protects the poorest and most vulnerable in a downturn and contributes to social cohesion and stability. It helps build human capital, manage risks, promote investment and entrepreneurship and improve participation in labour markets. Social protection programmes can be affordable, including for the poorest countries, and represent good value for money.

Actions in these two areas are mutually reinforcing and promote pro-poor growth. Better and more productive jobs raise incomes, allow social spending by poor workers and help finance social protection. Social protection improves the productivity and employability of poor people and stabilises and increases their incomes and links short-term coping strategies with longer-term growth enhancing and poverty reduction strategies.

Action on both employment and social protection will be a critical and countercyclical element of developing countries' response to the current global economic recession. Measures in these areas will help protect the progress made over the last decade towards achieving MDG 1 in the face of global recession and volatility in international markets. Combinations of measures promoting social protection (*e.g.* cash

* This Policy Statement was endorsed at the DAC High-Level Meeting on 27-28 May 2009.

transfers) and employment (*e.g.* workfare) will help protect the most vulnerable while also promoting longer-term recovery.

Developing countries will need considerable assistance from donors to build the foundations for the economic rebound. They also need support when providing social protection measures to build resilience to the recession and tackle the real economic hardships faced by poor people. Though obviously difficult when budgets are under pressure and fiscal space is limited, it is even more important now to create the conditions and incentives for pro-poor growth that will reduce poverty and build livelihoods robust enough to weather the storms of the global economic climate.

Social protection

Social protection refers to policies and actions which enhance the capacity of poor and vulnerable people to escape from poverty and enable them to better manage risks and shocks. Social protection measures include social insurance, social transfers and minimum labour standards.

Social protection directly reduces poverty, stimulates the involvement of poor women and men in the economy and contributes to social cohesion and stability

Social protection directly reduces poverty through improved health outcomes, increased school attendance, hunger reduction and livelihoods promotion. It helps reduce gender disparities in human development outcomes. It can provide essential support to vulnerable members of society who are unable to work.

Social protection makes growth more pro-poor by enabling household investment in productive activities and human capital, raising productivity and incomes. It helps poor women and men to manage the trade-offs between meeting immediate needs and securing future livelihoods. Social protection helps poor and vulnerable households to safeguard their assets and adopt effective coping strategies to meet challenges arising from man-made and natural disasters, economic crises and climate change. This allows households to invest in more productive but often riskier livelihood strategies.

By strengthening the employability of poor women and men and enabling them to seek and obtain better and more remunerative work, social protection promotes their participation in the labour force. Social protection thus builds self reliance, not dependency.

Social protection reinforces the social contract that can help legitimise and strengthen the state, which is particularly important in fragile contexts.

Well-designed social protection programmes can be affordable, including for the poorest countries, represent good value for money and require strong political commitment

The costs of social protection measures can be kept relatively low and manageable by starting small and developing them over several years. Context-specific targeting and delivery are critical design and capacity issues which impact on costs and the ability to reach the poor and achieve desired outcomes. Evidence shows that even small

programmes bring benefits, as supported by evidence from *e.g.* the International Labour Organisation (ILO) and South Africa.

Social protection policies need to be directed at the informal economy to maximise reach and results. As social protection is generally seen as essentially linked to formal working environments, workers in the informal economy tend to be invisible to policy-makers.

The state has the primary role in providing the framework for delivering social protection. Social protection systems thus require strong and sustained political commitment to deliver lasting benefits and must be integrated into national social policy frameworks. Investment in implementation systems, monitoring and evaluation, fiduciary risk management and accountability mechanisms are important for the effective and sustainable delivery of social protection.

Employment and labour markets

The MDG 1 target on *productive employment and decent work for all* emphasises the importance of employment for reducing poverty. The vast majority of poor people work, but employment conditions are frequently poor, productivity low and incomes inadequate.

Policies that recognise and improve conditions in the informal economy, where most poor women and men earn their livelihoods, are critical to poverty reduction

Most poor people, and particularly women, earn their livelihoods in the informal economy, which does not necessarily shrink with economic growth. Policies aimed at increasing employment and reducing poverty will be more effective when they take into account the informal economy. This means that measures, such as skills development, the promotion of entrepreneurship and improving working conditions, must be designed for delivery and impact in the informal economy.

Measures that facilitate the process of formalisation of firms and labour should generate more productive employment and decent work, improve social protection and reduce poverty. Policies need to reduce barriers and provide incentives to formalisation and tackle the forces driving informality.

Increasing the employability of poor people, especially for women and youth, unlocks their potential to contribute to growth

Promoting the employment of women makes sound economic, social and political sense, and is all the more important in economic downturns, which impact severely on women. Young people and women face particular barriers and biases concerning their access and participation in economic growth, resulting in a major underutilised potential for growth and poverty reduction. Their employability can be promoted through measures that specifically address their respective constraints and potentials and also by giving particular attention to activities where they have high labour market participation.

The productivity and employability of poor women and men can also be increased with well-tailored and recognised vocational training, building on basic education and life skills. These programmes have to be demand-driven, apply also to the informal economy and become an integral part of education and employment strategies.

Well-functioning labour markets and an enabling environment for local entrepreneurship are essential to increase employment opportunities for the poor

A sound understanding of how labour markets are structured and work is needed for policy-making. Donors should support developing country efforts that improve knowledge and sex-disaggregated statistics in order to strengthen evidence-based policy-making and involve other stakeholders in that process. A multi-stakeholder approach, supporting a broad-based dialogue, is crucial to establishing socially responsible employment practices and regulating labour markets in ways that deliver state, employer and employee objectives.

International migration due to labour market imbalances needs to be better managed through a stronger partnership between origin and destination countries and through more coherent approaches to promote development outcomes and minimise negative effects. Making the best of migration requires countries to: (i) conduct more research and sharing of good practices, including how to manage the impacts of brain-drain; (ii) encourage brain-gain through circular or return migration; (iii) reduce the transfer cost and improve the security of remittances; and (iv) strengthen co-operation with diaspora communities. Remittances are an important resource flow to developing countries and are already being adversely affected by the global recession, adding to the vulnerability of developing countries and their citizens.

Employment contributes towards stability and economic recovery in fragile situations. Short-term employment creation is an essential component of post-conflict strategies alongside longer-term investments in the enabling environment for the private sector.

Implications for donors

There is growing demand in partner countries, and from regional institutions such as the African Union, for more public action on social protection and employment. Many countries incorporate strategies and targets in these areas in their national development and poverty reduction programmes. As donors, we need to respond positively to this demand and support these developing country policy initiatives.

Donors' support for social protection programmes should provide adequate, long-term and predictable financial assistance to help partner governments establish gender-sensitive social protection programmes and create the conditions for those programmes to be politically and financially sustainable. This is especially important in the current situation of contracting fiscal space and declining financial inflows. Such support must be provided through harmonised and co-ordinated financing mechanisms in support of nationally defined strategies and programmes. This requires:

- Supporting developing countries' own efforts to build the political commitment and policy processes needed to develop and implement social protection systems.
- Committing to a long-term partnership, including financial and technical support, to underpin developing countries' efforts to build social protection systems.
- Investing in developing country initiatives to develop and share knowledge on the effective design and implementation of social protection systems.

Productive employment and decent work needs to be a key objective of development co-operation. This requires:

- Taking specific measures to improve employment, productivity and working conditions in the informal economy, facilitate formalisation, encourage entrepreneurship and promote more, productive and decent employment in the formal economy.
- Increasing the participation of women and young people in the labour market, by addressing the discrimination, constraints and barriers that they face and by strengthening measures to improve access to demand-driven vocational training.
- Supporting developing-country efforts to improve knowledge and sex-disaggregated statistics to strengthen evidence-based policy-making and involving other stakeholders in that process.

Our actions in these areas must be harmonised and aligned with national policy, in line with the Paris Declaration on Aid Effectiveness and Accra Agenda for Action. We must commit to developing country policy-making processes and to their outcomes. We must also help governments strengthen implementation capacity, foster effective stakeholder engagement and facilitate the empowerment of poor people in national policy-making processes.

Social Protection, Poverty Reduction and Pro-Poor Growth

Key Policy Messages

- Social protection is an essential investment that contributes to economic growth and makes growth more pro-poor while directly reducing poverty.
- Social protection can be affordable, including for low-income countries, and efficiently tackles poverty.
- Donors can play a critical role in supporting national social protection initiatives, particularly through capacity building and predictable funding aimed at leveraging sustainable government finance in the longer-term.

Why social protection?

Long a vital tool for industrialised countries, social protection is increasingly recognised as an essential instrument for poverty reduction in low and middle-income nations. The DAC Guidelines on Poverty Reduction (OECD, 2001) recognise that high growth rates are necessary but not sufficient to effectively tackle poverty and vulnerability, emphasising the importance of the sustainability, composition and equitable quality of economic growth. An emerging evidence base in developing countries is documenting the role of social protection in tackling poverty, supporting economic growth and enhancing the effectiveness of growth strategies for poverty reduction. Poverty reduction depends on sustained and broad based growth, which in turn requires complementary initiatives that share economic benefits and promote better developmental outcomes for poor and excluded groups. Past experience also demonstrates the critical importance of protecting the poorest in an economic downturn. There are different and often mutually reinforcing dimensions to social protection, *e.g.* rights promotion, human development, economic growth, democracy and security. United Nations Research Institute for Social Development (UNRISD) identifies universal social protection and equity as the central goal of social policy (UNRISD, 2006; Wiman *et al.*, 2007).

Social protection refers to policies and actions which enhance the capacity of poor and vulnerable groups to escape from poverty, and better manage risks and shocks. It encompasses the instruments that tackle chronic and shock-induced poverty and vulnerability (Sabates-Wheeler and Haddad, 2005). Social protection can help promote empowerment and security by improving risk management, facilitating higher return investments by poor people. It supports human capital development, expanding the capabilities of poor and vulnerable individuals and helping to break the inter-generational transmission of poverty.

National governments and donors increasingly recognise the value of social protection initiatives in ensuring progress towards the Millennium Development Goals. Social protection not only tackles income poverty but also provides effective support for broader developmental objectives, including better nutrition, health and education outcomes. In countries where the main recipients of interventions are women, social protection measures can promote empowerment and more balanced gender relations. Social protection programmes are increasingly targeted to those affected by HIV and AIDS, including orphans and vulnerable children.

Social protection interventions offer promising avenues for operationalising the Paris Declaration on Aid Effectiveness (OECD, 2005) in ways that promotes pro-poor growth and country-led national and regional development strategies. Multiple stakeholders including government, donors and civil society organisations play vital complementary roles in delivering social protection to reach the poorest people. In fragile states and humanitarian situations, social protection can enable people to deal more effectively with risk and vulnerability. It can contribute to social cohesion in a manner that strengthens the ‘contract’ between citizens and the State, and promotes social inclusion, integration and greater accountability. By contributing to nation-building and social solidarity, it can provide a foundation for political and social stability necessary for economic growth. Social protection is an investment in pro-poor growth that can be affordable, including for low-income countries.

In the current economic climate, it is increasingly recognised that social protection can offer a powerful tool for governments and donors to strengthen their responses to emerging global challenges and aggregate shocks, including recent food, fuel and economic crises. Such shocks and crises impact most severely on those least able to cope with them. Social protection not only helps poor and vulnerable groups cope better, but also facilitates adjustments to mitigate or limit their impacts on livelihoods. Other threats are HIV and AIDS and climate change. In many developing countries HIV and AIDS is eroding customary social protection mechanisms while increasing care burdens, prompting governments to implement and expand social protection responses that strengthen traditional networks. Climate change increases livelihood risks, particularly in agriculture, and threatens health security through changing disease patterns. Increasingly governments and donors are responding to these shocks and trends by scaling up cash transfers that can restore livelihoods and food security while safeguarding developmental outcomes.

Through the work of its Network on Poverty Reduction (POVNET), the OECD’s Development Assistance Committee (DAC) has developed this policy guidance for donors in order to support and improve the effectiveness of donor support for social protection. This guidance note provides the background on why social protection should become a central theme in development agendas, and provides an overview on how to deliver social protection more effectively to achieve different policy objectives. This guidance is based on recent evidence from developing countries and lessons from good practice, distilled into a series of supporting good practice notes and policy briefings on the following topics: (i) social transfers and growth in poor countries, (ii) social protection and vulnerability across the life-cycle, (iii) social protection and empowerment in the context of HIV and AIDS, (iv) health and social protection, (v) social cash transfers, (vi) gender and social protection, (vii) the informal economy, social protection and empowerment, (viii) social protection in fragile states, (ix) affordability of social protection, and (ix) climate change, disaster risk reduction and social protection.

This policy guidance has conceptual and practical links to DAC POVNET policy work during 2009-10 on Empowerment. Social protection is an instrument that can promote greater empowerment, which in turn better enables citizens to claim their human rights, including their social protection entitlements as well as the broad-ranging opportunities to participate fully in social, political and economic life.

What is social protection?

Different agencies and institutions define social protection in varying ways - reflecting different objectives and approaches. Social protection encompasses “a sub-set of public actions, carried out by the state or privately, that address risk, vulnerability and chronic poverty” (DFID, 2005). The DAC describes social protection as those public actions that “enhance the capacity of poor people to participate in, contribute to and benefit from economic, social and political life of their communities and societies” (OECD, 2007). Some definitions focus on the objectives, while others emphasise key instruments. Generally, objectives include tackling poverty, risk and vulnerability. It is generally recognised however, that a consensus definition would help contribute to policy and data harmonisation, particularly on measuring bilateral expenditure.

Table 1. Components of social protection

Public actions	Private actions
Social transfers	Remittances
Social insurance	Private insurance
Minimum standards	Voluntary standards
Social services	Private services
Other public policies	...

Table 1 illustrates the public and private initiatives that may constitute the building blocks of social protection systems. While the essential elements vary significantly across different social protection frameworks, social assistance, social insurance and minimum labour standards are some of the most commonly included categories of instruments by agencies such as the International Labour Organisation (ILO). Social assistance (including non-contributory social transfers in both cash and in kind) is increasingly popular public initiatives that tackle extreme poverty while strengthening private responses. Social insurance mechanisms can help correct market failures and more effectively broaden access to include the poor. Governments also legislate minimum labour standards in the workplace (and more broadly) to reduce imbalances in economic power. Private sector employers sometimes adopt voluntary standards that offer even greater social protection.

Broader definitions of social protection may include social and private services, primarily those that build human capital, such as education, health, sanitation, and community development. In addition, some frameworks consider an even wider range of

public policies - including macroeconomic policies - as components of social protection. Social protection is often embedded within a broader social policy framework, which encompasses the wider range of interventions that help to include and integrate the poor and vulnerable into society. A recent example of this approach is the 2008 Africa Union Social Policy Framework.

In the face of multiple crises, social transfers in cash or kind can help address social risk and reduce poor households' economic vulnerability. Social cash transfers (Samson, 2009) are emerging in many developing countries as a key social protection instrument for tackling poverty and vulnerability. Social cash transfers can be defined as regular non-contributory payments of money provided by government or non-governmental organisations to individuals or households, with the objective of decreasing chronic or shock-induced poverty. These may include pensions, child support grants, disability allowances and safety nets. Increasing evidence suggests that social cash transfers can contribute to pro-poor growth in the longer-term by providing an effective risk management tool, supporting human capital development and empowering poor households to lift themselves out of poverty (Scott, 2009). Non-contributory social protection instruments are the most important types of interventions for supporting vulnerable workers in the informal sector.

Social health protection also promotes greater equity through instruments that aim to remove financial barriers that prevent people from accessing health services as well as protecting people from the impoverishing effects of medical expenditures. Social health insurance mechanisms better enable “risk-sharing and risk-pooling of financial resources within a society, thereby increasing the amount of prepayment and reducing the reliance on out-of-pocket payments.” (Hormansdörfer, 2009).

In fragile state contexts and in tackling the challenges of climate change and disaster risk reduction, there is an even greater need for flexibility in the design of different types of social protection instruments, such as weather-related insurance, near cash transfers (*e.g.* vouchers and food stamps) and asset transfers (Davies, Oswald and Mitchell, 2009).

Reducing poverty and vulnerability

The DAC-POVNET focuses on the multiple dimensions of poverty, with vulnerability as one of the critical aspects (OECD, 2001). Vulnerability reflects a poor person's exposure to shocks (or “hazards”) that threaten well-being, above and beyond her or his ability to cope and manage the downside risk. A person with few capabilities or resources might be very vulnerable even in the face of only moderate risk, whereas a well-resourced individual might face substantial risks without significant vulnerability.

Key concepts in this policy statement

- Hazards are possible events that can adversely affect people's welfare.
- Risk is the probability or likelihood that a hazard will occur.
- Shock refers to the impact on people of the occurrence of a hazard.
- Vulnerability is a measurement of exposure to those shocks for which people have little ability to manage the resulting negative impacts.

Source : Sabates-Wheeler and Haddad (2005); Krech (2007)

Risk and vulnerability contribute to poverty and failing growth. Shocks such as natural disasters, economic recession, HIV and AIDS, military conflict and personal tragedies can destroy people's livelihoods and disrupt the provision of nutrition, education and healthcare that children need in order to avoid a lifetime of chronic poverty (Krech *et al.*, 2007; Voipio, 2007; Samson, 2007; Orero *et al.*, 2006). In addition, it is not just the direct impact of the shocks that undermine the well-being of poor and vulnerable people. The possibility of shocks creates risk - and poor men and women must acquire coping mechanisms in order to survive. Without effective social protection, the poorest people often develop negative survival strategies that perpetuate poverty. For example, the poorest households where the primary breadwinner is affected by HIV and AIDS are most likely to resort to non-reversible coping strategies including the sale of land or livestock or withdrawal of children from school. In order to reduce their vulnerability to unmanageable risks poor households often engage in low productivity and low profitability economic activities, only because they are also less risky than high productivity/profitability alternatives. For example, poor farmers may adopt safer but lower yielding crop varieties, helping prevent a slide into absolute destitution but also foreclosing promising opportunities to break free from poverty (Krech *et al.*, 2007; Voipio, 2007; Samson, 2007; Dercon, 2005a; Dercon *et al.*, 2005b). As a result, vulnerability to poverty is a major brake on human and economic development. In particular, lack of reliable risk management mechanisms is a major barrier to contributions by the poor to the growth process.

Vulnerability is a cause, symptom and constituent part of chronic poverty (Prowse, 2003). Risks and shocks can decapitalise the poor, and trap them in impoverished positions from which they are unable to escape (Carter *et al.*, 2004). Risk can increase the persistence of poverty and even create poverty traps (Dercon, 2004). In developing countries, sickness is one of the most frequent causes of poverty. In turn, poverty is one of the greatest health risks.

Tackling risks and vulnerability

Managing poverty and vulnerability is essential for pro-poor growth, especially in societies where the majority of people are poor. Social protection is not only a cost; it is an investment that societies cannot afford not to make. The economic and social return to social protection is very high – not just in terms of social policy and equality, but also in growth and multidimensional poverty reduction. Social protection helps poor people to

maintain and accumulate assets and adapt to changing circumstances. In particular, the resulting reductions in risk help to stimulate growth by encouraging people to engage in higher risk/higher profit activities. Risk reduction and management also enable people to avoid falling back on coping strategies that can irreversibly impoverish themselves. Participation of millions of poor people in the growth process as active agents is good for them and good for the national economy and social protection measures promote this objective.

Social protection is an essential investment that makes growth more pro-poor.

Pro-poor growth enhances the ability of poor women and men to participate in, contribute to and benefit from growth. Pro-poor growth also expands the capacity of the state to provide tax financed services and transfers, including social protection (Voipio, 2006; van Ginneken, 2005; OECD, 2004).

Social protection – pathways towards pro-poor growth

An emerging evidence base demonstrates that social protection supports pro-poor growth. Policymakers do not necessarily face a trade-off pitting social protection against growth objectives - but rather have the opportunity to build a virtuous circle of increased equity promoting growth, thus supporting further improvements in equity. There are at least five pathways through which social protection promotes pro-poor growth. Most of these operate by increasing overall economic efficiency - through better policies and strategies, improved resource allocation, and by more effectively taking advantage of economic capacity. The pathways can be grouped into the following five categories: (a) human capital investment, (b) risk management, (c) empowerment and livelihoods, (d) pro-poor macro-economic strategy and (e) social cohesion and nation-building.

Human capital investment

Social protection increases access to public services and investment in human capital, particularly health and education, helping to raise productivity and supporting the participation of the poor in labour markets. Studies in South Africa and Latin America repeatedly document significant improvements in health and education outcomes, particularly in response to both conditional and unconditional cash transfer programmes and social health initiatives (Adato, 2007; Samson *et al.*, 2006a; Samson *et al.*, 2004). Child benefits (particularly cash transfers) and school assistance packages improve school attendance, and education constitutes the single most effective HIV-prevention asset (OECD, 2009e). Social cash transfers piloted in countries with high HIV prevalence (Zambia and Malawi) successfully reduced poverty in HIV and AIDS-affected households (UNICEF ESARO, 2007; Schubert *et al.*, 2007). The Child Support Grant in South Africa promotes livelihoods, improves nutrition and facilitates access to education. (Aguero *et al.*, 2006; Samson *et al.*, 2004; Samson, 2007). Social protection can prevent some of the worst consequences of poverty - the transmission of lifelong poverty to children.

Social protection directly improves the health status of people, which in turn contributes to promoting economic growth (Sachs, 2002; Gyimah-Brempong and Wilson, 2004; Bloom *et al.*, 2004). A ten percent increase in life expectancy adds an estimated 0.3-0.4 percentage point to the annual growth rates in *per capita*

incomes (WHO, 2001). These human capital outcomes provide the basis for long-term pro-poor growth.

Risk management

Social protection enables poor people to protect themselves and their assets against shocks, enabling them to defend their long term income generating potential as well as make further investments. Droughts in Ethiopia have significantly reduced household earning power as long as 15 years later (Dercon, 2004). Social protection enables households to resist desperate measures and reduce future vulnerability. The risk associated with impoverishing health expenditures in rural China has adversely affected work migration and school enrolment decisions of households (Jalan and Ravallion, 2001). Social health protection prevents impoverishment due to catastrophic health expenditures, consequently protecting productive assets (Hormansdörfer, 2009). Farmers are less likely to sell the livestock on which their future prosperity depends if adequate cash transfers protect their immediate subsistence. Farmers protected by the Employment Guarantee Scheme in Maharashtra, India, invest in higher yielding varieties than farmers in neighbouring states. Improved risk management supports long-term pro-poor growth.

Empowerment and livelihoods

Social protection programmes combat discrimination and unlock economic potential. In Bangladesh, Brazil and South Africa, transfers provided to women have a positive impact on school attendance especially for girls (Samson *et al.*, 2004; 2006b). Increasing resources in the hands of women improves women's empowerment and child survival, nutritional status and school attendance (UNICEF, 2007). "When women are healthy, educated and free to avail of life's opportunities, children also thrive. In households where women are key decision-makers, the proportion of resources devoted to children is far greater than in those in which women have a less decisive role. (HelpAge International, 2006) Consequently, who controls cash transfers at household level is crucial in terms of AIDS and poverty mitigation, child survival and empowerment of both women and children." (Nolan, 2009).

Social protection supports the participation of the poor in labour markets, contributing to broader employment and empowerment objectives. Job search is often expensive and risky. In South Africa, workers in households receiving social transfers put more effort into finding work than those in comparable households not receiving these grants – and they are more successful in finding employment as a result. The impact of cash transfers on women's labour market activity is about twice as great as that for men. (Samson *et al.*, 2004; Samson and Williams, 2007). Social health protection increases labour productivity by improving people's health status and replacing inefficient risk-coping mechanisms, which in turn promotes employment and economic growth (Hormansdörfer, 2009). There is a need to better understand how more effective social protection for workers in the informal economy might promote access to sustainable decent employment (Lund, 2007).

An emerging evidence base is demonstrating how social protection interventions support employment and entrepreneurial activities. Participants in Zambia's cash pilot scheme use a significant proportion of the benefits to hire labour, for example in order to cultivate the land around their homes and consequently multiply the value of the social

transfers while creating employment for local youth (Tembo *et al.*, 2008). Mexico's *Oportunidades* (formerly *Progresa*) social transfer programme is associated with local economy impacts that improve consumption, asset accumulation and employment broadly within communities—for both programme participants and non-participants (Barrientos and Sabates-Wheeler, 2006). Participants in *Oportunidades* invest a portion of their social transfers in productive assets and are more likely to engage in entrepreneurial activities, improving their potential for sustainable self-sufficiency (Gertler *et al.*, 2005). Evidence of well-designed social protection programmes show they minimise the potential for moral hazard. Combining social protection and labour market policies can produce a virtuous circle: social protection measures help to increase the employability of the poor and labour markets that work better for the poor increase poor people's participation and remuneration. Evidence shows that social protection promotes development, not dependency.

Social protection directly expands the assets and capabilities of poor people, improving their well-being and economic activity more broadly. Social protection enables poor and vulnerable women and men to mobilise resources and to better harness public institutions to facilitate their more equitable inclusion in the society and economy (World Bank, 2002). Informal workers in South Africa have been able to organise around social protection - with mixed results, but demonstrating the potential to build empowerment among workers even in the informal economy (Lund, 2007).

Social protection promotes empowerment and growth by improving the negotiating power of workers, smallholder farmers and micro-entrepreneurs in the market place. Workers who have a better fallback position (provided by social protection) can search for a job that takes more effective advantage of their capabilities, rather than accepting the first job that becomes available. This raises labour market efficiency - by better matching workers to positions that harness greater productivity and pay higher wages, thereby reducing underemployment. Small-scale producers with access to social protection benefits are less compelled to sell produce at a loss in order to survive - such as at harvest times when temporary gluts in food markets might severely depress prices. Participants in one of Malawi's social transfer programmes were empowered by the resources to invest in their own farms during the planting season rather than rely on casual employment for their immediate survival (Cromwell and Harnett, 2000). Social protection enables the poor to engage with the market system on a more equal footing, improving its efficiency and legitimacy.

Pro-poor macroeconomic strategy

Social protection can generate gains for those groups who might otherwise be disadvantaged by specific elements of a pro-poor growth strategy, providing a balancing function that can enlist stakeholder support for the reforms necessary to sustain long-term growth. Labour unions in Nepal, for example, have identified effective social protection as a prerequisite for necessary labour market reforms, the combination of which would enhance both equity and growth. Cash transfer initiatives have compensated the poor for reduced price subsidies in Mexico and Indonesia. Bolivia established a social pension scheme with the proceeds from the privatisation of public enterprises (Birdsall and Nellis, 2002). Social protection generally increases the positive impact of growth on poverty reduction.

Social protection stimulates demand for local goods and services, promoting short-term growth outcomes. In Zambia 80% of the social transfers are spent on locally

purchased goods, supporting enterprises in rural areas. In South Africa the redistribution of spending power from upper to lower income groups shifts the composition of national expenditure from imports to local goods, increasing savings (by improving the trade balance) and supporting economic growth (Samson *et al.*, 2004). A social account matrix analysis of the Dowa Emergency Cash Transfer (DECT) programme in Malawi found multiplier impacts from the payments broadening benefits to the entire community (Davies and Davis, 2007; Davies *et al.*, 2007; Davies, 2007). In Namibia, the dependable spending power created by social pensions supports the development of local markets and revitalises local economic activity (Cichon and Knop, 2003). However, the macro-economic impact for any given country will depend on the patterns of demand across income groups and the manner in which social transfers are financed.

Social cohesion and nation-building

Social protection helps create an effective and secure state, promoting growth by building social cohesion and a sense of citizenship as well as reducing conflict (Samson *et al.*, 2002; Bourguignon *et al.*, 2004; DFID, 2005). The social pension in Mauritius for example contributed to the social cohesion necessary to support the transition from a vulnerable mono-crop economy with high poverty rates into a high growth country with the lowest poverty rates in Africa (Roy and Arvind, 2001). Likewise, Botswana's social pension provides the government's most effective mechanism for tackling poverty and supporting the social stability that encourages the high investment rates required to drive Africa's fastest growing economy over the past three decades. A safe and predictable environment is essential to encourage individuals, including foreign investors, to work and invest.

How to deliver social protection

The state has the primary role in providing a framework for delivering social protection, and this reinforces a social contract that legitimises and strengthens the state.

The public nature of social protection interventions contributes to state-building objectives by strengthening the state-citizen contract and fostering social cohesion. In fragile states, social protection can help strengthen the legitimacy of the state by allowing it to re-shoulder responsibilities for ensuring the basic survival of its citizens and so contribute to reduced political fragility (Harvey, 2009). In Nepal, social protection is on the agenda to help consolidate the peace process as the first stage of state-building. Cash transfers provide a visible and immediate peace dividend that flexibly reaches the poorest people, providing them with the stake in the economy that supports social and political cohesion while offsetting the costs of necessary economic reforms. However, there is a need to be pragmatic about working with a range of actors. In many countries the state establishes a framework to enable the effective engagement of non-state actors - particularly the private sector and non-governmental organisations - to deliver essential social protection interventions. Partnerships with the private sector and civil society in Kenya, for example, are expanding the government's capacity to deliver while improving accountability.

Social protection can be affordable, even for low-income countries, and efficiently tackles poverty.

Financing is one of the major challenges for delivering social protection systems, particularly in low-income countries. The actual spending on social protection systems varies significantly across countries. Political will, resource availability and policy prioritisation influence the amount spent on the associated initiatives. Affordability is largely a matter of political prioritisation - which depends on the political will to make the necessary trade-offs (Hagemejer and Behrendt, 2009).

Recent evidence shows that even low-income countries can afford at least basic packages of social protection (Hagemejer and Behrendt, 2009). The ILO has conducted a costing exercise that quantifies the costs of a basic package of social protection under a number of alternative scenarios (Hagemejer and Behrendt, 2009). The baseline scenario includes a modest universal social pension, grants for people with disabilities and child benefits. The ILO has documented the affordability of this package even for low income countries (Pal *et al.*, 2005; van Ginneken, 2005). Costs can be kept manageable by starting with a limited programme and scaling up as impact is demonstrated and available resources expand. Overall, analysis of broader affordability dimensions and fiscal space for social protection in low-income countries needs to be strengthened, including assessment of current spending on social protection and existing financing sources.

Different financing mechanisms should ideally complement each other, *e.g.* micro-health insurance can serve poor and informal workers, but the poorest of the poor usually require tax-financed social health approaches.

Social protection should be rights-based and focus on empowerment and addressing social inequalities across the lifecycle.

A rights-based and transformative approach to social protection reinforces empowerment by ensuring that vulnerable groups have the capacity to benefit from and contribute to growth and participate fully in society. In many countries the main beneficiaries are women, which contributes to reducing gender disparities and promoting empowerment and better human development outcomes for girls (Thakur, Arnold and Johnson, 2009). Rights based approaches to social protection that address social inequalities reinforce commitments to non-discrimination and support humanitarian efforts in fragile states (Harvey, 2009).

An integrated package of social protection instruments developed to reflect the various types of vulnerabilities at different age-related and other stages of life can contribute significantly to breaking the intergenerational transmission of poverty (Baldwin, Orero *et al.*, 2006). National strategies should adopt a “life-cycle approach” from planning through implementation which identifies opportunities at different stages of life, generating cascading outcomes as subsequent interventions reinforce the impacts from earlier social protection initiatives. Strategies that address vulnerability across the lifecycle and aim to break the intergenerational transmission of poverty can maximise social protection’s transformative potential (Walker, 2009).

Unequal power relations within society may foster state institutions that fail to provide the poor with equal protection and benefits. A rights-based approach to social protection reinforces empowerment by ensuring the poor have the basic capacities necessary to benefit from and contribute to economic growth, as well as to participate

fully in society. Empowering civil society institutions is a way to strengthen the voice of the poor and motivate governments to introduce social protection mechanisms and make state institutions more accountable for providing fair protection and benefits.

Effective social protection systems require long-term planning, strategy and political commitment entrenched in the legislative and/or constitutional frameworks of the country.

Long-term political commitment and good governance is essential if social protection systems are to be effective in tackling vulnerability and exclusion across the life cycle in a sustainable way. Successful social protection initiatives often depend on committed political champions at the highest level.

Building the required political will and commitment poses challenges in developing countries that have little experience with social protection. Empowering civil society institutions such as organisations of women, workers, farmers or small businesses can magnify the voice of poor people and motivate policy development and reforms. Civil society mobilisation provided a critical force supporting the tripling of social protection spending in South Africa over 2001-2007 (Samson *et al.*, 2007). Appropriate choices of interventions can also elicit increased political support. More universal benefit programmes can ally the middle classes with poor women and men and generate the necessary political support. Small pilots combined with effective monitoring and evaluation can also generate the necessary evidence base policy-makers and voters need to justify their political support for integrated national programmes. More transparent and evidence-based policy processes which include expanded social dialogue and more local participation can make the state more accountable to poor women and men.

Design and implementation must reflect the social and policy context of the country.

There is no general blueprint for successful social protection interventions. Effective social protection policy must be rooted in a society's specific context, taking into account factors such as poverty dynamics, demographic characteristics, the prevailing economic situation, the structure of the labour market, the degree of urbanisation, and cultural values and societal consensus (Hormansdörfer, 2009). Design features that work well in one country or region may not be appropriate in another situation. Success depends even more critically on how well the systems are implemented, which in turn depends substantially on a country's administrative capacity.

To promote sustainability and effectiveness, it is important to design and implement programmes that can adjust flexibly to demographic and economic change and other shocks and stresses. For example, there is an increasing need to improve understanding about the role of social protection for addressing poor people's vulnerability in the context of economic recession, volatile global food and fuel prices and climate change (Davies, Oswald and Mitchell, 2009). Flexible design features better enable adaptation both to unexpected shocks and changing poverty dynamics as well as unanticipated or misunderstood country characteristics. In particular, the design of appropriate formal interventions must pay particular attention to the role of informal institutions, in order to strengthen social protection rather than undermine traditional mechanisms.

Effective social protection requires a comprehensive mix of instruments that appropriately addresses coverage and targeting.

One of the key challenges and determinants of success of social protection programmes is the effective distribution of social benefits, which requires a comprehensive set of instruments that appropriately addresses coverage and targeting.

A comprehensive mix of social protection instruments is necessary to effectively address vulnerability across the life-cycle. A core group of instruments provides support at critical stages of the life-cycle, including child support grants, social pensions and transfers for people with disabilities. A second set of interventions is vital for breaking the inter-generational transmission of poverty, particularly through human capital development. While these instruments can overlap with the first group, they also include fee waivers, social health insurance and social services. A third set of interventions aims to prevent vulnerable households from sinking further into poverty when encountering shocks linked to life-cycle changes. The instruments include unemployment insurance and other contributory schemes, public works as well as some of the measures in the first two groups (Walker, 2009).

Much of the research on the impact of social protection has focused on clients, but much less is known about those who remain excluded. These may include the most vulnerable, who are often geographically or socially isolated, such as those in remote areas or children without caregivers (Walker, 2009). Certain types of instruments may exclude the poorest by design. Conditional programmes may exclude those who live in remote areas that have no access to the services necessary for compliance with programme requirements (Samson, 2009). Micro health insurance can serve poor and informal workers, but the poorest of the poor usually require tax-financed social health approaches. Different financing mechanisms need to complement each other to provide the broadest possible coverage (Hormansdörfer, 2009).

Targeting is the means of identifying which members of society should receive a particular benefit or good, such as a social transfer (for example, a child support grant or a social pension). For example, transfers can be targeted on the basis of geography, gender, age, disability, household size or other likely indicators of poverty. Untargeted transfers may be delivered through the market (for example, subsidies) or as unconditional transfers. The choice of targeting system has an impact on the degree to which poverty and inequality (for example, gender inequality) is reduced in a country and to what extent resources are spent efficiently and cost effectively.

Targeted programmes have the effect of limiting the number of clients and reducing costs, but can also receive less political support because they are more likely to be seen as a subsidy for the few rather than a social investment which will benefit the many. (Walker, 2009). Universal programmes are more likely to be seen as an entitlement with the benefits being felt across different sectors of society, with the consequence that they are less vulnerable to the political changes or economic shocks which could lead to the erosion of means tested programmes targeted at a politically excluded minority (Cornia and Steward, 1993)¹. Vulnerability targeted programmes are more prone to corruption than universally targeted programmes where the eligibility criteria (*e.g.* age) is clearer and more easily verifiable than in a means-tested programme (Walker, 2009).

In very poor countries, where information on clients is of limited reliability and coverage, and administrative capacity to implement often complex targeting mechanisms can be constrained, the challenges of targeting are particularly significant. Errors in

targeting can undermine the effectiveness, credibility and increase the cost of social protection programmes. Better understanding is required on the potential benefits of targeting (for example, universal child benefits and universal social pensions) which, when compared to poverty, community or geographical targeting, may be less costly to administer, more politically acceptable and more effective in reaching very poor men and women.

At the same time, decision-making on the various targeting options is often influenced by complex political and technical factors. More broadly based benefit programmes can ally the middle classes with the poor. They are more likely to be seen as an entitlement with benefits being felt across different sectors of society, with the consequence that they are less vulnerable to political changes or economic shocks. However, in some countries, targeting has become a political selling point, demonstrating to taxpayers that the programme is cost-effective.

Targeting mechanisms aim to minimise the cost of programmes by focusing social protection resources on the poorest households, but sometimes targeting backfires. In a World Bank study on targeting, over 25% of the programmes measured had regressive outcomes - a universal approach would have distributed a greater proportion of benefits to the poor (Coady *et al.*, 2004). In addition, targeting imposes costs on the government and programme participants. The most direct costs are administrative - the bureaucratic costs of assessing the means of programme applicants, and re-assessing participants on an ongoing basis. Added to this government cost are the private costs that applicants incur while applying for benefits - time and transportation costs travelling to the respective government offices, queuing, and the fees (and sometimes bribes) required for the necessary documentation.² The World Bank study found evidence that implementation issues were more important determinants of successful outcomes than design factors.³

The evidence base on appropriate targeting approaches continues to evolve, and effective design elements depend critically on a country's social and policy context. Low government capacity, high poverty rates and large informal sectors tend to indicate more universal or at least approaches with categories - since the costs of heavy targeting will likely be high and the benefits low. Political factors are often important in the decision to target. Mobilising robust evidence can support appropriate design and implementation.

Likewise, governments and donors increasingly recognise the importance of evidence for informing key design questions such as the decision to condition social transfers on compliance with behavioural requirements - such as requiring programme participants to ensure children in the household attend school or receive immunisations. While a rich collection of evaluation studies document the powerful impact of social transfer programmes that require these conditionalities (often termed "conditional cash transfer" programmes), little evidence demonstrates that the conditionalities themselves - and the associated penalties - have any impact on the observed positive outcomes. (World Bank, 2006). Since conditionalities can be expensive and potentially undermine the social protection objectives, it is vital to build a better evidence base that focuses sharply on the central questions about conditional cash transfer programmes.

Cash transfers have a significant AIDS mitigation impact and may be advocated and supported in the context of their ability to remove barriers to health and education access, while preventing adoption of non-reversible coping mechanisms among the most vulnerable households affected by HIV and AIDS (Nolan, 2009).

In fragile states, social protection instruments have been frequently limited to humanitarian aid. These countries frequently require the full range of potential interventions, and in fact more imaginative alternatives. In Zimbabwe, for example, a diverse toolkit of instruments that provides social protection, livelihoods support and food security has proven very successful (Samson and MacQuene, 2006).

Institutional capacity and co-ordination are important for effective delivery of social protection.

The effective delivery of social protection requires a focus on building institutional capacity in terms of planning, coordination and the actual delivery of cash, food, inputs and other goods or services to people. In many developing countries social protection represents a new set of interventions, and few governments have developed extensive delivery capacity for implementing these types of programmes. Limited capacity and institutional co-ordination constrains successful implementation and achievement of impacts at all levels. Investments in building up delivery capacity not only support the implementation of social protection but also other complementary services delivered by these agencies. Given the long lead times required for effective training programmes, the long term need for capacity building should be addressed during any pilot phase. Building capacity improves aid absorption and the effectiveness of development partner resources. Continued support for national capacity building will likely yield substantial returns in terms of promoting long-term sustainability.

Social protection interventions are not magic bullets for poverty eradication but typically generate their impacts by improving the effectiveness of investments in complementary institutions. For example, social protection initiatives can improve poor people's access to health and education, and link them to complementary programmes, resulting in improved human development outcomes - but only if the necessary clinics, schools and other institutions can supply the services demanded. Social protection initiatives in Latin America, Africa and Asia have documented improved health outcomes, increased school attendance rates, reduced hunger and expanded livelihoods and employment (Samson *et al.*, 2007). These impacts, however, depend as much on the complementary institutional framework as on the interventions themselves. A conditional cash transfer programme in Honduras, for example, failed to produce expected human capital outcomes - largely because the programme neglected to invest in the necessary schools and other institutions (Samson *et al.*, 2006b; Adato and Bassett, 2008). Brazil multiplies the impact of its successful *Bolsa Familia* cash transfer programme through a comprehensive and integrated system of complementary programmes which link poor households to developmental institutions.

South-South learning and exchange between middle-income and low-income countries as well as regional bodies provides an innovative approach to capacity building for partner governments. A recent African Union meeting called for a network of African experts to share knowledge and experience across the continent and serve as a resource for countries who are beginning to implement social protection initiatives.⁴ Donors are supporting study tours linking Africa, Asian and Latin America and South-South training courses that have effectively built capacity and contributed to inter-regional sharing of national lessons of experience.⁵ Given the long term nature of social protection requirements in developing countries, investments in the building of national and local capacity are likely to generate very high returns.

A co-ordinated strategic framework is essential for national approaches to succeed. Co-ordination improves cost-effectiveness by improving the economies of scale of administrative systems and ensuring appropriate allocations of resources. Countries without co-ordinated approaches suffer from inefficient over-coverage in some areas and sectors while suffering high rates of social protection exclusion in others. Good administrative institutions with well-developed capacity and appropriate management information systems at both national and local levels are essential for effective co-ordination. Further strengthening of civil registration systems is important to help facilitate people's access to social protection benefits as well as health and education systems on a citizenship, rights and entitlements basis (Nolan, 2009).

One less successful approach for social protection for informal workers has been to create special schemes and programmes, outside of mainstream institutions. A sustainable approach should mainstream interventions for informal workers into existing institutional structures (Lund, 2007).

Investments in monitoring and evaluation systems and evidence generation are critical.

Effective and credible monitoring and evaluation (M&E) systems are essential for demonstrating programme impact, developing a global evidence base, communicating operational lessons, and building the foundation of support that fosters long-term sustainability. As social protection interventions are relatively recent innovations, many governments and stakeholders in developing countries are just beginning to develop an understanding of what works in particular social and policy contexts. M&E can mobilise essential learning and evidence to link programme performance to ongoing improvements that are best adapted to a country's specific situation. Independent and credible M&E systems help to fill the evidence gaps that otherwise undermine appropriate design and effective implementation.

Positive evaluations can help mobilise political support and expand the resources available for scaling up scope and coverage. M&E can identify problems and propose solutions, and inform the evidence for wider learning. The public good nature of effective M&E and its useful role in managing fiduciary risk provide fertile opportunities for donors to support these types of interventions.

The global evidence base on social protection has improved significantly over the past decade. Countries adopting new interventions can benefit from a rapidly expanding global learning curve and opportunities for South-South learning. Nevertheless, important gaps remain. While persuasive evidence exists regarding impacts in terms of reducing poverty and promoting social outcomes, more convincing evidence is required on the direct links between social protection and economic growth - particularly in the context of low-income countries. Operationally, better evidence on appropriate targeting, payment mechanisms, institutional arrangements and the role and design of any conditionalities will improve programme design and delivery.

Governments and donors must pay particular attention to fiduciary risks in order to protect programme success and ensure sustainability.

Social protection interventions require appropriate fiduciary risk management controls to ensure effective resource allocation and continued public support. A number of countries have engineered systems to promote transparency and minimise fraud and

corruption. Good practices exist and should be promoted. Brazil's "single registry" of programme participants has become a global role model. Kenya is piloting an innovative approach that establishes independent service providers for key components of the programme, ensuring checks and balances. Donors can play a key role in capacity building to share these lessons of international experience on mutual accountability.

Donors' support and co-ordination plays an essential role in supporting national social protection initiatives.

Donors have an important role in supporting and participating in the development of national social protection frameworks. This will involve supporting the capacity of government and civil society to develop social protection policies and to plan, finance, deliver and monitor the programmes to implement them. It will also involve moving away from delivering social protection through donor specific financing and delivery mechanisms towards funding national programmes through joint financing instruments.

Donors can play a key role in providing technical assistance and bridging funds to support progress towards the establishment of nationally financed sustainable social protection strategies. Developing country governments often require predictable, long-term and harmonised funding commitments from donors in order to assume the domestic political risk of guaranteeing reliable social protection programmes. DFID's recent ten-year commitment to Kenya's social protection strategy provides an example of donor support for a long-term national programme. The Productive Safety Nets Programme in Ethiopia is another example of moving more cost-effectively from annual relief appeals to multi-annual, multi-donor and predictable financing. The importance of more predictable, harmonised and longer-term funding is particularly apparent in fragile states (Harvey, 2009).

Donors should harmonise and align their support with national development frameworks and emerging national social protection strategies, in accordance with the Paris Declaration on Aid Effectiveness. Donor coherence is critical for developing evidence-based policies and strengthening capacity to meet key design and implementation challenges (including fiduciary risk management, payment systems, graduation and linkages with complementary policies, sustainability, financing). Donors can help inform policy options by supporting more in-depth research on the design and implementation of appropriate social protection policies and programmes in different contexts. Pilots can help serve this objective, but donors should aim to integrate this support with strengthening national social protection frameworks.

Notes

- 1 They found that a switch from a universal to a targeted approach in 8 schemes led to a reduction in the real value of the subsidy over time.
- 2 Prospective workers in the Maharashtra Employment Guarantee Scheme sometimes need to provide cash payments for obtaining and filling in appropriate forms, submitting them to the correct officials and enlisting the attention of the social services committee (Pellisery, 2005).
- 3 “80% of the variability in targeting performance was due to differences within targeting methods and only 20% due to differences across methods.” (Coady, Grosh and Hodinott, 2004, p. 84).
- 4 “Dakar resolution on social protection”, African Union meeting organised by HelpAge, June 2008.
- 5 For example, DFID has supported Brazilian technical assistance to African countries, developing country study tours to Southern Africa and Brazil and several global training programmes situated in developing countries. GTZ and other donors support important capacity building initiatives in developing countries.

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PART II

In order to provide a basis for developing policy guidance for donors, background papers have been prepared on key topics related to social protection. While these background papers were drawn on to prepare the Policy Guidance Note approved by the DAC in Part I of this volume, the opinions expressed and arguments employed in each of these background papers are the sole responsibility of the authors and do not necessarily reflect those of the OECD or the governments of its member countries.

Social Cash Transfers and Pro-Poor Growth*

Michael Samson, EPRI

- Social cash transfers in many developing countries
 - effectively tackle poverty
 - enhance growth's effectiveness in reducing poverty
 - stimulate economic growth.
- Social cash transfers are affordable in most developing countries, with development partner support playing an important role in some countries.
- Design elements that maximise the pro-poor growth impact of social cash transfers strengthen their fiscal sustainability.
- Countries beginning to implement these interventions can benefit from a global learning curve and an increasing number of South-South capacity building initiatives supported by development partners.

What are social cash transfers and how do they fit into the broader context for social protection?

Social cash transfers are emerging in many developing countries as a lead social protection initiative tackling poverty and vulnerability. Importantly, increasing evidence is suggesting that social cash transfers can contribute to pro-poor growth by providing an effective risk management tool, by supporting human capital development and by empowering poor households to lift themselves out of poverty. Social protection refers to policies and actions for the poor and vulnerable which enhance their capacity to cope with poverty, and equip them to better manage risks and shocks. Social protection includes a portfolio of instruments, including social cash transfers.¹

Social cash transfers can be defined as regular non-contributory payments of money provided by government or non-governmental organisations to individuals or households, with the objective of decreasing chronic or shock-induced poverty, addressing social risk and reducing economic vulnerability. The transfers can be unconditional, conditional on households actively fulfilling human development responsibilities (education, health, nutrition, etc.) or else conditional on recipients providing labour in compliance with a

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work requirement. The transfers can be universal or explicitly targeted to those identified as poor or vulnerable. Some developing countries constitutionally enshrine the right to social protection - Brazil and South Africa have built comprehensive systems of social entitlements that have substantially reduced poverty and inequality over the past ten years (IPC, 2007; Samson *et al.*, 2004, 2007).

Cash transfers tackle risk, vulnerability and poverty in several ways. First, they directly protect consumption, enabling households to better cope with both shocks and chronic poverty. Second, they mitigate the worst downside consequences of high-risk investments, promoting more productive activities. Third, in many ways the developmental impact of social transfers helps to break poverty traps. In particular, they support investments in children's health, nutrition and education that help to break the inter-generational transmission of poverty.

Why are social cash transfers important for promoting pro-poor growth and increasing the impact of growth on poverty reduction?

Increasing evidence suggests that social cash transfers promote pro-poor growth. Policymakers do not necessarily face a trade-off pitting social cash transfers against growth objectives - but rather have the opportunity to engineer a virtuous circle of increased equity promoting growth supporting further improvements in equity. Social transfers are an investment, and there are at least eight paths through which social cash transfers hold the potential to promote pro-poor growth:

1. **Social cash transfers help create an effective and secure state.** When broadly based in a manner accepted by communities, they build social cohesion and a sense of citizenship, and reduce conflict. A safe and predictable environment is essential to encourage individuals, including foreign investors, to work and invest. The social pension in Mauritius contributed to the social cohesion necessary to support the transition from a vulnerable mono-crop economy with high poverty rates into a high growth country with the lowest poverty rates in Africa (Roy and Subramanian, 2001). Likewise, Botswana's social pension provides the government's most effective mechanism for tackling poverty and supporting the social stability that encourages the high investment rates required to drive Africa's fastest growing economy over the past three decades.
2. **Social cash transfers promote human capital development, improving worker health and education and raising labour productivity.** Studies in South Africa and Latin America repeatedly document significant responses of health and education outcomes to both conditional and unconditional programmes (Adato, 2007; Olinto, 2004; Samson *et al.*, 2004, 2007).
3. **Social cash transfers enable the poor to protect themselves and their assets against shocks, enabling them to defend their long-term income-generating potential.** Droughts in Ethiopia have significantly reduced household earning power as long as 15 years later (Dercon, 2005, 2006). Social cash transfers enable households to resist desperate measures and reduce future vulnerability.
4. **Social cash transfers mitigate risk and encourage investment. The downside of the riskiest and yet most productive investments often threatens the poor with destitution.** Social cash transfers enable people to face these risks. For example, farmers protected by the Employment Guarantee Scheme in

Maharashtra, India, invest in higher yielding varieties than farmers in neighbouring states (DFID, 2005). Protection against the worst consequence of risk enables the poor to better share in the benefits of growth.

5. **Social cash transfer programmes combat discrimination and unlock economic potential.** In Bangladesh, Brazil and South Africa, transfers provided to women have a greater positive impact on school attendance by girls compared to boys (Devereux, 2005; Samson *et al.*, 2004; Duflo, 2000; Barrientos and Lloyd-Sherlock, 2002).
6. **Social cash transfers support the participation of the poor in labour markets. Job search is often expensive and risky.** In South Africa, workers receiving social cash transfers put more effort into finding work than those in comparable households not receiving grants – and they are more successful in finding employment. (Samson *et al.*, 2004; Samson and Williams (2007); Williams, 2007).
7. **Social cash transfers stimulate demand for local goods and services. In Zambia 80% of the social transfers are spent on locally purchased goods, stimulating enterprises in rural areas.** In South Africa the redistribution of spending power from upper to lower income groups shifts the composition of national expenditure from imports to local goods, increasing savings (by improving the trade balance) and supporting economic growth? (Samson *et al.*, 2004). A social account matrix analysis of the Dowa Emergency Cash Transfer (DECT) programme in Malawi found multiplier impacts from the payments broadening benefits to the entire community (Davies and Davis, 2007)² In Namibia, the dependable spending power created by social pensions supports the development of local markets and revitalises local economic activity (Cichon and Knop, 2003). However, the macro-economic impact for any given country will depend on the patterns of demand across income groups and the manner in which social transfers are financed.
8. **Social cash transfers create gains for those otherwise disadvantaged by economic reforms, helping to build stakeholder support for pro-poor growth strategies.** The political economy of reform requires combining policies to broaden the base of those who benefit from new economic strategies. Cash transfer initiatives have compensated the poor for reduced price subsidies in Mexico and Indonesia. Bolivia established a social pension with the proceeds from the privatization of public enterprises. Nepal and Senegal are considering cash transfers as part of broader economic reform strategies. Social cash transfers can increase the positive impact of growth on poverty reduction.

What major risks are tackled by which instruments?

Social cash transfers provide an important risk management tool for the poor at three levels: reducing the poverty resulting from shocks (drought, floods, sudden food price increases, and others), reducing vulnerability and strengthening coping mechanisms. Social cash transfers reduce the impact of shocks on livelihoods nationally by stimulating overall economic activity, and they protect households by reducing the impact of shocks on productive assets. For example, economic shocks are less likely to force poor households to sell their livestock – often their only productive asset – if social cash transfers help them cope with the loss of income.

At the household-level transfers reduce risk by providing the security of a guaranteed minimum level of income. This better enables poor households to send children to school because they can afford for them not to be working, as well as afford fees, uniforms and other school expenses. The unemployed and lowest paid workers can take a chance on riskier ventures that are likely to result in a higher income, or acquire human capital such as education in order to find higher wage employment. The time and travel costs of job search – with its unpredictable outcomes – can lock vulnerable workers into poverty traps. Social cash transfers provide a coping mechanism for the least fortunate, supporting a minimal level of subsistence and allowing them to invest time and money to improve their chances of getting better employment.

Major controversies regarding social cash transfers

Decades of experience in some developing countries as well as robust impact assessments in others demonstrate clear lessons. Social cash transfers have a substantial impact on reducing poverty and vulnerability and promote human development. In many countries they are one of the government’s most effective tools for tackling poverty.

The open issues revolve more around operational questions rather than impact. The question is not so much “if” as much as “how”. How do you design appropriate programmes for a country’s specific social and policy context? What are the institutional and management arrangements required to most effectively deliver social cash transfers to poor households? What systems and procedures work best?

While international lessons of experience have identified a number of good practices (see the next section), there are still a number of open questions. In particular, debates continue on a number of fronts, particularly with respect to dependency, affordability, cash versus in-kind transfers, sustainability, targeting and conditionality.

Development or dependency?

Policy-makers frequently raise the concern that social cash transfers will create “dependency”, a vaguely defined term with strong emotional connotations. “Dependency from the state is not necessarily worse than being dependent on a husband, a rich relative or on begging the neighbours.” (Künnemann and Leonhard, 2008). A rights-based social cash transfer creates an entitlement that replaces dependency with a reliable guarantee.

Importantly, an emerging evidence base suggests that social cash transfers support developmental impacts that may help the poor lift themselves out of poverty. The concept of dependency emerged from the heavily targeted social welfare programmes adopted by many industrialised countries over the past several decades. Rigidly applied means tests sometimes created welfare traps, undermining incentives to work. Dependency resulted more from the targeting mechanism than the cash transfer. In addition, the size of payments in industrialised countries - sometimes hundreds times the magnitude of developing country cash transfers - contributed to negative work incentives.

To address this question in the developing country context, it is necessary to formulate a more concrete definition of dependency. Dependency in the context of social cash transfers can be defined as “the choice by a social transfer recipient to forego a more sustaining livelihood due to the receipt of the cash transfer.” This definition lends itself to empirical testing giving the panel datasets and other survey resources available that capture information about social transfer programmes.

Evidence from South Africa helps to illuminate this question. Panel labour force surveys track social grant recipients over time, enabling impact assessments of programme participation. A number of studies have found that workers in households receiving social grants look for work more intensively and extensively and find employment more successfully than do workers in comparably poor households that do not receive the grants (Samson *et al.*, 2004; Samson and Williams, 2007; Williams, 2007). Other studies explain this effect with evidence suggesting that social grants mitigate social risk and relax liquidity constraints on poor households, encouraging migration and job search. (Posel, 2006; Keswell *et al.*, 2005). Evidence of similar impacts is found for Mexico and Brazil, and more anecdotal evidence for Namibia, Zambia and Kenya (Barrientos, 2006; Devereux *et al.*, 2005; Schubert, 2005; Kidd, 2006).

Rigorously testing the dependency question in low-income countries poses challenges. Employment is the predominant livelihood in many middle- and upper-income countries, but more diverse and less easily measured livelihoods strategies predominate in low income countries.

Affordability

Social transfer programmes can be expensive - South Africa invests over 3% of its national income and more than 10% of government spending on its comprehensive system of social grants. Other countries, however, implement important national programmes with less than half a percent of national income.

Affordability is multi-dimensional. At one level, it is largely a matter of political will. The attempts by economists to scientifically measure fiscal capacity have generally found that most of the differences across countries are explained by non-economic and largely political factors (Tanzi, 1992; Nelwyn, 1985; van Niekerk, 2002).

Social transfer programmes are affordable in a broad range of low-income countries. Zambia's cash transfer pilot – which provides the equivalent of USD 15 per month to 1 000 poor households could be scaled up to the poorest 10% of the population for less than USD 32 million (0.36% of national income and 1.3% of current government spending in 2006). In most of these countries, the programmes could be funded for less than 5% of existing aid flows (OECD, 2009; Samson *et al.*, 2006).

At an economic level, however, many countries face real fiscal constraints in financing social transfers. Understanding affordability requires information about both the static and dynamic conditions of the national treasury, as well as the availability of international assistance and credit. Affordability is both a short-term and long-term question. Using both domestic and international sources, a country may be able to fund an ambitious social transfer programme.

The dynamic impact of the programme on the economy can support the financing of the programme in the long run. Effective social protection is often economically productive through a number of transmission mechanisms, thus increasing the resource base available to a country (DFID, 2005; Devereux *et al.*, 2005; Samson *et al.*, 2004). “Putting money in the hands of the poor can yield very high rates of return, partly because they use their assets so intensively and partly because the cost of falling below a critical consumption level is so great, small amounts can yield a high effective return.” (Subbarao, 2003). Increasingly, the World Bank and the Inter-American Development Bank are making loans to finance social transfer strategies, reflecting the emerging consensus regarding the productive potential of social transfers? (Samson *et al.*, 2006).

The sustainability of social cash transfers is the commitment and ability of government to continue to deliver the programme for as long as it may be required - perhaps permanently. This refers to a number of different dimensions. On one level, sustainability requires that the government have access to and in fact mobilises the level of resources required to finance the programme. At a deeper level, sustainability requires that political commitment be sustained so that policy-makers assign the priority required to maintain the programme. This depends in part on the mix of political and economic costs and benefits, which in turn can affect affordability. Cash transfer programmes can prove politically popular - as demonstrated in Brazil's last presidential election. While the political economy of cash transfers is complex, one major question centres on the growth and development impact of social grants. The greater the growth impact, the more affordable and politically desirable is the social cash transfer programme - and this has a positive effect on sustainability.

Many social cash transfer initiatives (particularly pilots) in developing countries rely critically on development partner support. Sustainability depends on the respective governments incorporating these initiatives into the government's budget at national scale. Particularly in low-income countries, this is a long-term proposition. More innovative and long-term development partner instruments may be required to ensure the necessary stability of interim funding - over time horizons of ten years and longer. Financial sustainability can be strengthened if programme design elements aim to maximise the pro-poor growth. In addition, fiscal reforms and expansions may be required to mobilise the tax revenue necessary to sustain these programmes over the long-term horizon. Reallocation of existing expenditure - particularly when government spends on a patchwork of uncoordinated programmes - may also provide resources for social cash transfers. Countries have also taken advantage of HIPC funds to fund these programmes.

A commitment to capacity building - particularly at a national level - is usually critical to reinforce the long-term sustainability of the programmes. Directly, national capacity building improves a country's ability to cost-effectively and efficiently deliver programmes that yield vital social and economic impacts. The success of well-capacitated programmes in terms of tackling poverty and vulnerability as well as promoting pro-poor growth and resulting fiscal resources directly supports long-term sustainability. Indirectly, the building of national capacity creates a cadre of development professionals within the country that better understand the programme's operations and impacts. This cadre holds the potential to better influence policy-makers and mobilise the political will necessary for sustaining the social cash transfer programmes.

Building political will is critical for sustainability. The poor and excluded often cannot mobilise effectively to their interests. Support to civil society organisations that represent the poor can strengthen political will for social cash transfers. Civil society mobilisation provided a critical force supporting the tripling of social cash transfers in South Africa over the past seven years. Likewise, the design of cash transfer programmes can broaden political support. More universal benefit programmes can ally the middle classes with the poor and build political will. Effective monitoring and evaluation systems can strengthen the evidence base policy-makers and voters rely on to justify their political support.

Cash versus in-kind benefits

An emerging body of evidence demonstrates that cash (or in some cases electronic money) is the most effective way to deliver social transfers (Samson *et al.*, 2006; ODI, 2007). Cash is usually less expensive to transfer than physical commodities, and programme designers can take advantage of electronic transactions that reduce both costs and opportunities for corruption. Often physical control over food is more expensive and more difficult to audit, so corruption and leakage problems may tend to be greater.³ The multiple levels of physical transfer required for food distribution increase the opportunities for misappropriation.⁴ Innovations in cash transfer delivery systems are creating more developmental opportunities for participants in social transfer programmes, expanding access to financial services, communications and more productive livelihoods (Porteous, 2008).

Poor households have better information about what they need than policy-makers, and cash payments harness that information more effectively than in-kind transfers. Cash provides a greater degree of flexibility, enabling the household to allocate the resources to the most critical needs.⁵ In-kind delivery of international food donations may risk reinforcing market failure and destabilising local agricultural markets, particularly when local economies can provide food and other necessities, but the poor lack the income necessary to access these resources. Providing cash may stimulate local economies and provide a multiplier impact with broader benefits.

However, under some circumstances, when food is not readily available in the local market, in-kind transfers may provide a useful short-term instrument. If a country faces severe market failures, due for example to conflict, drought, or some other disruption of the market, in particular with respect to food, in-kind transfers may bolster food supply; at least in the short run (DFID, 2005). Particularly under circumstances of hyperinflation and food shortages, when currency is eroding rapidly in value and there is little in the market to purchase, direct delivery of food may provide an effective emergency response (McCord, 2005d). There is also some evidence that women may also have more control over the intra-household allocation of food transfers (Harvey, 2005; Subbarao, 2003).⁶ However, the circumstances under which in-kind delivery of food may be more appropriate than cash payments are conditions which require reform more far-reaching than what social transfers alone can deliver. As a long-term instrument of dependable and developmental social protection, cash transfers are more productive and cost-effective.

Targeting

Targeting's main aim is to allocate scarce social protection resources more efficiently to the poorest and most vulnerable. Yet targeting itself can be costly, and along a number of different dimensions. The most direct costs are administrative – the bureaucratic costs of assessing the means of programme applicants, and re-assessing participants on an ongoing basis. Added to this government cost are the private costs applicants incur while applying for benefits – time and transportation costs travelling to the respective government offices, queuing, and the fees (and sometimes bribes) required for the necessary documentation.⁷

Other costs are more hidden. Indirect costs arise when applicants change their behaviour in a costly way in order to become eligible for the grant. Assessments which exclude beneficiaries that receive in excess of a specified income can create disincentives

to achieve increases in reportable income, particularly if the targeting test is blunt. Targeting transfers to those residing in specific areas may lead to increased in-migration - which can be costly for the beneficiary but nevertheless preferable to destitution. Social costs from targeting include stigma, the possible deterioration of community cohesiveness, and the potential erosion of informal support networks. While the provision of transfers can improve economic independence and reduce the impact of stigma, public communications that reinforce negative stereotypes can exacerbate the psychological costs of the targeting process.⁸ “Self-targeting mechanisms that rely on social stigma, thereby reinforcing the social marginalisation of transfer recipients, are incompatible with current definitions of development that emphasise social objectives (e.g. empowerment and dignity) as well as economic objectives.” (Devereux, 2002).

Targeting the poor also imposes political costs – primarily by eliminating middle class beneficiaries who could lend their support to social transfers. The greater the degree of marginalisation of the poor, the more likely that effective poverty targeting will actually reduce the total transfer of resources to the poor.⁹ As Sen has pointed out: “The beneficiaries of thoroughly targeted poverty-alleviation programmes are often quite weak politically and may lack the clout to sustain the programmes and maintain the quality of services offered. Benefits meant exclusively for the poor often end up being poor benefits.” (Sen, 1995). However, in some countries, the effectiveness of targeting has become a political selling point, demonstrating to taxpayers that the programme is cost-effective.

The choice of targeting approach significantly influences a programme’s effectiveness and efficiency. Poorly designed targeting mechanisms can create distortions and perverse incentives, with potentially crippling consequences. Key options include:

- **Individual or household assessments**, which involve testing a person’s or household’s means for survival, usually with a procedure which verifies an individual’s or household’s income or assets. Thorough means tests are in theory relatively accurate in the few contexts where they are feasible, but usually very expensive. A variant - proxy means tests - economises by mathematically assessing combinations of easily observed proxies for poverty, but this mechanism is often poorly understood by communities and can undermine transparency.
- **Categorical approaches**, which rely on easily observed traits - usually demographic or geographic - that are associated with a higher incidence of poverty. For example, social pensions and child support grants are examples of categorically targeted programmes.
- **Community-based mechanisms**, which delegate the responsibility for the identification of beneficiaries to community groups or agents. Community representatives are frequently in a better position to assess poverty more appropriately in their local context, and they frequently have access to better information about the poor with whom they live. Community targeting also involves greater local participation in the process, potentially strengthening a sense of programme ownership. However, local elites in some cases may skew the allocation of transfers away from the poorest.

Appropriate mechanisms balance the potential financial savings from targeting against this portfolio of direct and indirect costs. The effectiveness of targeting depends on government’s capacity to administer the sometimes complex bureaucracies associated

with the implementation mechanisms. The costs of targeting are lower for more universal approaches that target vulnerable groups - such as universal social pensions, child benefits or grants for people with disabilities. These more universal categorical approaches, however, usually require a greater financial investment. Categorical approaches often aim to serve two objectives: (i) to target the poor by including groups characterised by criteria associated with poverty, and (ii) to provide transfers to groups considered by society to be universally entitled. Categorical approaches, however, run the risk of excluding very poor households who do not fit the profiles conventionally associated with poverty.

Conditionality

One of the most controversial questions about social cash transfers interrogates the role of conditionalities in programme design. Conditionalities are behavioural requirements that programme participants must satisfy in order to receive regularly the cash benefit. For example, households may be required to ensure 85% school attendance or prove that their children have received appropriate immunisations. Conditionalities aim to reinforce the human capital development impact of cash transfers, helping to break the inter-generational transmission of poverty by improving the child's likelihood of growing up and finding decent work.

Conditionalities, however, can compromise the poverty reduction objective - at least in the short run - by penalising the households with reductions in their benefits. Conditionalities can deprive the poor of freedom to choose appropriate services - and to freely make decisions to improve household welfare. Conditionalities can be expensive, inflexible, and inefficient - in the worst of cases, screening out the poorest and most vulnerable. Often the burden of complying with conditionalities falls disproportionately on women. Conditionalities can undermine the dignity of participants as well as the poverty-reducing impact of the programme, and they are potentially stigmatising. Conditionalities can also compromise a rights-based approach to social protection.

The case for conditionalities assumes that poverty depends on the behaviour of poor households. Conditionalities create an incentive and penalty structure that aims to modify that behaviour in order to address long-term poverty. Since children sometimes lack adequate voice regarding decisions about spending social cash transfers, conditionalities may change the intra-household allocation of resources. Parents and caregivers may not appreciate the high returns to early childhood development and investments in child health and education. Conditionalities provide social leverage when the interests of household decision-makers are not aligned with the perceived best interests of the child. Under these circumstances, conditionalities may improve the intra-household allocation of resources.

However, in some countries poverty is more structural and less dependent on the behaviour of the poor. In these cases, the costs of conditionalities may exceed their benefits. The World Bank's 2006 conference in Istanbul on conditional cash transfers concluded that insufficient evidence exists regarding the impact of the conditionalities *vis-à-vis* other programme benefits - such as income security, improved education and health services, or developmental awareness. In a number of countries - such as Kenya, Zambia and Pakistan - development partners are implementing conditional cash transfer schemes alongside unconditional programmes with structured monitoring and evaluations that aim to illuminate this critical question.

Other countries have adopted a more developmental approach. Zambia's cash transfer model has introduced conditionalities without penalties - developmental rather than punitive conditionalities. This is similar to Brazil's model, which uses social worker intervention rather than penalties to intervene when households fail to comply with the requirements of the programme. The Government of South Africa has recently indicated it is exploring "responsibilities" linked to cash transfers. The country's constitutional guarantee of the right to social security precludes punitive conditionalities, but linking cash transfers to developmental awareness may strengthen the social impact of the programme. Developmental conditionalities better address the multi-dimensional nature of poverty.

Traditional safety nets

Some policy-makers and social policy analysts question whether social cash transfers weaken existing traditional safety nets. Evidence exists that in some cases the payments of cash transfers by government to poor individuals reduce private remittances to their households. Where there is no public safety net, the burden falls on the working poor, often with negative growth and development effects for these households. The "weakening of traditional safety nets" means the households of the working poor have more resources - including for productivity enhancing consumption of the workers themselves. In many other countries, however, particularly those greatly affected by HIV/AIDS, cash transfers revitalises a failing system of traditional support. HIV/AIDS increases mortality and morbidity for the traditional funders of private safety nets while increasing the burden on older people who often must care for children orphaned by the disease. Cash transfers increasingly enable caregivers to cope with this intensifying burden.

What do we know? International lessons of good practice

Operational lessons

Many of the international lessons of good practice are operational. Countries that implement well-designed and effectively managed programmes consistently demonstrate success in reducing poverty and promoting social development. In recent years the research focus has shifted from demonstrating impact to identifying the most effective design elements and management practices. Key operational lessons include the following:

- Enrolment and targeting systems benefit from a single registry of all potential and actual programme participants. This helps to reduce fraud and promotes greater coverage and take-up. Management systems must be as simple as possible given the programme requirements, and appropriately tailored to the country's existing capacity constraints. Particularly when non-governmental organisations are serving as implementing partners, a single registry can minimize coverage gaps and duplication. A single registry works best when government takes primary responsibility for implementation – a national public institution can maintain the database. When programmes follow a decentralised model – and particularly when non-governmental organisations are involved – co-ordination among the implementing partners plays a more critical role.

- Documentation processes must be flexible. The poorest usually have the most limited access to the bureaucratic resources required to formally document age, income and other qualifying criteria. Targeting mechanisms that require unreasonable documentation frequently fail to reach the poorest and sometimes generate regressive outcomes – because the less poor often have the greater resources and knowledge necessary to navigate the bureaucratic hurdles while the very poorest sometimes find the barriers impenetrable.
- Payments processes must serve the poor. A client-based approach by payments service providers can protect the dignity of participants and potentially provide access to developmental financial services. Inaccessible pay points, long queues and demeaning treatment undermine the social protection the transfers aim to provide. Appropriate technology and sound management can create opportunities to expand the payment mechanism into an even greater pro-poor instrument potentially offering a savings vehicle and other financial services.
- Appeals processes and grievance procedures provide a critical path for addressing fiduciary risk and promoting the access to social cash transfers. Appeals and grievance systems should operate separately from the main implementing organisation in order to ensure independence and an ongoing ability to hold the programme to account. These processes aim to ensure that the poor realise their rights to social security. They require adequate funding, regular outreach activities, accessibility to all programme participants and the authority to enforce their decisions.
- Pilot programmes may not be necessary to demonstrate that social transfers effectively reduce poverty – there is already substantial global evidence of these impacts. Pilots serve more effectively to generate concrete evidence on how to implement social transfer programmes within a specific country context. Pilots must be established with appropriate monitoring and evaluation systems in order to marshal the necessary evidence. Pilots should test sufficiently diverse approaches in order to provide the relevant evidence required for scaling up successfully.

Capacity development

Social cash transfers constitute a relatively new policy intervention in many developing countries. As a result few governments have developed extensive delivery capacity for implementing these types of programmes. Over the past several years an increasing number of governments have developed a strong interest in designing and implementing social cash transfer programmes at a pilot stage, creating resource demands on national and international capacity as pilots are designed and sometimes implemented. However, little of the intellectual capital developed through this process remains in the public domain and heavy reliance on international consultants through short-term projects fails to adequately transfer skills to develop national capacity.

Limited capacity constrains successful implementation as several levels. First, government administrative capacity in many low-income countries is limited, particularly in the social ministries that are usually responsible for social protection. It is vital to ensure that implementation programmes are sufficiently well-resourced at both national and local levels. Districts often operate in an environment with inadequate human resources, office facilities, transport, communications and field infrastructure. Incentive

structures often fail to retain qualified personnel. Investments in government delivery capacity at district level will not only support the implementation of social transfers but also the other social services delivered by these agencies.

Nearly all international consultants designing social transfer programmes are funded by development partners, creating an opportunity for co-ordinated donor assistance to substantially support national capacity development. Designing and implementing social cash transfer programmes in developing countries builds critical human capital – which often flees the source countries on the same flights as the international consultants. Agreed standards for co-ordination of social transfer projects between international and national teams can help to share this intellectual capital and build national capacity, supporting the cost-effectiveness and sustainability of the interventions.

National capacity building should begin at the pilot stage. Pilots provide a very effective training group for present and future social welfare officers. Given the long lead times required for effective training programmes, the long term need for capacity building should be addressed during the pilot phase. Building this capacity improves the effectiveness of development partner resources.

Conclusions

In conclusion, the available evidence demonstrates that social cash transfers in many developing countries:

- effectively tackle poverty;
- enhance growth's effectiveness in reducing poverty; and
- in some documented cases stimulate economic growth.

While financial, political and administrative capacity to implement these programmes varies substantially across developing countries, lessons of international experience are documenting the appropriateness of this intervention in countries that rely on market systems yet nevertheless face severe challenges of poverty and vulnerability. Key lessons include:

- Basic initiatives are affordable in most countries - sometimes depending on development partner support, while other countries can afford more comprehensive approaches.
- Sustainability can be strengthened through design elements that maximise the pro-poor growth impact of the interventions.

Many of the other key lessons are operational. Over the past ten years global experience with social cash transfer programmes has increased substantially. Countries beginning to implement these interventions can benefit from a global learning curve and development partners are supporting important South-South initiatives to share developing country experience and build capacity.¹⁰ Nevertheless, important gaps remain:

- While persuasive evidence exists regarding impacts in terms of reducing poverty and promoting social outcomes, more convincing evidence is required on the direct links between social cash transfers and economic growth - particularly in the context of low-income countries.

- Operationally, better evidence on appropriate targeting and payment mechanisms, better management structures and the role and design of conditionalities will improve programme delivery.

Continued support for national capacity building will likely yield substantial returns in terms of promoting the long-term sustainability of these vital initiatives tackling poverty and vulnerability.

Notes

- 1 The Policy Statement describes a framework for these instruments.
- 2 Estimates multipliers ranging from 2.02 to 2.45.
- 3 In Bangladesh's Food-for-Education Programme, teachers were required to physically distribute the food commodities, distracting them from their teaching duties (Tietjen, 2003, p. 9).
- 4 The switch from food to cash in Ethiopia was associated with a decline in corruption, theft and wastage (Wilding and Ayalew, 2001).
- 5 In Bangladesh, for instance, households receiving commodities through the Food-for-Education programme often sold the goods at below-market prices in order to raise needed cash (Tietjen, 2003, p. 9).
- 6 Paying half the programme wage in food in Lesotho and Zambia succeeded in attracting more women than men. It is not clear whether this demonstrates the benefits of in-kind payments, the stigmatisation of food as a means of payment, or gender bias in other programmes (which often attract only a small percentage of women). In Malawi, for instance, men dominate the Social Action Fund's cash-for-work programme, while women predominate in the World Food Programme's Food-for-Work initiative (Devereux and Solomon, 2006).
- 7 Prospective workers in the Maharashtra Employment Guarantee Scheme sometimes need to provide cash payments for obtaining and filling in appropriate forms, submitting them to the correct officials and enlisting the attention of the social services committee (Pellisery, 2005).
- 8 Policymakers in Armenia initiated a cash transfer programme by emphasising that it was only for the poor – aiming to employ stigma to promote self-targeting (Coady *et al.*, 2004). In Jamaica, on the other hand, officials launched social transfers with television spots picturing the pregnant spouse of a cabinet minister registering for the programme, conveying a positive message about participation (Grosh, 1994; Coady *et al.*, 2004).
- 9 When Sri Lanka began to more effectively target food subsidies using food stamps in the late 1970s, popular support for the social protection scheme deteriorated. In the face of steady inflation, policymakers neglected to adjust the nominal value of transfers for the relatively powerless poor beneficiaries. The resulting halving of the real value of the benefit increased poverty and malnutrition. The old subsidy scheme had allied the middle classes with the poor – and provided more substantial social protection (Ravallion, 1999, p. 47; Anand and Kanbur, 1987; van de Walle, 1998, p. 240; Besley and Kanbur, 1990, p. 6). Similarly, in Colombia, the shift of food subsidies to a poverty-targeted food stamp programme led to an erosion of political support and was eliminated (Gelbach and Pritchett, 1995, p. 32).
- 10 For example, DFID has supported Brazilian technical assistance to African countries, developing country study tours to Southern Africa and global training programmes situated in developing countries. GTZ and other development partners support important capacity building initiatives in developing countries.

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Social Transfers and Growth in Poor Countries*

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- Poverty reduction is the primary aim of social transfer programmes, but they also have the potential to support micro-level growth processes.
- Social transfers raise investment in human capital, particularly education and health, improving the underlying micro-level determinants of growth.
- The concerns raised in the theoretical literature that social transfers have a negative effect on labour supply and savings rates are largely unsupported by empirical studies.

A feature of the last decade has been the emergence of large scale social transfers programmes in many developing countries. Studies assessing the effectiveness of these programmes suggest social transfers have the potential to make a significant contribution to poverty and vulnerability reduction. The studies also show that social transfers are often associated with household investment in human capital and other productive assets. This raises the important question whether, and to what extent, social transfers contribute to broader growth objectives. This is the main focus of this practice note.

Large scale social transfer programmes are emerging in many developing countries

Over the last decade a significant number of large-scale social transfer programmes have emerged in a variety of developing countries, aimed at alleviating poverty. China's Minimum Living Standards programme and India's National Rural Employment Guarantee Scheme (when fully implemented) will each reach 24 million households. The Productive Safety Net Programme in Ethiopia reaches 7 million households, while *Bolsa Familia* in Brazil reaches 12 million. These and the many other schemes around the world have the potential to contribute to improving the lives of many poor people.

There is a growing number of studies assessing the effectiveness of social transfer programmes at reducing poverty. The general finding from these studies is that social transfers have the potential to make a significant difference to poverty and vulnerability in the developing world. They also find that, in addition to supplementing household income and consumption, social transfers facilitate household investment in their productive capacity. In some social transfer programmes, household investment in human development is an explicit objective of the programme. In other programmes, investment in other productive assets is a component. Many studies find, across a range of programmes and countries, that a good number of households in receipt of transfers show

* The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

some improvement in their productive capacity. To date, insufficient attention has been paid to the potential impact of transfer programmes on growth and development. Social transfers can facilitate growth-mediating processes among poor household in a number of ways.

Social transfers can help move people out of poverty traps by addressing credit constraints...

Social transfers can enable people to overcome barriers to escaping poverty. The poor often face a limited set of economic opportunities and can find themselves trapped in a cycle of low income and low growth. For example, the poor are frequently highly credit constrained because they lack the assets to use as collateral to access loans. Social transfers, if they are regular and reliable, or effectively combined with other interventions, can help to alleviate this credit constraint. In Brazil, for instance, recipients of the social pension provided to informal workers are able to access loans from banks by showing the magnetic card used to collect the pension, proving that they have a source of regular income. Improving the availability of credit can enable households to make investments in human and productive capital, helping to move them onto cycles of rising income and improved opportunities.

... and improve their productive capacity

There is strong support from a range of studies that recipient households for both conditional and non-conditional transfers often invest in human capital, particularly through enrolling their children in school, helping to improve the underlying determinants of growth. For instance, the social pension in South Africa has been estimated to increase school enrolment of children living in three-generation households by about 3.1%, with a stronger effect among the poor (about 5%) and among girls, who are found to be around 7% more likely to attend school if living with a pensioner. Given that higher educational attainment and improved health and nutrition are strongly correlated with higher productivity and earnings, this can be expected to have a significant impact on the lifetime earnings of recipients. Furthermore, transfers reduce the incidence of child labour. Studies undertaken in Brazil have indicated that children of parents who entered the labour market early are more likely to do so themselves, and that this results on average in lower lifetime earnings of 13 to 17% and an increased probability of poverty of 7 to 8%. By reducing the incidence of child labour, social transfers help to prevent the transmission of poverty from one generation to the next. Many social transfers include conditions requiring recipients to engage in human or physical capital accumulation, through sending their children to school, making use of local health services or engaging in the construction of local infrastructure. Where this is the case, the impact on human capital improvement is usually greater.

Social transfers can help improve household resource allocation

Social transfers can encourage the use of household resources in a more productive fashion although the evidence on this is far from systematic. In many programmes, it is common for the transfer to be paid to the mother. This is done because it is generally found that children stand to gain more benefit if it is the mother that is the direct beneficiary. Paying mothers is also likely to have a positive impact on intra-household

resource allocation, since household decision-making is strongly influenced by the relative share of income contributed by each member. Improving the position of women in the household can impact not only on the share of income spent on human capital but also affects productive investment decisions. For instance, households in Burkina Faso have been found to under-invest in inputs of labour and fertilisers in women's plots of lands because the women are concerned that their plots and yields will be expropriated by their husbands. By improving women's position in intra-household bargaining, such outcomes become less of a threat, enabling more efficient investment decisions that serve to maximise household income.

Transfers can also protect the poor from hazards...

Social transfers can help protect households from crises, ensure a better use of resources and alleviate inter-temporal distortions on human and productive capital investment. Inadequate insurance protection leads the poor to an inefficient use of resources, such as opting for low-risk/low-return crops and production methods, and holding liquid but less productive assets. It also affects inter-temporal resource allocation, such as through inducing the withdrawal of children from school in response to adverse shocks. Regular and reliable social transfers can improve household security, firstly through supplementing household income and thereby ameliorating the impact of consumption shocks, and secondly through integrating insurance features protecting consumption, assets and investment. However, few social transfers include explicit insurance components, as they transfer fixed amounts at regular intervals without reference to shocks or crises. An important exception is India's National Rural Employment Guarantee Scheme, which provides an entitlement to up to 100 days of work for unemployed rural households, on demand. This is specifically designed to smooth consumption among beneficiaries. Other social transfer programmes could be designed to include insurance components, encouraging better allocation of resources among beneficiaries and helping to prevent the need for the fire sale of productive assets.

... and have the potential to support the local economy

There is insufficient evidence on whether social transfers have a significant positive effect on the local economy, largely because of the scarcity of studies in this area. However, studies of PROGRESA provide positive examples - observing an increase in consumption and productive assets among non-beneficiary households in programme areas. This was observed more strongly among non-beneficiary households with low asset levels at the start of the programme. More anecdotal evidence exists that social transfer programmes support trade, for example in South Africa and Lesotho traders flock to locations for pension payments and in Zambia and Bolivia some beneficiaries use part of the transfer to support agricultural activities.

... and asset accumulation

The example of India's National Rural Employment Guarantee Scheme illustrates the use of social transfers, when made conditional on work, for making a contribution to local infrastructure improvement. Other programmes have similar elements, such as the Ethiopia's Productive Safety Net Programme. In poor areas, growth may be inhibited by the lack of local infrastructure. In practice, assessment of such public works programmes

has shown the results to be mixed, with the value of the newly created infrastructure often found to be low. Nonetheless, designed correctly social transfers can have positive externalities that have a positive impact on the local economy.

More generally, well designed social transfers can contribute to the accumulation of human capital and other productive assets. Studies examining the use to which transfers are put by recipients indicate that they have effects which go beyond the supplementation of current consumption. As already mentioned, they can lead to investment in schooling and health care, while also facilitating the acquisition of livestock and other agricultural assets. For example, beneficiary households of Bolivia's BONOSOL programme in poor rural areas experienced an average increase in food consumption of almost 165% of the value of the transfer. This was achieved through the investment of part of the transfers in much needed agricultural inputs. Assets acquired through the transfer not only improve productivity but can subsequently provide the collateral necessary for accessing credit.

Frequently voiced concerns over negative effects of social transfers on growth determinants are not supported by available evidence

The literature raises concerns that social transfers may weaken growth due to the effects they have on labour supply and savings rates, but these concerns are not supported by the available empirical evidence. Standard economic theory suggests that an increase in income for beneficiaries could lead them to reduce their supply of labour, thus lowering in aggregate the labour available to the economy. The argument is that an increase in income would lead to higher demand for goods and services, including non-wage labour activities. The empirical evidence suggests labour supply responses to transfers in developing countries are more complex. On the one hand, social transfers lead to labour decreasing among school age children, particularly when the programme includes school attendance requirements, and labour participation rates among the elderly are found to decline substantially in response to social pension schemes. In some cases the reduction in child labour is an explicit objective programme. On the other hand, social transfers are often associated with an increase in the labour supply of adults. For example, the social pension in South Africa was found to enable other household members to migrate in search of work. 15-50 year old members of households receiving the pension were found to be 3.2 % more likely to be employed. Overall, the social pension is associated with a net increase in labour supply with fewer older people, but increased younger adults, in work. Taken as a whole, there is scant evidence that social transfers have overall a negative labour supply effect.

Similarly, there has been concern raised over the effect of social transfers on saving. The fear is that expectations concerning entitlement to transfers could have an effect on aggregate saving, through transfers diminishing incentives for saving in existing social insurance schemes. In Brazil, for example, there is concern that social pensions could reduce social insurance contributions. Empirically, however, there is very little evidence that this occurs. In low-income countries, where social protection provision is marginal, this is unlikely to be a significant problem, though it is an issue to be borne in mind when designing social transfer programmes. Furthermore, there is strong evidence that across a range of programmes recipients choose to save a small fraction of the transfer, even when the transfer is of only a small level. This is motivated by various things, such as the need to purchase more expensive goods, a desire to accumulate assets (partially to increase access to credit), and as insurance against future shocks.

Programme design is important in maximising growth effects from social transfers

Context is important: In designing social transfers it is critical to take account of existing vulnerabilities, institutional factors, and delivery capacity.

Timing and level: Social transfers can facilitate increased investment by the poor through raising household income, and can overcome problems of access to credit for the poor. In order to do this, transfers must be **regular and reliable**, with beneficiaries having clear and credible information on the size, time and schedule of entitlements. Also, the time-period during which households are supported needs to be long enough to influence the consumption-investment decisions households make. The **level of transfer** is also important. The level should, in theory, depend on the objectives of the programme. If the aim is to eradicate poverty, the level of transfers needs to be sufficient to bridge the gap between poor households' income and the poverty line. Alternatively, if the aim is to ensure children attend school, the level needs to cover the direct and indirect costs to the household of sending children to school. As noted previously, even small transfers induce beneficiaries to save or invest a small fraction but a higher level of transfer is likely to increase the amount invested. However, it is important that the level is set below the market wage to minimise adverse incentives on labour supply. In practice the level of transfers is strongly determined by national policy processes and financial conditions, and is frequently based on an insufficient analytical basis.

Duration: The time period over which beneficiaries will receive the transfer is also important. It needs to be long enough to influence the consumption-investment decision of households and not too long to generate dependency (although on this point there is no evidence for developing countries that well designed social transfers do generate dependency). Expectations of households exiting the programme successfully will need to take account of household heterogeneity and concurrent economic conditions.

Complementary interventions: Social transfers will increase the demand for local services, principally educational and health facilities, particularly when the transfer is made conditional on the use of such provisions. In order to offset the possible deleterious effect this increased demand can have on such services, **social transfers need to be implemented alongside other programmes** that ensure that sufficient increased resources are made available to service providers to maintain, or better still improve, the quality of such facilities. Requiring children to attend an under-funded and crowded school is unlikely to have the greatest possible impact on their educational achievement. Complementary interventions aimed at improving labour market participation and productivity, and to facilitate and protect asset accumulation can strengthen the growth effects of social transfers.

Eligibility: It is important to ensure that **eligibility conditions do not incorporate incentives for asset depletion or inactivity**. Programmes that are dependent on relatively liquid asset holdings, such as livestock, could generate incentives for divestment of assets in order to qualify for the transfer. Similarly, conditions based on inactivity, such as requiring beneficiaries of social pensions not to be in work, will have adverse effects on labour supply. This also applies to adult household members in the case of family allowances. For growth to be fostered by the programme, it is important that the transfer does not limit the use of productive assets available to the household.

Choosing the Right Recipients: Channelling the transfer through particular household members may have an effect on the use of transfers. In particular, by making the mother the direct beneficiary, as many cash transfer programmes currently do, it is

expected that more of the money will be spent on children. Strengthening the influence of the mother in household resource allocation is more likely to improve household investment in human capital. The gender of the transfer beneficiary therefore makes a difference to the effectiveness with which it stimulates investment and facilitates more efficient resource allocation within the household.

Providing security: Social transfer schemes that build in **protection in response to shocks** will help to maintain productive assets in the event of adverse crises. Currently few social transfer schemes have asset protection components beyond the limited sense of providing a stable income through shocks. In designing future schemes consideration could be given to whether the level of transfer could be linked locally more explicitly to addressing the impact of shocks such as droughts and floods. Social transfers could thereby acquire more of an income maintenance feature and provide a greater degree of insurance to the poor, helping to avoid the forced sale of productive assets.

Important knowledge gaps remain...

There are important knowledge gaps in both micro and macro level analyses. At the micro level, while a few social transfer programmes have implemented strong evaluation procedures this is far from being the norm. More needs to be done to ensure that large scale interventions are adequately monitored and evaluated. Doing so will ensure that the data necessary to better understand potential growth effects. From that basis, it should be possible to extend knowledge of the local economy effects of transfers.

At the macro level, we are far away from being in a position to evaluate reliably the growth effects of social transfers. In the context of developed countries, most of this work has relied on cross-country regression techniques. However, the rewards to this research have been very relatively small. Two further avenues of research are emerging. Firstly there have been some attempts to use computable general equilibrium analytical techniques, which are particularly strong at investigating the consistency of transfer programmes with macro variables such as taxation. However, they fare less well at examining the impact and intermediate processes associated with social transfers. The second approach is to use ex-ante simulation of programme effects. This holds great promise for future research.

... which could be addressed in future programmes

Most work done to measure the growth effects of social transfers to date has been a by-product of other evaluation processes. The next step will be to identify explicitly the processes needed to generate the data required to test for these growth effects. This can be done most effectively with new social transfer programmes when designing the monitoring and evaluation procedures. Improvements in evaluation processes and data will provide a basis for addressing the identified knowledge gaps.

Overall, the message is positive

While it is important not to see social transfers as a panacea that will solve all problems related to poverty, when properly designed and delivered social transfers are capable of making a significant contribution to improving the current lives of the poor and hold the promise of reducing persistent poverty. They play a significant role in

ensuring that economic growth reaches the poor and help to extend economic opportunity to the most vulnerable. Although the principal aim of social transfer programmes is, and should remain, poverty alleviation, they can nonetheless be designed with a view to supporting growth. Many gaps remain in our knowledge of the mechanisms linking social transfers to growth, but the available evidence clearly suggests that well designed social transfer programmes can have a positive impact on the growth prospects of the poor.

Notes

- 1 From a longer paper by Armando Barrientos (2008) 'Social Transfers and Growth. A Review', BWPI, University of Manchester, UK, www.chronicpoverty.org.

Social Protection and the Informal Economy: Linkages and Good Practices for Poverty Reduction and Empowerment*

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- Social protection should be seen as an investment in the human potential of poorer workers in the informal economy, and especially for poorer women. Social protection contributes to people being able to escape poverty.
- Good practices of social protection and of empowerment through organization are drawn from member-based organizations of poorer women workers, in particular India's Self Employed Women's Association (SEWA), and the international alliance of street vendors, StreetNet International.
- Donor organizations should ensure that their own economic and social policies and practices do not marginalize the informal economy and poorer informal women workers within it. Donor organizations have a constructive role to play in supporting links between organizations of informal workers, and in promoting dialogues with employers' organizations to demonstrate the productivity-lowering effects of poor employment practices.

Introduction

Poverty persists across the world. The informal economy is growing worldwide. These two facts are connected. The purpose of this paper is to provide a framework which links these two facts, and relates them to a third problem – the decreasing numbers of people who can get access to measures of social provision; and to a fourth dimension, that of empowerment. The paper will explore how empowerment and social protection can be intertwined to achieve employment-related pathways out of poverty. It argues that good social provision can strengthen individual health and well being, as well as the capacity to organize and make demands for better conditions of work.

The outline of the paper is as follows. A brief overview of the informal economy is given, before turning to social protection itself. There are different conceptions of social protection, and some of these have been summarized in preceding papers available to these Task Teams (Sabates-Wheeler, Haddad and Chopra, 2005; Haddad and Sabates-Wheeler, 2005). The core elements of a framework for social protection for people working in the informal economy is presented. The paper then deals with linkages and good practices. Using the framework as point of departure, as well as the background

* The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

papers from POVNET, which argues for the importance of an approach that is linked and multi-dimensional, the good practice examples have been drawn from Women in Informal Employment Globalizing and Organizing (WIEGO) affiliates, and chosen to demonstrate elements of the framework in operation. They have been chosen to illustrate:

- *linkages within an organization of women workers*, in the comprehensive health programme of the Self-Employed Women's Association in India (SEWA);
- *linkages between organizations of workers* to promote empowerment of informal workers, drawing on the experience of the international alliance of street vendors, Streetnet International;
- *linkages between research and organizing for social protection*, drawing on WIEGO's Social Protection programme work with organizations of mainly homeworkers (industrial outworkers) in Asia.

The paper concludes with key messages for policy interventions.

The informal economy

Much work has gone in recent years into better definitions of the informal economy and informal sector, and into the improvement of statistics about the informal sector and informal employment (ILO, 2002; Chen *et al.*, 2005). Informal employment comprises one half to three quarters of non agricultural employment *in developing countries*. If agricultural employment is included, then informal employment comprises 93 % of total employment in India, for example, and 62 % in Mexico (ILO, 2002). In developed countries, non-standard work – which includes temporary, part-time and self-employment – is increasing significantly as a share of all employment. Much non-standard may be formally regulated, yet this tendency towards 'a-typical' work is a factor uniting both north and south – precisely because it is related to changes in the structure of employment and the labour market under conditions of globalization. It transcends 'north and south' dichotomies; the unequalisation and vulnerability that is produced and reproduced is present in both developed and developing countries. This will be one of the key messages of this paper.

The conditions of informal work for millions of workers in the developing world are objectively and starkly worse, and unprotected. Millions of the world's poor work all their lives, yet never receive more than two dollars a day for their work. They face low and uncertain incomes, high levels of hazard associated with the work, and the work is not covered by social protections. The global financial recession will result in more people working informally, and in more people earning less through their work. Both these facts mean that more working people will have less access to social protection through work.

The informal economy is diverse, with different categories of employment within the informal economy (Chen, 2008), and these have a bearing on the degree of workers' control over their work and their place of work, and to their access to social protection.

Informal self-employment includes:

- employers: owner operators who hire others;
- own account workers: owner operators of single-person units or family;
- businesses/farms who do not hire others in informal enterprises;
- unpaid contributing family workers: family members who work in family;
- businesses or farms without pay; and
- members of informal producers' cooperatives (where these exist).

Informal wage employment: this comprises employees without formal contracts or employed by formal or informal enterprises or by households. In developing countries, the most common categories of informal wage workers include:

- informal employees: unprotected employees with a known employer (either an informal enterprise, a formal enterprise, or a household);
- casual or day labourers: wage workers with no fixed employer who sell their labour on a daily or seasonal basis;
- industrial outworkers: sub-contracted workers who produce for a piece-rate from small workshops or their homes (also called homeworkers).

These classifications are crucially important both conceptually and as guides towards appropriate intervention. They break down the homogeneity of the idea of 'the informal sector', recognizing the diversity and patterns of segmentation within the informal economy:

... there is a significant range of average earnings and poverty risk across employment statuses within the informal economy with a small entrepreneurial class (comprised of most informal employers and a few own account operators) and a large working class (comprised of most informal employees, most own account operators, all casual day labourers, and all industrial outworkers). There is also gender segmentation within informal labour markets resulting in a gender gap in average earnings with women over-represented in the lowest-paid segments and earning less on average than men in most segments (Chen, 2008a).

Thus there is a small segment of high earners in the informal sector. However, incomes earned in the informal economy are lower than those in the formal sector; and with the exception of a few countries, women are over-represented in informal work, and earn lower incomes than men. Work in the informal economy is, by definition, work with no social protection. Furthermore, the vulnerability of employment of informal workers means that they are disempowered, though in different ways for self-employed people, for informal wage workers, and for unpaid family members.

Two linked conceptual/ theoretical issues regarding informal employment are crucial to the work of the Task Team – *choice*, and *permanence*. Both of these issues matter, and they affect where we look for poverty-reducing policy interventions that would expand and extend social protection coverage.

First, *choice*: Do people work informally because they choose to, or because they have no alternative? Some theorists stress the idea that informal workers choose to work informally, and this is largely to do with avoiding taxes, or with enjoying the autonomy

that may come with self-employment. Based on WIEGO experience with affiliated organizations representing millions of informal workers, the reality is that the overwhelming majority of informal workers are constrained in their choices. This is especially so for women, who bear the responsibility for child care, and who frequently have lower skill levels and education than do men.

Most informal workers would of course rather have a formal job with social protection coverage. There is ample evidence (see particularly the World Bank's *World Development Report 2005*) that when barriers to entry to formal work are lowered, people choose to formalize their work status. It is crucial to note that the process of informalisation, through which formal jobs are converted into informal ones without benefits, is largely driven by employers and owners of capital. Many of these engage in informalising or casualising their work forces precisely in order to avoid the labour costs associated with formal contracts. In exploring the disincentives to becoming formal, and in exploring co-responsible partners for social provision, we have to include employers, whose role has become too invisible. This theme will be picked up later.

Second, with regard to the *permanence* or impermanence of the informal economy, the evidence is again overwhelming: it is here to stay, both in the north and in the south. It is not a new and 'atypical' phenomenon, and as we say in WIEGO, 'the informal is normal'. Of course it would be ideal if all could work formally, with full social benefits, and enjoy a reasonable expectation that working hard today would mean that one's children could have better life-chances. It may be possible for some aspects of work in some sectors to become formalized in the sense of being better regulated. And governments have a crucial role to play in setting up and monitoring the structures and environment in which more working people have access to improved working conditions. But in reality, informal work in developing countries is here to stay, and atypical work is increasing in the industrialised countries.

Informal employment, therefore, is not a short term residual category, to be dealt with by short term interventions. If the goal is extended social protection coverage, then a different framework of analysis is needed both for the labour market, and for the role of formal and informal workers, employers, and governments in the provision of social protection.

Social protection and the informal economy

Different countries and regions have different traditions of social provision, and different understanding of the links between economic and social policy. These determine in a fundamental way what gets included in and excluded from the domains of social policy, social security and social protection. There will never be a 'right way' of defining them. Suffice to say that *social policy* is generally a broader term than the others; that *social security* comes out of the welfare state and welfare regime tradition, and usually has a clear and primary focus on state provision; and *social protection*, a much newer term, has been more used in connection with the developing world.

In recent years, the social protection discourse has been developed around the idea of risk, using conceptual and technical terms directly drawn from the actuarial science discipline. The interpretations and diagnostics do vary, and can include ideas of market failures, and systemic shocks, in addition to individual and idiosyncratic risks. But the central problem with the Social Risk Management (SMR) model [see Holzmann and Jorgenson (1999) for the defining article presenting SMR] is the

general focus on enhancing the ability of poorer people to take more risks. It is unclear why this would be a sensible thing to do. Countries with advanced welfare states know that the effectiveness of social provision, and especially social security, has been that it has not been just risk management, or response to crisis – it is a long term investment in a productive society and economy. In the south, however, social protection has been viewed more as a response to short term crisis (as in the ‘safety net’ model), and/ or as resources for systems of provision that compete with ‘more productive’ economic investment. The inadequacy of this view is being realized, and the question asked, ‘If social protection *as investment* worked for the north, why should it not work for the south?’

A focus on social protection for informal workers needs to start with the fact that informal work is by definition work without access to work-related measures of social protection.

Informal workers, whether self-employed or wage workers:

- cannot usually afford to purchase private insurance against risk;
- live in poor communities which cannot co-insure against risk;
- are excluded from contributory schemes (such as unemployment insurance, and workers compensation against accidents at work);
- may be included in social assistance schemes, such as cash transfers – but these are usually designed to go to target groups of non-working age, such as younger children, and elderly people, or who cannot work, such as people with severe disabilities;
- may be included in temporary public works schemes, but these do not usually have a training component that would help attain better long-lasting employment.

What do we know about the negative and positive links between social protection, employment, and poverty reduction? These relationships are extensively documented. On the positive side, at the individual and household level, we know that:

- People receiving unemployment insurance are able to pursue job search.
- Poorer people are an insurable risk (see the case study on SEWA later in the paper).
- Even very poor people show the will to save. When offered the choice between health insurance and savings for their later years, however, they tend to choose health insurance.
- Research in India’s SEWA (see the later case study for more about SEWA) shows that when poor working women have affordable child care, their incomes increase.

A large body of research in South Africa shows that the state non-contributory pension for elderly people not only reduces poverty and inequality, but also is used for income-generating purposes by the elderly themselves, and other household members.

There is a positive relationship between years of education and returns to income from education – those in the poorer end of the informal economy have little education, few opportunities for developing skills for career advancement, and their children will

inherit poor opportunities for education. Also, however, much of present formal education available to poorer people does not equip people for realities of skills demand in a globalized world.

Women's education is positively related to the overall state of well-being of households.

On the negative side, and again at the individual and household level:

- Even minor health shocks have drastic consequences for poorer informal workers. The health shock leads to lowered income, and the costs of buying health care are experienced when most physically vulnerable, and when income is unreliable.
- Women are particularly vulnerable, as they have their own sex-related vulnerability associated with child-bearing – again, income is lowered at a time of great vulnerability. Women in unprotected work may lose their jobs through becoming pregnant. Those who keep their jobs may get little maternity leave, whether paid or unpaid.
- Poor nutrition of children and of women who are child-bearing has lasting consequences, and contributes to the cross-generation transmission of poverty.
- There are gender-related vulnerabilities to do with women's care responsibilities for others in their households and communities, and their vulnerability to those in positions of power over them. Women experience conflicting demands between child and elderly care, and their paid work, and their ability to be productive at work.
- Men and women (and possibly men more than women) in the informal economy face hazardous conditions of work in certain industries, and the work is unprotected by occupational health and safety rules. Obvious examples are the informal construction, ship-breaking and mining industries, and those working with pesticides and other hazardous chemical substances.

While the above associations and linkages are known to exist, the direction of causation is sometimes unclear. For example, does poor income lead to poorer health, or does poorer health lead to poorer income-earning ability?

A key message of this paper, borrowing from a recent conceptual paper by James Heintz (2008), is that the production and sustenance of human resources has to be integral to the functioning of the economy, and to any conception of pro-poor growth. A core question then becomes: *In what ways might social protection be beneficial for employment, and be a pathway into access to and sustaining decent employment?* What conceptual framework would allow for an emphasis *more* on the long term development of human resources, and the emphasis *less* on *ex post* risk management? And how can this be done in a way that fully accepts the need for insurance mechanisms?

Framework for social protection, informal economy and empowerment

The brief from the POVNET Task Team calls for a pro-poor approach that links informality, social protection, and empowerment. This requires an approach that is rooted in the idea of rights. Given the vulnerable position of poorest informal workers, those rights will only be realized through organizations through which the interests and

demands of poorer (women) workers can be expressed. The following identifies core elements of a framework that meets these requirements.

Empowering of poorer people, especially women

The right to work appears in few constitutions of the world, essentially because governments *per se* cannot guarantee this right. India is a signal exception to this, and in 2006 introduced legislation that guarantees a minimum number of days employment per household per year, in the National Rural Employment Guarantee Act (NREGA).

Informal workers usually, however, have to secure their rights through other legislation, in such areas as basic human rights, the extension of labour laws, and through using international codes that can impact on work. Some of the latter are the Convention for the Elimination of Racial Discrimination, and the International Convention on Economic and Social Rights, both adopted in 1966, and the 1979 Convention for the Elimination of all forms of Discrimination against Women.

WIEGO sees the right to social protection as an inalienable part of the right to work. It is helpful to distinguish between ‘rights stages’: having rights, then knowing about those rights; then being able to claim those rights; and finally being able to maintain and protect those rights. The vulnerability and lack of autonomy of poorer informal workers means that for all of these ‘rights stages’ to be realised, there is a need for *informal worker organisation*.

A life cycle and employment cycle framework

People face different risks at different stages of the life cycle, and are placed in a different relationship to the labour market at different stages of their lives as well. Here we identify just three broad stages: preparation for employment, being in employment, and life after employment. We can integrate this life and cycle employment framework with the links to poverty reduction outlined above.

Social protection as contributing to preparation for employment: This stage of the life cycle starts from birth through to the start of working age. The focus of social protection would be on access to, and overcoming constraints to, early childhood nutrition, early education programmes, primary and secondary school education, and vocational education. There should be no child labour that gets in the way of any of these.

Social protection as protecting against risk while in employment: This is the focus of much of the literature about and programmes for social protection for informal workers. The focus is on access to health services, savings, disability insurance, maternity and other reproductive health services. There is a strong link with labour policies and legislation – wage and income policies, basic conditions of employment for wage workers; access to resources for growing enterprises.

Social protection as ensuring a secure old age, and as helping break the inter-generational transmission of poverty to the next generation: As people’s willingness to work, or physical capacity to do so, starts declining, there is a concern with financial security in these elderly years. There is growing recognition of the role of the older generation in the care of grandchildren (in the north and in the south), and in their continuing productive work (contributing to the economy), and in the relationship between care and development (their care work enables other household members to work productively).

Integrative and inclusive – in other words, a mainstreaming approach

Much of the conventional approach to social protection for informal workers has been to create special schemes and programmes, outside of mainstream labour, financial and insurance institutions. For a sustainable approach, an investigation should be made of practices in which the social protection needs of informal workers are incorporated into existing institutions. Different occupational groups, and workers in different statuses of employment, might be incorporated in different ways. Industrial outworkers could simply be integrated into existing insurance schemes of multi-national employers. People trading in public spaces could get access to local government insurance schemes. Small independent micro-insurance schemes might be housed inside larger financial institutions. All of these could be done relatively easily. *In many countries, the institutions already exist; the extension and integration have to be put into practice.* This is not to detract from the importance of continuing to support the building of institutions specifically for informal workers in very poor countries, and those where there is limited private sector and state capacity.

Inclusion in local, national, and international government spheres

Much of the concern with social protection deals with providers as either being at the level of national government, or at the very local level of families, neighbourhoods, and local communities. In a number of countries, local government has active and passive policies regarding the informal economy, which impact on the vulnerability of informal workers, and on their attempts to accumulate assets and grow enterprises and sustain secure waged employment. Likewise, support for and the security of informal workers depends on a combination of social and economic policies which have their impact at the local level. The search for good practices must move beyond both national level policies and local-level small-scale examples, to a more comprehensive approach. This is an area where much work needs to be done, both in the framework and in seeking out practice examples. The StreetNet example below focuses on local government in its strategies.

A multi-stakeholder approach

The crisis in social protection for informal workers is so large, and the numbers involved so great, that as a matter of both principle and practicality, a multi-stakeholder approach is needed. Programmes need to include governments, the private sector, and formal and informal workers. Current policy space is predominantly taken up with cash transfers – which are non-contributory, and deal primarily with a contract between the state and citizens, for those who are not able to work. It is a fundamental right of all people, including those with disabilities who are not able to work, children, and elderly people, to have access to social protection. Trade unions of formal workers are scarcely involved in the cash transfer campaigns, except through the ILO. Work-related social protection is a contract largely between only formal workers and formal employers. The role of employers/ owners of capital has to get special attention. Those who extract value from workers in the production or service process are currently being able to evade responsibility for social provision. This is one of the factors underlying the increasingly unequalising effects of globalization. More formal trade unions need to become more aware of the need to build alliances with organizations of informal workers in ‘the new workers movement. India’s SEWA has finally been recognized as a union by the

International Trade Union Confederation (ITUC), and thus gets direct access as a worker organization to the ILO.

This is not at all to detract attention from the importance of cash transfers. Few such cash transfers schemes however focus on poorer people *as workers* – because this would be a very difficult thing to do. We are looking here for an understanding of social protection that normalizes informal work, which deals with informal workers as workers, and not as the marginalized poor.

Timing

Time is a key variable in this framework, in three ways. The first is that the *sequencing of the life cycle* is important, recognizing that in practical ways, informal workers face different vulnerabilities at different periods of their lives, and thus need different mechanisms of social protection at different times. Second, there is an urgent need for an *immediate* and large scale response to the social protection needs of informal workers. This has become a critically important issue in the current global financial crisis, where consideration needs to be given to programmes designed for especially hard-hit and newly vulnerable workers. These shorter term interventions and gains have to be compatible with longer term broader issues such as environmental vulnerability and climate change. Third, programmes *take a long time to build*, and *may require long term support*. The idea of ‘sustainability’, if that means poorer people doing all the work of building, resourcing and maintaining organizations and programmes all on their own, in just a few years, may simply be unrealistic and unjust.

Good practices and linkages

Large numbers of evaluations have been done of interventions in social protection for informal workers. Schemes face typical and similar problems: they are expensive to start up, difficult to sustain, and find it impossible to reach large numbers of the very poor. Further, few are able to really be ‘owned’ by members themselves – and this ownership is a basic element of empowerment. In this paper, three substantial examples of good practice were selected, to illustrate both linkages and empowerment and the pro-poor focus. They also address issues of scale, and of ownership.

Good practices and linkages within an organisation of informal workers – The Self Employed Women’s Association of India¹

SEWA combines in its vision and work a number of much sought-after principles. It focuses on women at work. It emphasizes women empowerment in the most concrete way, in members’ ownership of the organization, and participation in all aspects of its local and international work. It includes work in rural and urban areas. It is continually responsive to the needs of its members. It is aware of the problems of sustainability in its work and strives constantly for independence and self-reliance.

The case study that follows uses SEWA’s health interventions as an example of good practice in social protection and empowerment for informal workers. Many have written about the integrated insurance scheme, VIMO SEWA (for a comprehensive picture see Chatterjee and Ranson, 2003). This scheme is exceptionally interesting in terms of its understanding of the technical issues in insurance. Just as interesting, and the focus of this

case study, is how its success is embedded in SEWA a whole, and how the components link. The case study abridges a much longer version prepared for a DFID study on reaching the poorest (Lund and Marriott, 2005).

SEWA was first established in 1972 and is a trade union and set of co-operatives for women who work informally in situations without a fixed and continuing employer/employee relationship. By 2004 its membership had reached about 700 000, of whom about two thirds were in Gujarat State, and the remainder in other states of India (Chen, 2006: 5).

SEWA was aware from the start that reasonable health is imperative to women's ability to work well and earn a living and that a woman's occupation has a direct bearing on her health (Dayal, 2001). Its approach to health is part of many interventions undertaken to protect and support its members. It recognises that a lack of protection around the work place is both a cause and a consequence of employment and income insecurity. It intervenes at the point at which health interacts with, and impacts on, employment and income security. Its health work depends on linkages with other institutions of SEWA, including the SEWA Bank, child care services, and institutions for disaster management. Below we show the linkages between research, promotion and care, and the insurance scheme.

Research and prevention

Ela Bhatt, the founder of SEWA, early recognized the many occupational health problems suffered by women informal workers. In the 1970s, she approached the National Institute of Occupational Health (NIOH) and with their support and research expertise, did studies of the various problems women faced (Dayal, 2001), especially those experienced by handcart-pullers and *bidi* (a low cost cheap version of a cigar) workers.

From the early 1990s SEWA began to use its research more proactively to prevent occupational injury and illness of its members. Examples of such direct preventative interventions include:

- The organisation of eye clinics and provision of low cost spectacles to garment workers, embroiderers and others. The eye clinics directly address the hazards of craftwork and in addition to improving the quality of life, the curative aspect of the intervention enabled the women to see their work more clearly, work faster and at a higher level of quality, thereby increasing productivity (Crowley, 2003).
- The provision of gum boots to protect salt-workers against the corrosive effects of salt water and sun-glasses to protect their eyes against glare (Dayal, 2001).
- The provision of specially designed chairs and sewing machine tables to ready-made garment workers to prevent lower back pain.
- The provision of protective gloves to tobacco workers who had themselves the hazards they were exposed to when they removed tobacco flowers, to encourage leaf growth, and came in contact with the sticky nicotine-laden juice.
- The organisation of a series of consultations-cum-health education workshops to inform women rural workers on the hazards of working with pesticides and appropriate safety-measures to be taken (Dayal, 2001).

- The design of a special sickle by The Gujarat Agricultural University for SEWA members to reduce the strain on women's bodies during harvesting. Women report that the sickles have directly reduced pain and increased productivity. Demand for the sickles is high despite their cost at Rs 40² each (*ibid*).

Promotion and care

The India government's primary health care (PHC) programme focuses on reproductive health and on family planning in particular (Dayal, 2001). Working women have both more holistic and more specific health needs. Between 1985 and 2000 about 200 SEWA members were trained as local health workers for their own villages and urban neighbourhoods (Dayal, 2001). They provide other SEWA members with health education and preventative health care, such as antenatal care and immunization of children, and promote the use of protective equipment like gloves and masks (*ibid*). They also provide curative care from their homes or a health centre run by them, where low-cost generic drugs are dispensed at cost to members (Raval, 2000). Where necessary, referrals are made to hospitals (*ibid*). The variety of tasks carried out by SEWA's health workers is well captured in the case-study presented in Box 1.

Box 1. Meeting the needs of informal women workers: Aishaben, a primary health care worker in India

Aishaben Mashrat Pathan is a Muslim woman, living in what is described as a "slum" area in Ahmedabad City in Gujarat, India. She lives with her two unmarried sons, young men in their early twenties/late teens, in a two-roomed house. She married as a teenager, but her husband left many years ago. The streets are dusty, the houses packed close. The streets team with people, including many children, as well as animals, particularly goats. Men and old people lay in the sun on wooden beds. Women are working in their homes-engaged in unpaid domestic labour and a variety of home-based income generating activities such as sewing, embroidery, incense stick rolling, bidi (cigarette) rolling, cooking food for sale.

Aishaben is a Self-Employed Women's Association (SEWA) health care worker in the community. In the mornings Aishaben gets up early and sees to her domestic chores; drawing and heating water for bathing and cooking, cleaning the house, yard, pots and clothes, making food for her sons. She is then ready for her SEWA work. This might begin by her attending to woman who comes to her home for advice, and to buy the natural medicines and unscheduled medicinal products she keeps- bought at low prices from a SEWA pharmacy. Or a woman might want her to assist with a health insurance claim from the SEWA Integrated Insurance Scheme (ISS). This could include helping her to make the claim or even cashing the payment cheque for her at the SEWA bank.

.../...

Box 1. Meeting the needs of informal women workers: Aishaben, a primary health care worker in India (continued)

Most days, Aishaben goes on her rounds in the community. Each day she covers part of her constituency, which includes Muslim and Hindu women in their respective neighbourhoods (separated since the community violence in 2002). Women approach her as she passes by. She provides health advice and medicines, and helps members with their health insurance. (She also) acts as an organizer, a recruiter, an insurance scheme agent as well as being a trusted community support person to whom women bring their problems. She acts as eyes and ears for SEWA, and in turn provides information on the union to the members. (She also) organizes regular health education sessions in the different neighbourhoods. Women and their children gather around her to learn about a range of health care issues such as good nutrition, how the reproductive system works, and sexual health

On other days she facilitates and coordinates health care “camps” in the community. Teams of health care professionals visit the community to deal with a specific health issue such as eye problems, tuberculosis. Women and men can be examined, diagnosed and treated, or be referred for treatment at a government hospital or clinic. Aishaben often accompanies members to the government hospital. In her community where women are poor, cannot afford to travel or spend time away from their work or, in some cases, are not permitted to leave the house or immediate surroundings, this allows access to public health care which otherwise might never reach them.

Aishaben is an executive member of the SEWA health cooperative. So she has to attend many meetings and make reports. She also has paper work to do and keeps meticulous records of medicines sold, health insurance claims dealt with.

Aishaben is one of SEWA’s worker leaders – the key to building SEWA from the bottom up. Deeply embedded in the community, she is involved in an integrated organising programme, providing a basic service, organizing the union, and building a movement of women at the place of immediate need.

Source : Bonner, 2005

Another health-related activity concerns water. In India water collection is carried out by women and is becoming increasingly difficult and time consuming in the face of environmental change. By making water more accessible to women, SEWA’s approach directly reduces anxiety and fatigue and strain on the body (Raval, 2000) that could potentially increase the risk of injury or illness at work. Direct intervention in this area has included assisting women to harvest rainwater by constructing village ponds, check dams and even individual underground tanks for storage (*ibid*).

Insurance

SEWA’s integrated insurance scheme, or VIMO SEWA, has three components – life insurance, asset insurance and health insurance. It has over 102 000 members and was a response by SEWA to the concerns of members that the majority of what they earn is spent on health costs, and ill health was a major cause of loan default in their savings scheme. The health insurance helps cover the cost of seeking necessary medical attention. In so doing, it helps to avoid further loss of income in addition to that already caused by the illness or injury, such as loss of earnings. The reduction in cost of treatment is an

important incentive for workers to seek medical attention when needed rather than risk continuing to work and further compounding health problems.

SEWA developed its own maternity benefit scheme in 1992 as part of the VIMO SEWA (Dayal, 2001). SEWA members' need to earn means that they work right until their labour pains start, and return to work soon after delivery. This endangers their own and their children's health and lives. The maternity benefits include a grant at the time of child birth, and some antenatal and nutritional care.

One major concern of SEWA is that some of the poorest members cannot afford even the low premiums charged, which have to be set at a rate that ensures viability over time (Chatterjee and Ranson, 2003). There is also concern that while the health insurance provides access to hospitalization, in some cases the standard of care provided is 'frankly dangerous' (*ibid*). SEWA is very aware of these limitations and through a process of constant innovation and experimentation are attempting to tackle them.

Overall, then, it is clear that low cost, quality and trusted health care provided at the level of community helps to ensure that health services are affordable and accessible to working women, especially given the reduced lost working time in seeking medical attention. As such, women are more likely to seek health services for all health problems earlier and more regularly. Not only will this likely include care for occupational injuries and illnesses but it also helps to mitigate the increased risk of occupational injury and illness presented by other health problems that cause fatigue and weakness and also those that reduce immunity.

Aishaben, who we met in the Box, speaks of her own empowerment. She says that being a health worker has changed her life – it has given her a home, a purpose and an identity; she has acquired skills, and a degree of security. She has status in her community and in her union (Bonner, 2005).

Good practice and linkages between organizations of street vendors - StreetNet International

Millions of poor people in cities, small towns and villages across the world have public streets as their main place of work. Whether providing services such as cleaning shoes or cutting hair, or trading in commodities such as cosmetics, clothes or religious artifacts, these men and women may be found on street edges, in public parks, at intersections.

Many are self-employed, running their own enterprises. Many are wage workers, employed by other informal operators, or by those in the formal sector. Many again are unpaid family workers. The goods traded, and services offered, are predominantly legal. Their legal status as workers is however tenuous, and their conditions of work are hazardous. They are exposed to the elements daily, and trade near fast-moving traffic with the smoke and dirt and noise that comes with city areas. The only way they can improve their working conditions is through organizing.

Across the world hundreds of thousands have formed their own organizations, whether as loose informal networks, or as formal unions and co-operatives. In West Africa, the *Federation Nationale Travailleurs du Bois et Construction du Cameroun*; in Latin America, the *Federacion Departmental de Vendedores Ambilantes de Lima*, in Peru; in Asia, the StreetNet Association of Sri Lanka National Alliance – these are examples of the city-level and national organizations of informal workers.

An international alliance of street vendors was formed in 2002. StreetNet International has its headquarters in Durban, South Africa, and by the end of 2007 it had registered 28 affiliates in 25 countries (StreetNet, 2008). Remarkably, given the scarce resources of many of its affiliates, and the language barriers that separate people, it has managed to form linkages through astute organizational strategies. Some of these are:

- Develop a collective bargaining and negotiating strategy for members of the informal economy.
- Develop defensive and proactive litigation strategies.
- Promote legal reforms that protect the rights of street vendors. Through its Newsletter (published in three languages) it shares examples of good practice between affiliates. In a recent Newsletter, for example (StreetNet, 2008) it has two such cases: - India's Street Vendors Protection and Promotion of Livelihoods Bill, and a new law in Peru what will give about 100 000 informal workers - especially market stevedores - rights to occupational health and safety at work.
- Develop a system of social protection for all workers in the informal economy, including street vendors (such as India's Unorganised Workers Social Security Bill of 2007).

StreetNet International is currently involved in a major international campaign, World Class Cities for All (WCCA). It challenges elitist first world approaches to building 'world class' cities. In practice these approaches mean protecting particular urban spaces, around international events, in such a way that thousands of poor working people not only do not share in the benefits of these events, they also frequently have their means of livelihoods removed – they lose their trading spaces, or their assets are confiscated. The WCCA programme will use the FIFA World Cup in 2010, to be held in South Africa, as the focus of building a more inclusive and pro-poor notion of cities for all.

The campaign aims to uphold policies and guidelines which are directly related to being pro-poor, and to empowerment. These include that there must be prominent and visible women leadership, no party political affiliation, the interests of the poorest must be prioritized, and there must be recognition of the rights of informal workers.

Included in their campaign demands are the training of enforcement agents, such as local authority police, a moratorium on all evictions from trading places, and community participation in the fight against crime. These issues all directly affect the economic security of the poorest workers. The campaign organizers will award 'Red Cards' to public figures involved in planning of the event if their actions are anti-poor or exclusionary. This campaign promises to be a potent way of bringing to international attention the way these events are distinctly not 'pro-poor' despite all the talk of their bringing foreign direct investment and opening up economic opportunities in general.

StreetNet itself does not get involved in promoting or providing access to social protection. It does however build bridges between organizations, and through exchanges and meetings, vendors are exposed to the different practices in different countries. India's National Alliance of Street Vendors of India, for example, has much to teach others about the legislation on social protection for the unorganized sector. At a meeting of WIEGO affiliates in Durban in 2006, there was much interest from the StreetNet International

Council members in the new health insurance scheme in Ghana, now available to street vendors.

Research with and by organizations of informal workers: WIEGO Social Protection and organizations of homeworkers in Asia

There are millions of homeworkers worldwide, some self-employed, but mostly working as industrial outworkers, on contracts to people and firms whom they can scarcely identify. The place of work of such people means they are particularly vulnerable, as they are so invisible, and dependent on brokers over whom they have little power. Many work either with no contracts at all, or with contracts which deny them of the usual rights associated with paid work.

Though this is a worldwide phenomenon, such workers are concentrated in Asia. They have started organizing in that region, into country level organizations, such as HomeNet Thailand, and in emerging regional alliances, such as HomeNet South East Asia. A number have focused their work around social protection needs.

WIEGO is an international research and advocacy organisation whose purpose is to promote the conditions of work of poorer women working in the informal economy. It has five substantive programmes, one of which is Social Protection (the others being Statistics, Global Markets, Urban Policies, and Organisation and Representation). In 2003 and 2004, the Social Protection programme engaged in a research and advocacy exercise with affiliates in the region (in India, Thailand, Bangladesh, Philippines, Indonesia and Nepal), and also used the initiative to build networks with countries we had not had contact with (Vietnam) or had had limited contact (China).

Earlier intervention had demonstrated that bridges could be built between organizations, by close analysis of case studies of different types of social protection needs and interventions. In particular, we wanted to build on the work already done by HomeNet Thailand and the Philippines, using value chain analysis of the garment industry to identify how and where possibilities existed for multi-stakeholder contributions to social provision (see the case study in Lund and Nicholson, 2003; also Raworth, 2004). The occasion was used to assist HomeNet Thailand extend its analysis of value chains, and share the effectiveness of this sort of mapping analysis with other organizations. We also wanted to share SEWA's experience in building child care into their comprehensive work; and to learn from China's experience of the situation of internal migrant women workers, in the transition from a centrally planned to a market economy.

Country teams were convened to attend the Asia Social Protection Dialogue, a multiple stakeholder event. Where possible the teams were led by a worker organisation, and comprised (as the ideal) about seven members, among them informal worker leaders, government officials (from national or local government), formal trade unions, concerned academics and activists. We met in Bangkok over three days, in the Asia Social Protection Dialogue, going over the case studies in depth, and identifying priorities for research and action. Participants decided they would be greatly assisted if we could produce a series of pamphlets, drawing from the workshop materials, aimed at worker organizations with an emphasis on organizing around social protection.

These materials, called Tools for Advocacy (Lund and Nicholson, 2006), have the following themes:

- Informal employment and social protection: an introduction
- Value chains and social protection
- Health insurance
- Occupational health and safety
- Child care
- Organizations, networks and alliances

The sixth pamphlet, in particular, presents examples of how informal worker organizations have represented the interest of informal workers on national commissions to do with environmental protection, worker rights, national health insurance schemes, and child care.

The materials have been translated into a number of regional languages, arranged by the worker organisations themselves. The impact of this dialogue and dissemination has not been evaluated, but in both content and process it represents an example of using research for activism through increasing the workers' understanding of their position in global value chains, and who their employers are; of drawing from the experience of organizations in building small schemes of social protection; and of encouraging linkages between organizations.

Conclusion

This paper, drawing on the experience of WIEGO and its affiliates, has attempted to lay out a conceptual approach to social protection that sees informal work as permanent, informal economic activities as part of mainstream economic life, and investment in social protection as a proactive part of ensuring human development, as a way of tackling poverty. Informal workers have prioritized health services, child care, and a secure old age as their most pressing needs, though they also say that better incomes would enable them to provide better for themselves.

A range of member-based organizations of alliances of informal workers, such as SEWA, StreetNet, the Homenets, and others, have found that organizing around social protection can be a way of building empowerment among workers. Yet this is not easy to do, as repeated failures of small scale, marginalized schemes leads to demoralization and despair. The long term improvement of working conditions and of improving incomes depends on stronger organizations that can express the interests of the working poor.

There are good practice examples from within organizations of poorer workers that point the way to incremental gains being made to the benefits of workers, their children, and the economy as a whole. The empowerment dimension is centrally linked to strengthening organizations of informal workers.

The informal economy is here to stay, and social protection needs to be seen as a long term investment in the productive capacities of the present and future generation of workers. It worked for the north, so should work for the south as well. Decent work should be a fundamental consideration of economic, trade, financial and social policies. Social protection provision should be seen as an inalienable right connected to work.

Schemes need to look at context-specific ways of combining contributions from different stakeholders, and combining statutory with voluntary provision. Responsibility

for social provision for informal workers needs to be shared, and at present the stakeholder with the least responsibility is the employer/ owner of capital.

SEWA struggled for years to get the private insurance industry to accept that informal women workers are an insurable risk. Ela Bhatt of SEWA writes:

When someone asks me what the most difficult part of SEWA's journey has been, I can answer without hesitation: removing conceptual blocks. Some of our biggest battles have been over contesting preset ideas and attitudes of officials, bureaucrats, experts and academics (Bhatt, 2006: 17).

It would be appropriate to end the paper by trying to draw out from this clear statement of a problem, implications for some potential roles of donors.

First, donors could critically review their own policies and structures to ensure that the informal economy is not dealt with as a residual category. In WIEGO's experience, some donors place it under 'small businesses' (in which case the reality of the very small size of poorer workers' informal enterprises is missed, and support policies misplaced), or under 'community development', in which case the serious economic nature and contribution of informal work is under-estimated. We have also had the experience that informal women workers are seen by donors as 'a gender issue' rather than as an employment issue, and are marginalized into 'women's departments'.

Second, if it is the case, as this paper has argued, that private employers' responsibility for eroding social protection is a significant issue, then donors could have a constructive role in supporting and bringing together employers' organizations, together with informal employment experts, to raise the awareness of employers of the productivity-lowering effects of poor employment practices.

Third, donors may have a special role to play in exploring the potential of mainstreaming social protection for informal workers into existing formal institutions, while continuing to support innovative ways of building independent institutions where appropriate.

Fourth, donors have a role in promoting the multiple stakeholder approach to social protection, fostering dialogues between organizations of formal and informal workers, governments, and the corporate sector.

Finally, and on a note of practical intervention, an analysis of trade and fiscal policies can anticipate and identify where vulnerability will be heightened and increased. The DAC has developed its own *ex ante* Poverty Impact Assessments. WIEGO's experience with influencing policies about the informal economy, and its work with organisations of informal workers, would suggest the Poverty Impact Assessment could be refined to more specifically include and analyse the situation of different categories of workers in informal employment. DAC might call this an Informal Employment Impact Assessment, and promote it as part of its range of tools for poverty analysis.

Notes

- 1 For the longer case study, focusing on occupational health and safety issues, see Lund and Marriott, 2005
- 2 One US dollar is worth approximately 45 rupees.

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Can Low-Income Countries Afford Basic Social Security?*

Krzysztof Hagemeyer, ILO, based on ILO (2008b) and
C. Behrendt, K. Hagemeyer

- Provision of basic social security is an investment in country's development giving in return not only reduced poverty but also increased demand and expanded domestic markets, healthier, better educated, empowered and more productive workforce as well as peace, stability and social cohesion, less conflicts and politically more stable societies.
- To achieve sustainable development countries thus have to start building their social security systems starting with introducing a basic social protection package consisting of mechanism providing affordable access to basic health care, minimum income support to elderly, disabled and children and employment guarantees and social assistance to unemployed and working poor.
- The cost of such benefit package is within a reach of even poorest countries while making it affordable requires political will followed by rationalization of current spending programmes, reallocations of domestic resources and donor aid as well as policies and measures creating the new fiscal space.

Introduction

Proposals to accelerate the establishment of social security systems in low-income countries have gathered strength in the early years of the millennium. These proposals are being subjected to searching questions. One major question concerns "affordability" - with which this chapter seeks to deal.

Social security has recurrently been perceived as a luxury that only rich countries can afford. This view has recently been challenged from different angles. From an economic perspective, it is increasingly recognized that pro-growth and pro-poor policies are inseparable and mutually reinforcing also in developing countries (*e.g.* OECD, 2006; ILO, 2006). The lack of social security mechanisms in many developing countries exacerbates the vulnerability of the population against economic shocks and the vicissitudes of the life course, such as sickness, old age, disability or maternity. This is again strongly reconfirmed during the times of economic crisis like the one started in 2008. If no protection mechanisms exist, these contingencies create poverty traps from which poor households are unlikely to escape quickly. Lack of basic income security prevents men and women from engaging in productive economic activity (always associated with risk) and forces them to focus just on survival. The alleged trade-off

* The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

between social security and productivity or growth is not supported by systematic empirical evidence. Today's developed countries have pursued their economic growth in parallel with the expansion of social security. Social security has helped to bolster and sustain economic and social change, and has had enormous positive effects on poverty reduction and living standards as well as on the quality of human capital and social cohesion. Rapidly growing countries, such as the Republic of Korea in the aftermath of the Asian crisis and more recently China, have acknowledged that sustainable growth and economic development require a solid underpinning by social security and have taken bold measures to improve their social security systems (Kwon, 2004; Shin, 2000; Lin and Kangas, 2006). There is more and more evidence coming from emerging social security schemes in low-income countries on positive economic impacts of such measures on the level of economic activity and on productivity.

The question of affordability has to be considered in the context of the fiscal and broader economic environment on the national level (Cichon, *et al.*, 2004). In addition, it is important to consider national institutional capacities and governance aspects. However, one has to consider also the international context: with respect to the need to ensure that global competition does not drive countries and their populations below agreed minimum labour and social standards, and to obtain international support in financing provision of minimum basic social security in low income countries during the transitory period until these countries have the necessary domestic fiscal capacity to do so themselves.

Evidence from costing studies

The ILO has undertaken two costing studies in Africa and Asia that provide a first estimation of the costs of a basic social protection package in low-income countries now and over the coming decades. Twelve countries have been covered by this costing model so far:

- seven countries in Africa: Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal and Tanzania (Pal *et al.*, 2005); and
- five countries in Asia: Bangladesh, India, Nepal, Pakistan and Viet Nam (Mizunoya *et al.*, 2006).

In the following sections, the rationale and results of the ILO's cost estimations are summarized for the following elements of a basic social protection package separately in different variants:

1. universal basic old age and disability pensions;
2. basic child benefits;
3. universal access to essential health care;
4. social assistance/100 day employment scheme.

It should be noted that while the model used for the present costing studies are based on Mizunoya *et al.* (2006) and Pal *et al.* (2005), for the present study a new benefit from a social assistance/employment scheme has been included. Furthermore, some of the data and assumptions have also been updated such as population projections, medical staff wage to GDP *per capita* ratio, limiting child benefits to only two children per woman, etc. The assumptions take into account suggestions emanating from discussions on the basic social protection benefits package.

Basic old age and disability pensions

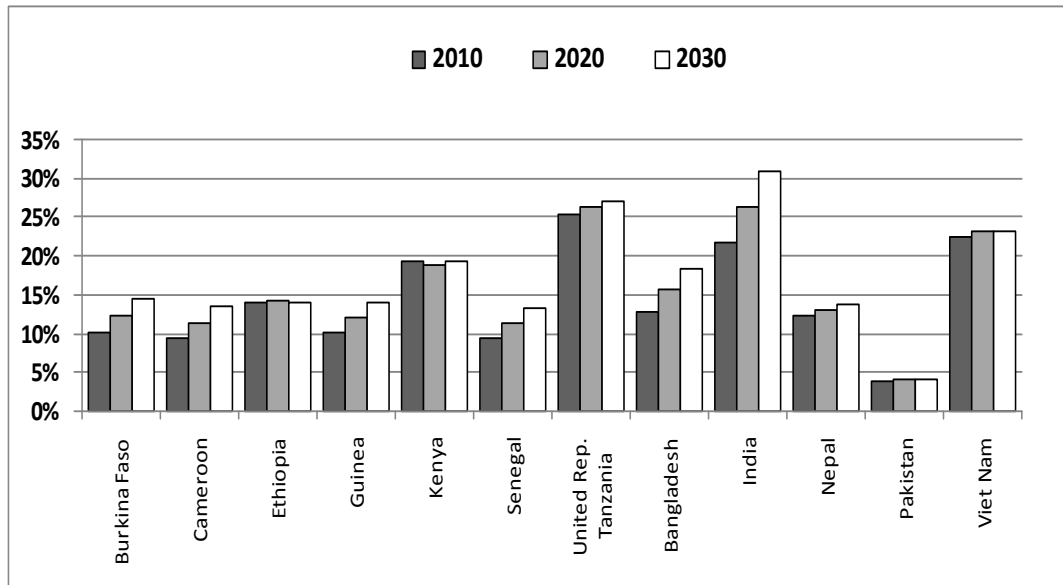
A number of middle and low-income countries have introduced non-contributory old age pensions for their elderly population. Countries with social pension schemes include Brazil, Botswana, India, Mauritius, Lesotho, Namibia, Nepal and South Africa. Some of the schemes cover only targeted groups of the population, others, for example, Mauritius or Namibia, have developed schemes widely applied to all elderly residents in their populations. Evidence from those countries shows that such social pensions have a remarkable impact on the living standards of elderly persons and their families, namely on children (*cf.* Barrientos and Lloyd-Sherlock, 2003; Barrientos, 2004; Charlton and McKinnon, 2001; Save the Children United Kingdom *et al.*, 2005). This experience also shows that social pensions are feasible and accessible for low-income countries.

The basic pension was assumed at the level of 30% of GDP *per capita* in order to align the benefit level with national circumstances. This was ascertained by data which was available for Tanzania (National Bureau of Statistics Tanzania 2002) which formed part of the study. In effect, in the case of Tanzania the 2000/01 Household Budget Survey was based on two poverty line thresholds (per adult equivalent for 28 days) for mainland Tanzania: the Food poverty line of Tanzanian Shilling 5295 (equivalent to approximately 0.43 USD per day Purchasing Power Parity (PPP) and the Basic needs poverty line of Tanzanian Shilling 7253 (equivalent to approximately 0.59 USD per day PPP).¹ In terms of GDP *per capita* these represented respectively 27.6% and 37.8%.

It was assumed that the simulated universal old age and disability pension would be set at 30% of GDP *per capita*, with a maximum of one US dollar (PPP) per day (increased with inflation) and would be paid to all men and women aged 65 or older; and to persons with serious disabilities in working age (the eligibility ratio was assumed to be 1% of the working-age population, which reflects a very conservative estimate of the rate of disability). The level of the benefit is equivalent in 2010 to USD 1.13 (PPP) per day in Burkina Faso, USD 0.73 (PPP) in Ethiopia, USD 1.01 (PPP) in Kenya, USD 0.73 (PPP) in Tanzania, USD 1.36 (PPP) in Bangladesh and USD 1.52 Pakistan (PPP).

Based on these assumptions, the annual cost of providing universal basic old age and disability pensions is estimated in 2010 at between 0.6 and 1.5% of yearly GDP in the countries considered (Figure 1). Projected costs for 2010 remain at or below 1.0% of GDP in six of the twelve countries, while Burkina Faso, Ethiopia, Kenya, Nepal, Senegal and Tanzania find themselves between 1.1 and 1.5% of GDP.

Figure 1: Costs for basic universal old age and disability pensions
as a percentage of GDP for selected countries in Africa and Asia (selected years)



Source : ILO (2008b). These figures include assumed administration costs of 15% of benefit expenditure

Basic child benefits

Old age and disability pensions can certainly have a major impact on the livelihoods of households with an elderly person, but more widely spread benefits would be needed to have a substantial impact on the reduction of poverty for the entire population. Benefits for families with children can have such an impact, as shown by some cash child benefit programmes in a development context (Save the Children UK, *et al.*, 2005). Most of these programmes are found in Latin America and have been set up as conditional cash transfers (see *e.g.* Rawlings, 2005; de la Brière and Rawlings, 2006). Many of these programmes have had a marked impact on poverty reduction as well as on school attendance. Although evidence of their effects on the reduction of the worst forms of child labour are not conclusive, evaluations suggest a positive effect in some countries, particularly when cash benefits are combined with after-school activities (Tabatabai, 2006).

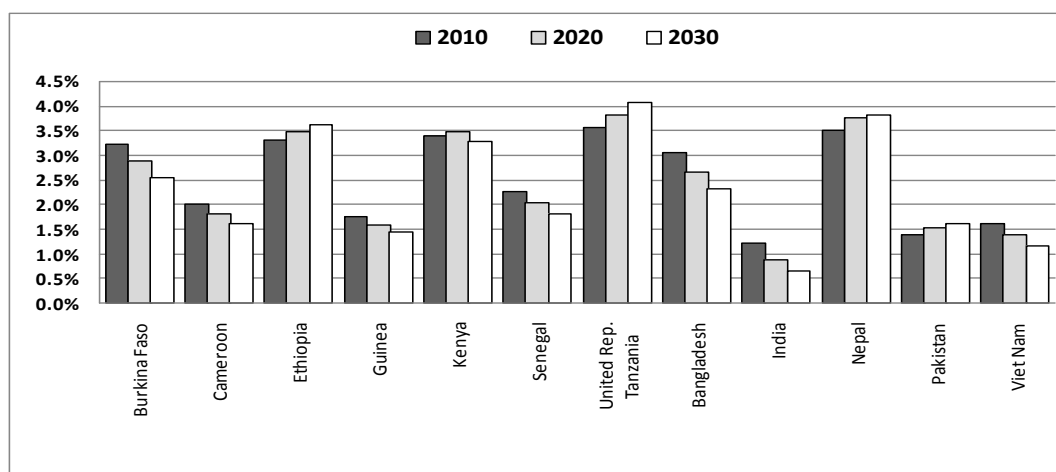
However, there are some concerns about the transferability of conditional cash transfer programmes into countries with an insufficient infrastructure in the education and health sector (Kakwani *et al.*, 2005).

The level of the child benefit is assumed very modestly to be equal to half of the universal pension amount that is 15% of GDP *per capita* with a maximum of half of one US dollar (PPP) per day (increased with inflation) and paid to up to two children under the age of 14 per woman who has given birth. The rationale behind this assumption is to tackle claims that universal child benefits would provide an incentive to increase fertility. The Demographic Health Survey for some of the countries of the study provided the proportion of children within the covered age group who would qualify for the benefit. For example for Cameroon 46.4% and for Bangladesh 57.6% of children in the age

group 0 - 14 would qualify for the child benefit. The number of children qualifying for the benefit was projected in line with growth in number of women in fertile age.

The projected costs for a basic universal child benefit vary greatly between countries, yet there is a common trend in most countries towards lower costs in the longer run. For the year 2010, the cost estimations remain below 3.6% of GDP in all the countries of the study with expenditure in Tanzania reaching 3.6% of GDP and as low as 1.2% of GDP in India (Figure 2).

Figure 2: Costs for basic universal child benefits
as a percentage of GDP for selected countries in Africa and Asia (selected years)



Source : ILO (2008b). These figures include assumed administration costs of 15% of benefit expenditure

Essential health care

A basic social protection package would not be complete without universal access to essential health care. It is well known that ill health is a major poverty risk and that high health expenditure can be financially catastrophic for individuals and their families and drive them into severe poverty from which many cannot recover for many years. This is of acute relevance in countries with high prevalence of HIV/AIDS, but it should not be forgotten that the effects of less prominent diseases, such as malaria, are much more dramatic on morbidity and mortality in many countries.

Providing access to health care, including equitable health insurance mechanisms, therefore are an important contribution to eradicating poverty and vulnerability (ILO, 2008a; Lamiraud *et al.*, 2005; Scheil-Adlung *et al.*, 2006). Such mechanisms address poverty and vulnerability on several levels. By facilitating access to medical care they improve health and restore earning capacities more quickly, and thus ensure that health problems of a family member do not entail unbearable costs for the family as a whole. In addition, impacts on school attendance, employment and human capital can be expected, which will contribute to sustainable economic growth and social development.

The cost projections used in this paper reflect the calculations on a country specific cost base. This calculation takes into account the following individual parameters: medical staff ratio to population; wages of medical staff and overhead non-staff costs. It is assumed that 300 medical staff are available per 100 000 population. This corresponds

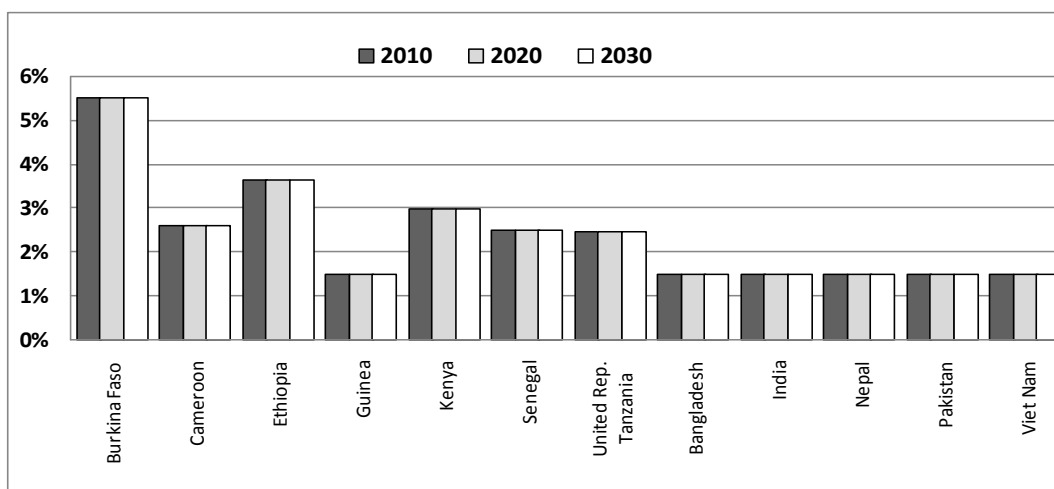
to approximately the estimates of health personnel in Namibia in 1997² (which represents approximately 40% of the level in the United Kingdom). The level of Namibia was chosen as since 1990, the Namibian government has set-out a policy framework *Towards Achieving Health for All Namibians* and the government committed itself to providing access to health services to all Namibians by the year 2000.³ Thailand has a similar staff to population ratio and achieves even better health outcomes as measured for example in under 5 mortality. Thus the staffing benchmarks achieved by Namibia and Thailand should be indicative of regional possibilities and minimum requirements for universal basic health care provision. Where no separate data on wages in the health sector was available, it was assumed that health staff average wage equal teachers' average wage. The health staff wages were assumed at a minimum of three times GDP *per capita* indexed in line with *per capita* GDP growth. Other non-staff health costs are assumed to be 67% of wage cost.⁴

While the Commission on Macroeconomics and Health (Commission on Macroeconomics and Health 2001) has provided estimates of the *per capita* costs of scaling up selected priority health interventions in low-income countries to reach universal coverage for the population in need, these levels at USD 34 per year on average in low-income countries by 2007, and USD 38 in 2015 are very high compared to current levels of spending. Current health spending in many low-income countries remains well below this level at present. According to World Health Organisation (WHO) statistics⁵, *per capita* government expenditure on health at average exchange rate (USD) in 2004 oscillated between USD 3 in Ethiopia, Guinea and Pakistan to USD 16 in Senegal. The ILO model calculations for 2010 estimate *per capita* health care costs to oscillate between USD 4.43 *per capita* in Nepal and USD 24.23 in Cameroon.

Extending access to health care to larger parts of the population is more than just a cost issue. One of the major difficulties in many countries is that qualified medical staff is not available to a sufficient degree so as to provide the necessary health care services.

Based on the cost assumptions made, the costs of a minimum package of essential health care would require in 2010 between 1.5 and 5.5% of GDP (see Figure 3). For countries in Asia as available data showed low levels of medical staff wages, the minimum of three times GDP *per capita* was applied and thus the relative cost level remains constant over time.

Figure 3: Costs for essential health care
as a percentage of GDP for selected countries in Africa and Asia (selected years)



Source : ILO (2008b)

Social assistance/employment scheme

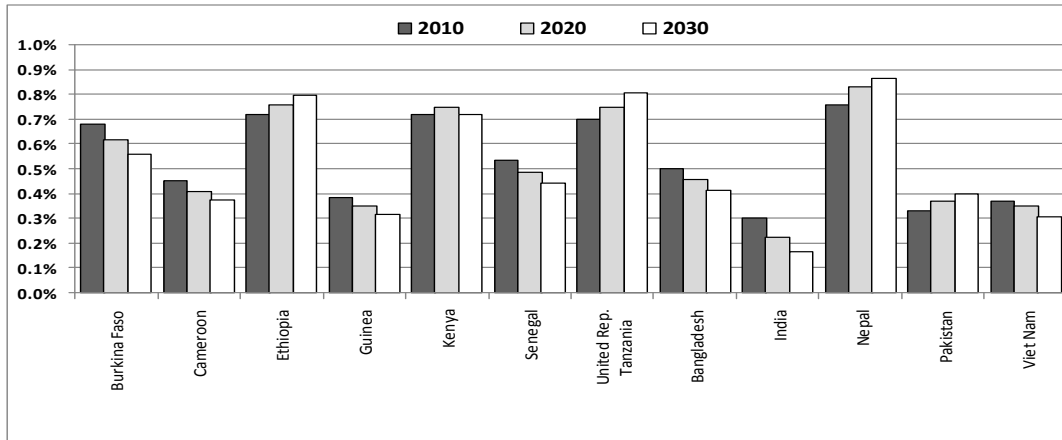
Providing income security to the vulnerable category of the working age persons who are either unable to find employment or are underemployed should also form part of a comprehensive social security floor. The recent programme launched in India with the Indian Guarantee of Employment Act which provides guaranteed 100 days of unskilled work per rural household to only adults or an unemployment allowance if no work can be offered, while not a permanent solution for beneficiaries should provide temporary income support to assist households. Providing income support through public works programmes according to an ILO report (Devereux, 2002) "...are attractive to policy-makers concerned with poverty reduction because, unlike most anti-poverty interventions, the beneficiaries select themselves..." as the non-poor would not participate in the programme due to the nature of the work involved and the low wages.

The costing model incorporates income support for an assumed beneficiary group of 10 % of the working age population in each country which would benefit from the scheme and it would be only available to those in households not benefiting from any other form of cash transfer (*i.e.* child benefit, pensions).

It was assumed that the simulated employment scheme would provide a benefit set at 30% of GDP *per capita*, with a maximum of one US dollar (PPP) per day (increased with inflation). The benefit would be paid for a total of 100 days in the year.

Based on these assumptions, the annual cost of providing this benefit is estimated at between 0.3 and 0.8% of yearly GDP in the countries considered in 2010 (see Figure 4). Projected costs for 2010 (including administrative costs associated with providing the benefit) remain well at or below 0.5% of GDP in seven of the twelve countries, while Burkina Faso, Ethiopia, Kenya, Nepal and Tanzania find themselves between 0.7 and 0.8% of GDP.

Figure 4: Costs for employment scheme benefits
as a percentage of GDP for selected countries in Africa and Asia (selected years)

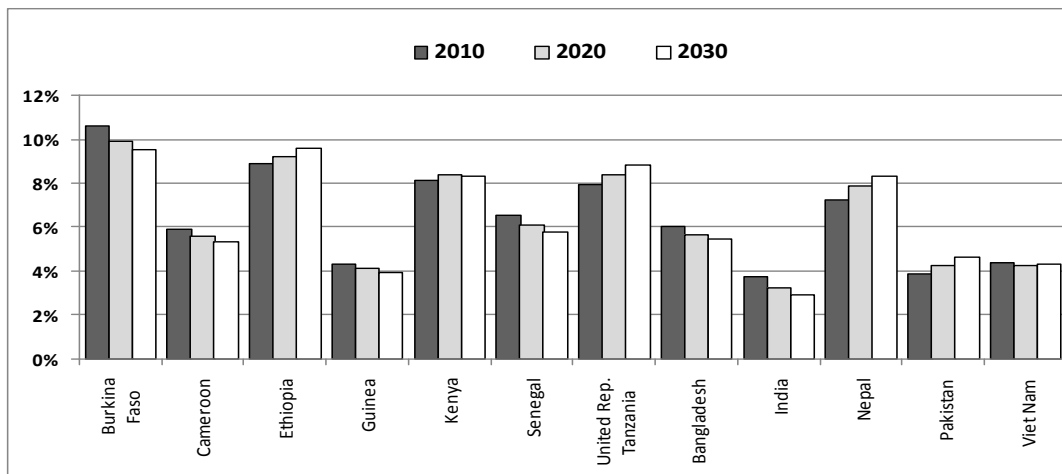


Source : ILO (2008b). These figures include assumed administration costs of 15% of benefit expenditure

Overall basic social security package

Taken together, universal cash benefits and access to health care would provide a basic social security package that would meet the most basic needs of the population (Figure 5).

Figure 5: Costs for basic social security package
as a percentage of GDP for selected countries in Africa and Asia (selected years)

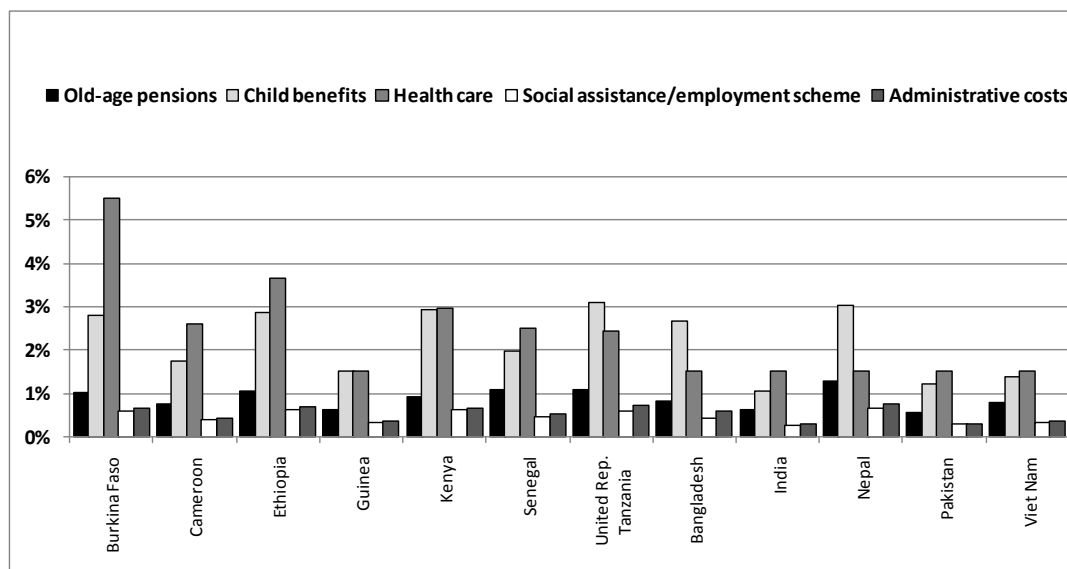


Source : ILO (2008b)

The cost of essential health care constitutes in most countries in the study the largest cost component in the total package (see Figure 6). In 2010, especially in the case of Burkina Faso, which stands out with by far the highest costs for basic social protection, health care is the main cost driver according to the underlying assumptions. In all of the twelve countries considered, the initial annual cost of a basic social protection package is projected to be in the range of 3.7 to 10.6% of GDP by 2010. Six countries – Burkina

Faso, Ethiopia, Kenya, Nepal, Senegal and Tanzania – would spend more than 6% of GDP.

Figure 6: Costs for components of a basic social security package
as a percentage of GDP for selected countries in Africa and Asia



Source : ILO (2008b)

The projections show that fully introducing a complete package of basic social security benefits requires a level of resources that is higher than current spending in the majority of low-income countries (that rarely spend more than 3% of GDP on health care and rarely more than 1% of GDP on non-health social security measures). Therefore, a considerable joint domestic and international effort is needed to invest in basic social protection to bring about significant social development and a sharp reduction of poverty. Possible sources of financing of such an effort are discussed in the next section.

Possible financing

The costing simulations provide two contrasting alternative options. The first assumes that governments would not increase the proportion of resources allocated to social protection, keeping unchanged the level of spending on social protection in 2003. With respect to policy development this is a status quo variant, *i.e.* there is no assumed change in government policies with respect to social security financing. Available resources are assumed to increase only proportionally, in line with increases in government revenues resulting from economic growth and widening of the tax base. The second option assumes a policy change: it assumes that the governments of the countries in question will increase the proportion of available resources allocated to basic social protection to reach one fifth of their total expenditure which would be still well below prevailing proportions of public budget spent on social protection in many middle and high income countries (usually between one third and one half of government expenditure).

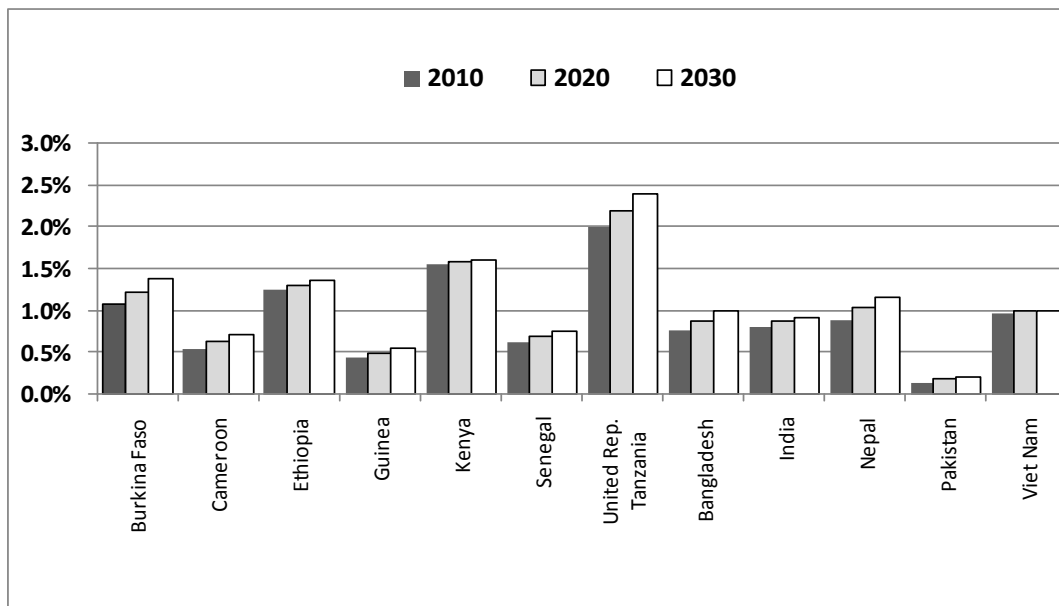
Our results are presented for each of these two alternative spending options, as applied in the model calculations developed by Pal *et al.* (2005), Mizunoya *et al.* (2006) and own calculations.

Status quo: Constant share of public expenditure devoted to basic social protection

Under the first spending policy option, it is assumed that governments would not increase the relative size of their allocations to basic social protection. They would keep the current share of total government expenditure unchanged. The estimated current shares are rather low but differ substantially among countries: for example, 0.8% in Pakistan and 8.4% in Tanzania.

Under such spending policy, governments would be able to finance from available domestic resources the modelled basic social protection package only up to the given amounts expressed as percentages of GDP in Figure 7. Due to its low current expenditure levels, Pakistan would spend only up to 0.2% of GDP on basic social protection in 2010, slightly rising over time. Countries like Cameroon, Guinea and Senegal could reach spending levels around 0.4-0.6% of GDP. A third cluster of countries is found with spending levels around 1% of GDP: Bangladesh, India, Nepal and Viet Nam joined by Burkina Faso, Ethiopia and Kenya at 1.0-1.6% of GDP. Tanzania stands out with spending levels of 2% of GDP, which reflects high current expenditure levels on basic social protection. The outcome would be as varied and as unrelated to national needs and international standards as government expenditure is today.

Figure 7: Projected domestically financed expenditure on basic social security
as a percentage of GDP (status quo: 2003 spending level held constant over time)
for selected countries in Africa and Asia (selected years)

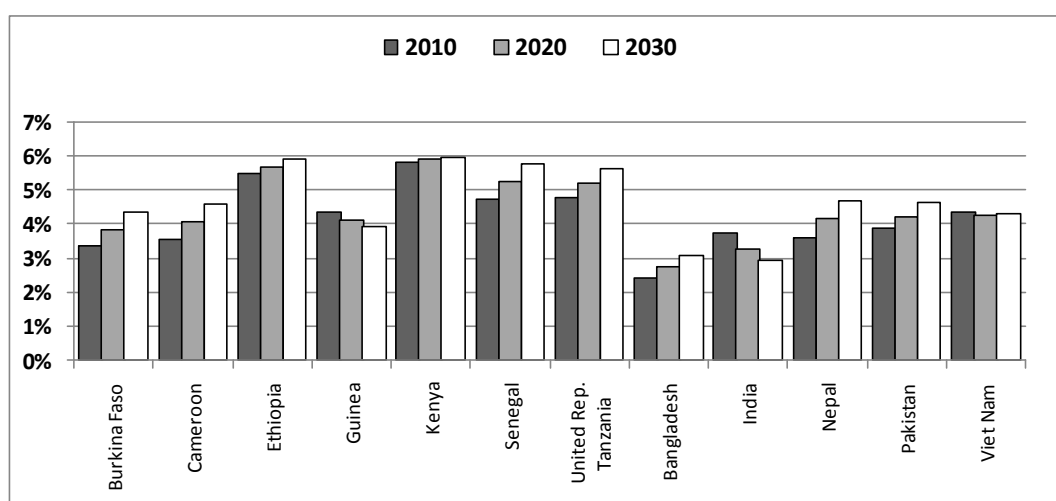


Source : ILO (2008b)

However, the total cost of the basic social security package that we have constructed (Figure 5) is much higher than the estimates of future resources that are likely to be available – shown by projecting current levels of spending in line with economic growth (Figure 7). Therefore, if countries are not in a position to break out of the low levels of social protection expenditure within their available domestic resources, they will need to draw heavily on external sources of funding to implement basic social protection.

Figure 8 shows what share of government expenditure is covered by the basic social protection package under the above spending policy assumptions. While Pakistan would cover in 2010 less than 4% of the total estimated costs, countries such as Burkina Faso, Cameroon, Guinea and Senegal would shoulder approximately 10% of the total estimated costs. Countries like Ethiopia, Kenya, Bangladesh and Nepal would cover between 10-20% while India, Tanzania and Viet Nam could shoulder more than a fifth of the estimated costs in 2010, quickly increasing in the case of India to one third by 2030. In all countries, the capacity to increase the share of domestic financing increases over time, but remains insufficient to cover the basic social protection package modelled above.

Figure 8: Share of total cost of basic social security package to be covered by domestic resources
(status quo: 2003 spending level held constant over time) for selected countries
in Africa and Asia (selected years)

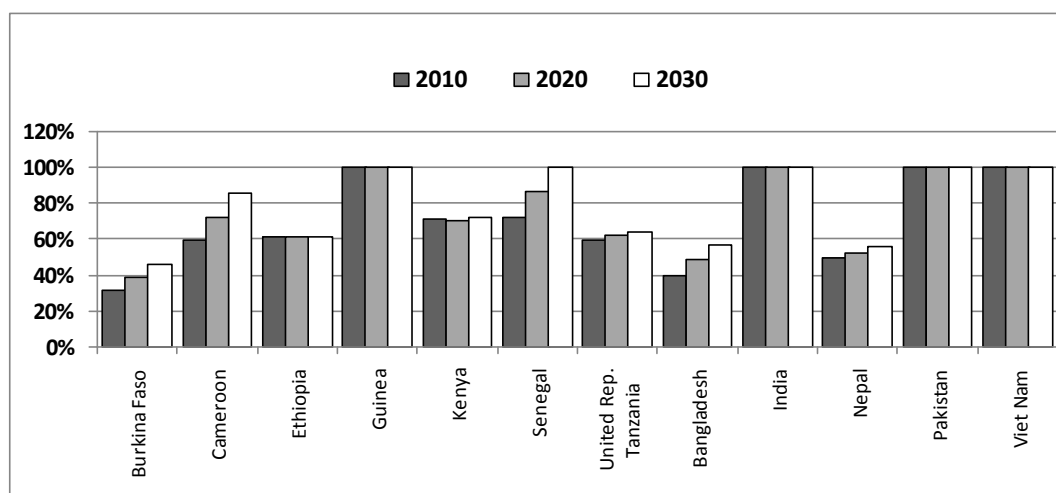


Source : ILO (2008b)

Simulating policy change: Spending levels increased to one fifth of government expenditure

Under the second spending policy option, it is assumed that governments increase their allocations to social security to one fifth of their total budget.

Figure 9: Projected domestically financed expenditure on basic social security
as a percentage of GDP (simulating policy exchange spending on basic social security reaching 20% of government expenditure) for selected countries in Africa and Asia (selected years)

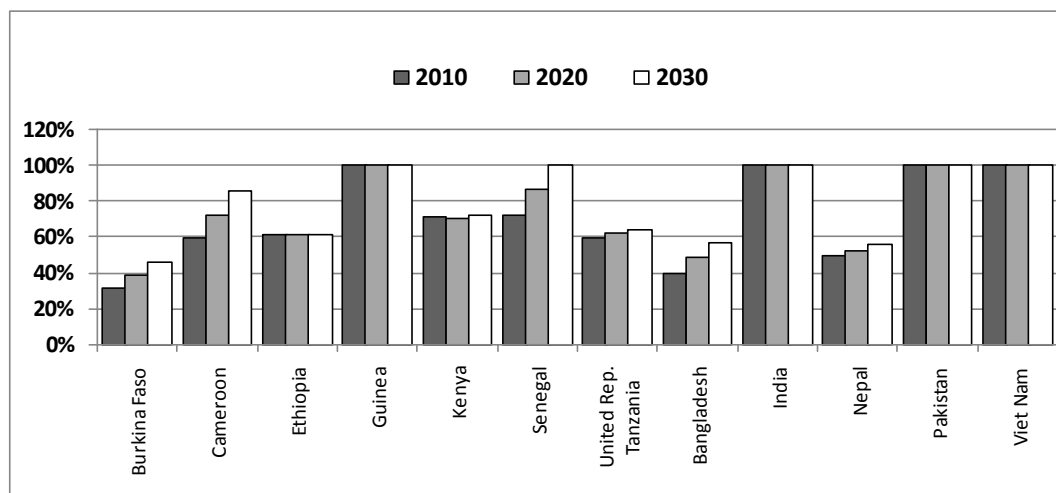


Source : ILO (2008b)

When this alternative model is applied (Figure 9), domestically financed expenditure on basic social protection reaches levels of between 2.4 to 5.8% of GDP in 2010. The lowest level is projected for Bangladesh, due to the relatively small Volume of the government budget; yet the domestically financed social protection spending would rise from 2.4 to 3.1% of GDP between 2010 and 2030. In Burkina Faso, Cameroon, India, Nepal and Pakistan the governments would be able to allocate from 3.4 to 3.9% of their GDP to basic social protection in 2010, increasing these figures to between 4.3 and 5.0% of GDP by 2030. In Guinea, Senegal, Tanzania and Viet Nam governments could allocate 4.4 to 4.8% in 2010, with spending levels projected to reach between 3.9 to 5.8% of GDP by 2030. The governments of Ethiopia and Kenya could invest 5.5 and 5.8% respectively of GDP into basic social protection in 2010, increasing to 5.9 and 6.0% of GDP by 2030. Guinea's relative level of domestic financing is assumed to decrease over time from 4.3% in 2010 to 3.9% of GDP in 2030 and India's relative level of domestic financing is assumed to decrease over time from 3.7% in 2010 to 2.9% of GDP in 2030. Guinea and India's results are related to the fact that the cost of the basic social protection package remains below the limit of 20% of total government spending starting from 2013 for India.

Figure 10 shows that if Guinea, India and Viet Nam would increase the share of social protection spending in their total budget, by 2010 they would already be able to finance over 100% of the universal basic social protection package domestically while for Senegal this would be possible by 2030. For other countries, even after such reallocation of domestic resources, there would still be a need to fill the substantial financing gap by international transfers. Countries like Bangladesh, Burkina Faso and Nepal could cover less than 50% of the total financing needs by 2010. While their capacity to finance a basic social protection package is expected to increase over the following two decades, the share of domestic funding remains below the total needed, which implies that substantial external support would be necessary for some time. Tanzania starts off from the ability to cover 59% of its financing needs domestically but is expected to increase its ability to finance basic social transfers domestically to 64% by 2030.

Figure 10: Share of total cost of basic social security package that can be covered by domestic resources
(simulating policy change: spending on basic social security to reach 20% of government expenditure)
for selected countries in Africa and Asia (selected years)



Source : ILO (2008b)

For a second cluster of countries, including Cameroon, Ethiopia, Kenya and Senegal the projections sketch a more optimistic picture. These countries would be in a position to cover 60-73% of the total costs of the package by 2010 (*i.e.* if they were to devote one fifth of domestic resources to basic social protection). By 2030, 72% (Kenya) and 100% (Senegal) of basic social protection would be covered.

However, there is an interesting further option. If countries are able to finance about 50 % of all their health care by introducing a national health insurance system (like for example Ghana did in 2003) by 2010 then except for Burkina Faso, Cameroon, Tanzania, Bangladesh and Nepal all the countries would be able to shoulder at least 80% of the cost of the basic social security floor by 2010.

Conclusion

The above projections were developed under rather conservative assumptions with regard to policy change and rigorous assumptions with respect to the fiscal policies of the countries in question. First, they were all assumed to depend only on revenue raised domestically (thus phasing out current external grants). Therefore the scale of transitional external finance required towards the basic social protection package is net of the projected deduction of such external flows. The idea is to either re-direct and/or increase current external support - to focus it on providing the very basic social protection package. This is intended to concentrate national attention upon anti-poverty priorities.

Existing potential to redirect and increase current external financing should be analysed of course in the context of a specific situation of each country⁶. Increase in domestic and foreign borrowing should be examined notably with regards to its potential impact on growth and to the capacity of servicing the debt in the future. Potential increase in foreign grants depends in particular on the will of donors but also on the current level of such grants and the recipient country governments' policies assessment what is seen as a reasonable level of grants, taking into account longer-term sustainability, dependency

and vulnerability considerations. Initiatives to reduce indebtedness of low-income countries in the context of Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) and the *Club de Paris* along with initiatives aimed at enhancing predictability of aid such as the “Paris Declaration on aid effectiveness” together may create new opportunities to increase external support to build basic social security in the poorest regions of the world.

Second, all the countries were assumed to cap their overall public expenditure at the level not higher than 20% of government spending. Such an assumption was made to show what is possible within the framework of a relatively “small state” (as measured by the size of public finances). As countries develop and widen their tax base they may wish to go beyond “small state” and rather follow relative levels of government revenues and expenditure prevailing in the OECD countries. For the time being pressures of “tax competition” developing as part of the spontaneous globalisation processes may prevent them from doing so. This however may change if global governance of the globalisation processes is strengthened and agreement on a global social floor (which would include a guarantee of universal access to basic social security) is reached.

Increasing domestic revenues allocated to basic social security is determined by both the fiscal space and the political will to increase the share of public expenditure dedicated to this policy field. Capacity to create fiscal space should be considered in the context of a comprehensive medium term government expenditure framework. Key factors for creating fiscal space in low-income countries are determined by national capacity to mobilize additional revenue through increasing the tax base, by ensuring efficient use of resources as a result of strengthening public institutions and by promoting adequate policies to sustain productivity. Decisions to increase the share of public expenditure dedicated to basic social security will depend on political will and on the level of government budget already committed. To support the decision-making process, overall feasibility, both financial and administrative, should be assessed and the projected outcomes of providing basic social security should be estimated. For the latter, evidence gained from existing programmes and from modelling exercises (see for example Gassman, F.; Behrendt, C., 2006) is very helpful.

The evidence presented shows that low-income countries not only should but also can have social security systems that provide a basic package of health services to everybody, basic cash benefits to the elderly and families with children and social assistance to a proportion of the unemployed. Even if a basic social protection package cannot be implemented at once, a sequential approach can generate immediate benefits in terms of poverty reduction, pro-poor growth and social development. A national forward-looking social protection strategy can help to sequence the implementation of various social programmes and policy instruments and ensure that these are integrated in broader development frameworks. As these countries achieve higher levels of economic development, their social security systems can also advance in parallel, extending the scope, level and quality of benefits and services provided.

A basic social protection package is demonstrably affordable, as the costing exercise in this document shows. But this is on condition that the package is implemented through the joint efforts of the low-income countries themselves (reallocating existing resources and raising new resources, *i.e.* through health insurance or other earmarked sources of financing for social security) and of the international donor community - which would in some cases have to refocus international grants on the supplementary direct financing of social protection benefits, on strengthening the administrative and delivery capacity of

national social protection institutions in low income countries and on providing the necessary technical advice and other support. All these steps have started to be taken in a number of low-income countries in Africa and elsewhere (recent developments in countries like Tanzania, Zambia, Mozambique or Nepal are just a few examples) and there are signs that the process will accelerate in the nearest future.

Notes

- 1 The food poverty line was calculated as “the cost of meeting the minimum adult calorific requirement with a food consumption pattern typical of the poorest 50% of the population” and the Basic poverty line takes into account also the costs for non-food items.
- 2 World Health Organisation Statistical Information System (WHOSIS).
- 3 Ministry of Health and Social Services, Namibia.
- 4 Estimated from figures from the Ghana Medium-term Expenditure Framework (Government of Ghana).
- 5 World Health Organisation Statistical Information System (WHOSIS).
- 6 For examples of such detailed country analysis, see ILO reports reviewing social protection expenditure and performance and national social budgets in Tanzania and Zambia (ILO, 2008c; and ILO, 2008d).

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Annex 1

Costing assumptions

A modest approach was used to calculate the costs of providing a basic social security benefit package based on more country-specific data. The main assumptions for this scenario are:

- real GDP growth is assumed as working age population growth plus 1 percentage point. For Ethiopia, Tanzania and Viet Nam it is assumed as working age population growth plus 2 percentage points while for India it is assumed as working age population growth plus 3 percentage points;
- projected levels of total government expenditure increase by 50% of their current level by the year 2034, with a maximum of 30% of GDP;
- government revenue (excluding grants) is assumed to reach the projected expenditure level by 2014 in order to reach a balanced budget;
- universal pension benefit at 30% of GDP per capita (capped at USD 1 (PPP)* a day indexed with inflation) for all 65 years of age and above and the disabled (i.e. 1% of working age population);
- basic health care costs based on ratio of 300 medical staff to 100,000 population; medical staff wages indexed in line with GDP *per capita* growth (health staff wages were assumed at a minimum of three times GDP *per capita*); overhead costs of 67% of staff costs;
- child benefit at 15% of GDP per capita (capped at USD 0.50 (PPP) a day indexed with inflation) provided to two children in the age bracket 0-14 per woman;
- income support to targeted poor and unemployed in active age group at 30% of GDP *per capita* (capped at USD 1 (PPP) a day indexed with inflation) for 10% of the working age population for 100 days per year only available to those in households not benefiting from any other form of cash transfer (i.e. child benefit, pensions);
- administration costs of delivering cash benefits equal to 15% of cash benefit expenditure.
- the model simulates two hypothetical options for the financing of the estimated cost of the future benefit package. Under Option 1, a status quo situation is maintained wherein governments would not increase the proportion of resources allocated to social protection, keeping unchanged the level of spending on social protection in 2003. Under Option 2, a policy change is simulated whereby it is assumed that one fifth of government expenditure levels are allocated to the financing of basic social protection.

* PPP USD exchange rates were taken from the IMF *World Economic Outlook* database (2004).

Affordability of Social Protection Measures in Poor Developing Countries ^{*}

Earnán O’Cleirigh, Irish Aid

- Decisions on the affordability of social protection measures should be informed by an assessment of their short and medium term impacts and the economic benefits they bring at household, local economy and national economy levels. They should be taken in inclusive country level policy-making and budgetary process, based on country-specific analysis and situated within an overall national social policy framework.
- Social protection programmes constitute an affordable investment in poverty reduction and an effective stimulus to pro-poor growth - even for the poorest countries. Costs are modest relative to overall public expenditure budgets and programmes can be built up incrementally. Evidence on impact shows that even small and local programmes produce positive benefits. The possibility of starting small and building can facilitate the affordability debate by allowing programmes to be started with relatively modest initial allocations and experience from these can provide a sound evidence base for expanding programmes and funding allocations in the future.
- Donor and government actions can strengthen the affordability of social protection. Managing and reducing fiduciary risk is critical for affordability. Effective government action to improve public financial management is essential for scaling up smaller social protection initiatives and replicating them through the mainstream public service. Donor should move away from delivering social protection through their own financing and delivery mechanisms towards funding national programmes through joint financing instruments, thus supporting the capacity of government and civil society to develop national social protection policies and deliver the programmes that implement them.

Introduction

Social protection can encompass a wide range of actions, both public and private, that reduce poorer peoples’ vulnerability to events and pervading conditions that can threaten their lives and livelihoods. It is also often considered to include the provision of basic social services such as health and education. However, for the purposes of this paper, which considers the affordability of the use of public resources on social protection, we are principally concerned with that subset of actions that is:

- publicly funded and non-contributory;
- targets segments of the population identified as being particularly at risk; and

^{*} The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

- Involves social transfers in cash or in-kind.

Decisions on the affordability of social protection measures and on the priority and funding allocations they should receive in national or local budgets can only be properly taken through the relevant public sector policy, planning and budgeting processes of individual governments. This paper therefore does not seek to establish the affordability of any social protection measure or programme; rather it sets out to provide some ideas on how expected impacts might be assessed so that decisions on affordability and funding priority can be taken on the basis of locally specific analysis and evidence.

Long-term and sustained poverty reduction that reduces the intergenerational transmission of poverty as well as shorter term livelihood protection is the principal objective of social protection programmes. These long term impacts are usually only measurable in situations where the programmes have been up and running for significant periods of time. The targets for this paper are principally countries where such programmes are recently, or not yet, established. In such countries local evidence on long-term poverty impact will not exist. Nevertheless evidence from other countries showing quantified impacts on poverty can be used to provide broad estimates of the poverty reducing impact of specific measures and to set policy targets for social protection programmes.

Surveys of non-contributory old age pension recipient and non-recipient households in Brazil and South Africa show significantly different levels of income poverty between the two groups. The poverty headcount was nearly 7% higher in the non-recipient group in both countries (65.3% vs. 61.0% in Brazil and 43.1% vs. 41.3% in South Africa). The difference in the poverty gap was even more significant – 40% larger for the non-recipient group in Brazil and 81% larger in South Africa (Barrientos, 2003). This type of data, however, is not easily used for quantifying benefits in the context of an (*ex ante*) affordability analysis for a specific country. These types of impacts will depend on how long the programmes have been in existence, the value of the transfers involved and the level at which the national poverty line is set.

However, the long term impact on household poverty can also be seen as the cumulative effect of a range of ongoing short-term benefits arising directly from the social transfers that the household receives. This paper looks at ways of assessing and estimating such shorter term impacts as a means of informing a debate on the affordability social protection measures.

For the purposes of an affordability debate, an analysis of short term impacts has a series of advantages. Firstly the evidence is more easily gathered and the impact verified over a shorter time period and from smaller programme or project experience. Short-term impacts such as increased household agricultural production or more children in school may be seen as more relevant in influencing short-term and immediate decisions on public expenditure. A discussion of short term effects could lead a better understanding of the micro-effects at household level that contribute to both economic growth and long term poverty reduction.

Assessing the affordability of social protection measures should not be seen simply as a question of costing a particular programme and determining whether exchequer financing is available. This is particularly so where fiscal resources are in such short supply as to lead quickly to the conclusion that there is never any funding available for new programmes or policies. Affordability is really therefore a question of prioritisation

between alternative uses, which can only be really answered by an analysis of relative benefits. Any social protection measures will produce a range of benefits to households and to the economy. An affordability analysis needs to go beyond the fiscal envelope question and attempt to measure the benefits in order to make a judgement on affordability.

The paper does not, therefore, seek to establish costings of different social protection packages. Work has already been done in this area, which allows reasonable estimates to be made of the costs of different components of a social protection system applied nationally. These are referred to later in the paper and used to give a range of costs for some social protection intervention.

What this paper does attempt to do is to lay out some simple approaches that might be used at country level to understand, analyse and estimate some of the different impacts of social protection measures that would allow policy discussions in this area to assess affordability, not only in terms of costs versus available finance, but also from a cost-benefit analysis perspective looking both at directly attributable impacts and at benefits to be expected from social protection measures in supporting objectives relevant to other areas of public expenditure. The intention should be to attempt to assess the value of benefits envisaged from social protection measures in order to help decide from an *ex ante* perspective whether they are affordable. A similar approach will also be useful for ongoing monitoring and ex-post analysis.

Valuing direct benefits

An important component of an affordability analysis of investments in social protection programmes is to assess and judge the returns in increased economic growth attributable to such investments against the costs of the programmes. There are a number of ways in which Social Protection programmes can be seen to have a positive impact on economic growth.

Risk averse behaviour

Reducing household vulnerability to natural or economic shocks that threaten lives and livelihoods can change the investment behaviour of the poor and result in their choosing to use technologies that are riskier in the short term but more productive and profitable in the long term. Increasing productivity in this way will lead to higher household incomes and, in the aggregate, economic growth.

Using high yielding seeds and fertiliser can raise production levels by factors of four or five compared to those achieved with traditional seeds. The more productive technology is more dependent on rainfall while the lower yielding traditional seed has greater drought resistance. Over time, using the high-yield technology will produce multiples of the returns available from the low-yield variety; however, in the short term it can fail and leave vulnerable households destitute. The refusal of poor households to use higher yielding technologies, therefore, is unlikely to be the result of ignorance or passivity, but a logical choice to put short term survival and security before potential longer term gain.

Vulnerability to price volatility, monopsonistic behaviour and other failures in food crop markets can have a similarly disincentive effect on producers and can lower the

value of their produce. Farmers may well choose not to invest in more productive technologies or to expand their farms when they expect prices fall to uneconomic levels at market time or when production is high. This negative incentive will be strongest for poor households whose cash needs will require them to sell when produce prices are lowest.

A social transfer that guarantees households a minimum livelihood is likely to lead to greater use by the poor of more productive and profitable technology, which in the aggregate will lead to economic growth. Such a livelihood guarantee would also enable poor producers to avoid selling when prices are lowest and give them greater negotiation power in the market. This would reduce rent seeking by traders and raise producer prices and income increasing the value of production and resources for further investment.

The economic benefits of reducing risk aversion could be assessed by estimating:

- the number or proportion of households likely to adopt more productive technologies;
- the consequent changes in the levels of household production and net returns;
- the change in producer prices;
- the change in price volatility.

These benefits could be expressed in a value of additional economic activity and a value of increased household income - above that directly attributable to the transfer.

Equity enhances growth

Transfers to poorer households will increase overall investment productivity leading to aggregate economic growth.

The inability of the poor to invest in production limits the proportion of smaller scale and non-capital intensive investment in the economy. Given declining marginal returns to capital and the higher productivity of smaller landholdings that are characteristics of poor developing economies, a pattern of investment favouring larger and capital intensive production units tends to be less efficient and results in lower aggregate economic growth. This is borne out by cross country analysis which shows that high initial inequality is associated with lower aggregate growth. As individual and household investment ability is dependent on wealth, particularly where credit is limited, high inequality will result in less small-scale and low-capital investment (Ravallion, 2003).

Transfers that increase the ability of poor households to invest will help increase the proportion of investment in smaller and less capital intensive production units resulting in greater allocative efficiency, increased productivity at the level of the economy and aggregate economic growth.

This effect is more difficult to estimate (as it is less amenable to microeconomic analysis). Existing cross-country analysis could be used to show a relationship between inequality and economic growth. Quantifying the expected effect of the transfers on the wealth distribution and inequality would allow an estimate of impact on overall economic growth.

Ensuring minimum nutrition enhances economic activity

Transfers that ensure a minimum level of nutrition will increase the proportion of the economically active in the population leading to aggregate economic growth.

Individuals whose minimum nutrition needs are not met, while otherwise capable of productive work, will not be able to engage in economic activity. Beyond this minimum level, and subject to diminishing returns, the amount of labour a household or an individual can apply to productive enterprise will depend on the quality and level of nutrition they can access. While hunger, weakness and frailty will stop people from working, the urgent necessity to obtain sustenance will naturally lead people to use their time and energy in searching for food for immediate consumption rather engaging in productive activities where returns are more long term. In societies, therefore, where people live below or around this nutritional threshold - the Basal Metabolic Rate (BMR) – there will be significant levels of involuntary “idleness” (Ravallion, 2003).

Social protection measures that ensure an adequate minimum level of nutrition will increase employment in terms of the number of people productively engaged and in terms of the amount of labour they can apply. In a way this is reducing what might be called the societal dependency ratio. The effects again will be aggregate economic growth and an increase in household income.

The economic benefits of ensuring a minimum nutritional threshold could be estimated by:

- establishing the number of people or households (who have labour availability and access to production opportunities) whose food consumption falls below the BMR;
- establishing the frequency and duration of their periods of under nutrition;
- estimate labour productivity rates for these periods based on those observed in similar non-food deficient households.

These benefits could be expressed in a value of additional economic activity and a value of increased household income - above that directly attributable to the transfer.

Increased investment

Transfers to the poor, particularly in rural areas, will increase the level of investment in production leading to higher household income and economic growth.

Poor households must choose at any given point the most appropriate way to use the resources available to them in order to meet their immediate needs and improve future prospects. Choices on whether to allocate resources to consumption, investment or asset accumulation will effect production and future income. The distribution of resources between these areas will be influenced by and change with the amount of resources available. Even in poor households an increase in resources is unlikely to be entirely used for consumption. If resources rise, the desire to secure future consumption needs is likely to lead to increasing proportions of household resources being allocated to asset accumulation (savings) and productive investment (Schuering, 2008) (Republic of Zambia & German Technical Cooperation, 2007)

Transfers to poor households, even those aimed at increasing consumption, will probably not be used entirely for consumption but are also likely to increase investments

in productive activity leading to higher levels of household production, income and aggregate economic growth.

This effect could be estimated by:

- using survey data to gather information on the changes in household expenditure shares on production inputs and the proportion they represent of transfer values;
- estimating, from survey data, the productivity of investments in production inputs for similar households.

Where transfers principally target incapacitated households which, because of disability, illness or high dependency ratios, are unable to engage in productive activity the positive impact on productive investment is likely to be less. However, where these households have previously been dependent on their neighbours, the transfers may well produce the positive impact among neighbours as the dependency is lessened. (Devereux and Wood, forthcoming).

Assumptions

The extent to which any of the above benefits are achieved is of course dependent on the validity of a number of assumptions, particularly about the functioning of markets and the public service, on which the expected response to a given transfer is premised. In the first place for the success of any social protection measure a basic premise must be that the state is capable of identifying and targeting the poor and efficiently delivering the relevant social transfer.

If, for example, the benefits from increased take-up of more productive technologies by farmers is to be achieved, those technologies must be available through local markets or the public service and adequate demand must exist to absorb increased production at economic prices.

Similarly if guaranteeing a basic level of nutrition is to result in increased productive work then the non-nutrition related conditions for that productive activity must exist. Access to land, productive inputs and markets for produce would be essential. The same assumptions underlie the expected returns to increased productive investments by the poor.

The efficiency with which markets and the state function differs widely between different countries and, indeed within countries and over time. The assumptions will be more or less true in different places and at different times and always subject to change. It is probable that where needs are greatest for social protection the state or markets may be weakest. It is important therefore to, where possible, base the assessment of benefits on real data collected through specific survey work or through ongoing monitoring and evaluation of existing programmes and projects – even small local ones. In this way assessments of the benefits of larger programmes are based on extrapolating the real impacts and effects that have been delivered at household level.

On the other hand the positive impacts of social protection programmes can be felt in households that are not covered by the programmes. Studies of the Mexican *Progreso* programme have shown that consumption and school attendance have risen in neighbouring non-beneficiary households due to peer and local economic effects of the

programme (Ribas *et al.*, 2008). These types of collateral benefits would not be covered by the types of direct impact assessment proposed in this paper.

Assessing the complementarity benefits of social protection

Resources used to finance Social Protection measures could equally be used to finance other critical areas of public expenditure – and *vice versa*. When deciding to allocate funds to social protection measures the impact of not allocating those funds to other areas of expenditure will be examined. It is important that such an opportunity cost analysis also takes into account the contribution that social protection measures can, in some cases, make to delivering services and achieving impacts that are the objectives of other public expenditure programmes. There are a number of ways that social protections might do this.

Social protection and emergency relief

Social protection programmes involving cash or food transfers to households at risk of livelihood shocks, such as drought and famine, reduce the need for and cost of emergency relief.

Household food insecurity arising from natural disaster, economic shock or progressive deterioration in market conditions is a regular occurrence in poor developing countries. Affected households have little choice but to respond by consuming existing reserves and by consuming or selling productive assets such as livestock and seeds. Where emergency responses are slow or inadequate, families may abandon their land and other fixed assets in search of food. The impact of the shock has multiplied beyond a short-term shortage of food to a destruction of productive capacity which will prolong the threat to livelihoods and require a costlier and more long-term response.

By ensuring a basic level of livelihood social protection measures will directly reduce the impact of the shock and thus protect household reserves and productive assets. People will not be displaced and when conditions improve they will be better placed to rebuild productive activity. The human and economic cost to the economy and to households will be less and recovery will be faster. Where the need is greater, the ability to expand the delivery systems already in place will shorten emergency response times, while monitoring and targeting systems are likely to provide the reliable early warning information that is critical to a rapid response.

From an affordability perspective the existence of social protection programmes reduces the cost of emergency response and recovery programmes and, where livelihood insecurity is chronic or a regular event, may well be cheaper in absolute terms.

A comparative cost benefit analysis between emergency relief and social protection measures could involve:

- Comparison of the actual costs of emergency relief and recovery programmes over the previous decade with the estimated costs of a social protection programme covering the same beneficiaries;
- Estimate the difference in post shock economic recovery paths with and without social protection measures and quantify economic cost.

Public works and labour-based infrastructure investments

Transfer programmes that involve food or cash for work, as well as supporting livelihood security, are infrastructures investment that build physical and natural capital, raising productivity in the economy.

Some safety net and employment guarantee programmes require beneficiary households that have available labour to work on public works programmes as a condition for receiving transfers. Typically these public works are in areas such as rural access, environmental protection and social infrastructure such as classrooms and health facilities. They represent additional public investments above and beyond those financed by public expenditure programmes in the individual sectors.

The value of these infrastructure investments can be estimated by quantifying the works completed under the social protection programme and applying unit costs for similar works in the relevant sector investment programme.

Social protection and access to services

Transfer programmes increase the take-up by the poor of public services and improve the effectiveness and impact of resources spent on them.

Social protection programmes may be targeted and use conditionality to achieve specific policy objectives – such as increasing female attendance at school, immunisation rates or the take-up of agricultural technologies. In such cases receipt of the transfer is dependent on the beneficiary household using the service.

While many basic services in poor developing countries are nominally free accessing them can involve significant costs for poor households. School attendance can critically reduce the labour available to a household while distance to health facilities and the need to purchase drugs and medical equipment can put health services beyond the reach of the poor. Traditional approaches to service provision which focus principally on supply-side investments are likely to be subject to diminishing returns in terms of increasing access for the poor unless these access barriers are addressed. Cash transfers to the poor can be an effective demand-side measure by compensating for lost income and direct costs associated with accessing services.

The added value in increased access to basic services of social protection programmes could be estimated by:

- measuring rates of service usage with and without social protection programmes;
- establishing the difference in marginal cost to sector budgets of increases in service use with and without social protection programmes.

Cash transfers

Cash transfers are more efficiently delivered than subsidised or free goods and services and provide a more efficient response to poor households' multiple needs.

The public sector in many developing countries strives to provide a range of subsidised or free services or goods from agricultural inputs to subsidised water or energy supply. The procurement and distribution of goods through the public sector requires high levels of financial and policy management and is often fraught with efficiency and

effectiveness problems ranging from corruption in procurement to inappropriate targeting, elite capture and lack of logistical capacity in distribution. In addition it requires diverse sectors across government to have the capacity to identify and target the poor. Service provision, such as water and electricity supply, which usually depends on cost recovery, can face financing difficulties where budgetary provision for subsidies becomes inadequate. The benefits to poor households are also somewhat reduced as the provision of pre-defined benefits does not permit them the flexibility to themselves choose their priority areas of expenditure and respond to changing needs.

Cash transfers delivered directly to households bypass inefficient procurement systems; and electronic cash distribution systems, which are rapidly becoming more widespread, are fast and effective. Cash transfers allow families to judge needs, choose expenditure priorities and accumulate reserves for lean periods. Targeting of cash transfers, while still an issue, is simpler in that a single targeting process can be used. Elite capture will be more difficult as cash transfers must unequivocally target the poor while other state supplied benefits such as agricultural inputs or enterprise supports frequently go to the better-off. The demand for accountability from the target group, especially through political processes, is also likely to be stronger leading to increased oversight and less opportunity for corruption.

Estimating the value of efficiency improvements of this type is difficult because of the variety of different processes involved in delivering publicly funded benefits. In particular the value of additional flexibility for households in choosing how to use resources, although significant at household, is difficult to estimate in aggregate.

However, efficiency improvement could be measured, for example, by:

- estimating, through public expenditure analysis, the unit cost, including the cost of targeting, of procuring and delivering specific agricultural inputs (seeds, tools, fertilisers or livestock) to household level;
- establishing prices for similar items in local markets through survey or transfer pricing analysis.
- assessing the value of allocative flexibility could be undertaken by:
 - determining from HBS analysis the proportion and level of household expenditure allocated to paying for subsidised (cost recovery financed) services such as water and energy across different income groups;
 - estimating the cash saving a household makes by reducing its level of spending on these services from that observed in one income group to that of a lower income group, for both a subsidised service scenario and a cash transfer scenario;

or:

- estimating, from survey data the number of occasions in which beneficiary households judge that a public service provided good received, or offered, has not been desired or productive;
- applying the capital values of the item(s) in local markets to estimate the capital value¹

Cash transfers provide another additional value in terms of the multiplier effect in the local economy. Purchases made with the additional household income increase demand for locally produced goods and services and increase incomes for others. Analysis of the

market effects of the Dowa Emergency Cash Transfer (DECT) project in Malawi estimated that the multiplier effect in local markets was between 2.00 and 2.79, implying that the increase in economic activity caused by the cash transfers was well over twice their value (Devereux *et al.*, 2007).

Cost, available finance and affordability

Overall availability of public resources will be a key factor in deciding whether the costs of specific social protection measures are affordable. The impacts of social protection measures are achieved in the medium to long term. Although it can be expected that these impacts will improve the affordability of the programmes as incomes and economic activity rise, it is essential that financing is affordable and sustainable within existing and future resource envelopes.

Cost

As the use of social protection measures in a universal or systemic manner is still relatively rare in poor developing countries, hard information on costs is somewhat limited. Nevertheless using existing analysis and experience it is possible to arrive at reasonable estimates of the range of costs for different types and scales of intervention.

1. The ILO has estimated that in a sample of sub-Saharan African countries:
 - a universal basic child benefit scheme would cost between 1.7% and 3.4% of GDP;
 - a universal basic old age pension scheme would cost between 0.7% and 1.3% of GDP;
 - an employment guarantee scheme covering 10% of the working age population would cost between 0.4% and 0.7% of GDP.
2. The DECT project in Malawi met food shortages for 11,000 households in Dowa district during 5 months in 2006 and 2007 by providing a monthly *per capita* cash transfer of USD 2.20. Scaling this up and including a 15% targeting and delivery cost we can say that:
 - to cover the food needs of the 833,000 Malawians (6.3% of the population) who suffered from food insecurity over the same period would cost under 0.5% of GDP;
 - to provide the transfer to the same families throughout the year would cost under 1.2% of GDP;
 - to provide the transfer to 10% of the population throughout the year would cost over 1.8% of GDP.
3. The Productive Safety Nets Programme in Ethiopia cash and food for work to the 10% most long-term food insecure households. The programme provides a monthly cash or food transfer to the value of USD 3.43 per head for a six month period each year. Households unable to provide labour to the public works programmes also receive the transfers. The programme costs 1.7% of GDP - this

includes the costs of non-transfer related inputs for the public works. (World Bank, 2006)

Finance

Putting the cost figures in perspective, total government revenue, including grants, is 23.2% of GDP in Malawi and 19.1% in Ethiopia. Revenue though is on an upward trend as a proportion of GDP, growing between 1996 and 2006 by 7.1% and 4.3% of GDP respectively (World Bank, 2008). Tax revenue in sub-Saharan African countries has risen as a proportion of GDP by more than 20% since 1980 to a current level of over 18% of GDP. Performance in low-income countries on domestic revenue growth, though, has been below this and a number of studies have shown that increases of between 1% and 4% of GDP are possible (Gupta & Tareq, 2008).

Aid flows have also been increasing. Disbursed annual per capita ODA to sub-Saharan African countries has risen from USD 29 in 1993 to USD 41.7 in 2005. Implementing a transfer similar to that in the DECT programme mentioned above for the poorest 10% of a country's population would incur an annual cost in the region of USD 3 *per capita*.

The levels and trends of revenue growth would seem to imply that financial affordability should not be a binding constraint to financing modest but significant social protection programmes. Other considerations are also likely to have a significant impact on financing decisions.

Social protection programmes can be built incrementally over time from smaller pilot programmes and initiatives. This approach can reduce the immediate financing implications of a decision to proceed with a national programme and allow time for fiscal allocations increase in parallel with the accumulation of evidence on benefits and impact and growing political support. A recent review of social cash transfer pilot schemes in Zambia proposes such a phased scaling up of pilot initiatives into a national programme over 5 years. The coverage of the programme would increase from some 13 000 households in 5 districts in 2008 to 252,000 households in all 72 districts of Zambia in 2013. Based on an average monthly transfer of just under USD 12 to each household this programme would cost in the region of 0.023% of GDP in the first year rising to about 0.4% in 2013² (Devereux & Wood, forthcoming).

Some trends in aid may facilitate the allocation of resources to social protection programmes. The increasing use of programme aid modalities, such as general and sector budget support, and the growth in the proportion of aid reflected in government budgets provides flexibility a greater degree of government discretion over spending choices which could be used to prioritise social protection expenditures.

A number of factors have combined to provide a renewed focus on agriculture as a priority expenditure and policy area for development. This emphasis is shared both by donors and developing countries and is reflected in the 2008 *World Development Report* (WDR) and in the African Union (AU) commitment to increase agricultural expenditure as a proportion of overall government budgets. Finding appropriate instruments for public expenditure in support of agricultural and rural development has been a problem over recent decades which have contributed to the decline in priority given to the sector. Cash transfers and other social protection measures directed to the rural poor function as investment support for agricultural production and could be financed from increases in aid and public expenditure in this sector.

Social protection measures could also be seen as appropriate and efficient instruments for using aid flows aimed at mitigation of and adaptation to climate change and for cushioning the impact on vulnerable groups of food and fuel price rises. In a recent paper on policy responses to food and fuel price rises the IMF expresses the opinion that targeted transfer programmes, in an integrated social safety net, can reach the poor more effectively than other policy instruments such as tax decreases or price subsidies (IMF, 2008). Aid flows aimed at addressing these issues could be seen as a financing resource applicable to social protection.

The affordability debate

Establishing publicly funded social protection programmes involves deciding to direct significant public resources to poorer and more marginalised segments of the population. This target group is unlikely to be influential in national policy-making or public resource allocation decisions – as relative political exclusion is another likely dimension of their poverty. Non-poor interest groups may well oppose or seek to reduce social protection provision on ideological grounds if it is perceived as reducing expenditure in areas that benefit them, as raising taxes or as conflicting with their interests in other ways. The difficulties that political economy issues may bring to affordability debates may be lessened by:

- ensuring the availability of evidence and analysis of the systemic and aggregate economic benefits of social protection;
- demonstrating the effectiveness of social protection as an instrument for the implementation of national poverty reduction policies; and
- promoting a broad-based dialogue on financing social protection that allows the opinions of the poor and their representatives to be heard.

Linking specific sources of revenue to social protection measures could also facilitate affordability. In many poor developing countries revenue from natural resource use is allocated to local development expenditures. Well targeted cash transfers to the poor could be a relatively simple, equitable and transparent use of these resources. In Brazil an example of a similar approach is where funds from the sale of illegally logged timber, seized by the state, are allocated to finance the *Bolsa Familia* programme.

Where fiduciary risk is high, affordability will be questionable and questioned. While providing social transfers directly to poor households can be seen as a means of avoiding inefficiencies in other types of public service provision, they are also at risk where public financial management is weak. Corruption, for example in targeting benefits or in procurement for in-kind transfers, will reduce the effectiveness and efficiency of social protection, undermining its affordability. The recent review of pilot cash transfer schemes in Zambia found that petty corruption is the most significant risk due to the high Volume of small payments in such schemes. It also found that, although fiduciary risk had been assessed as substantial, actual corruption in the five pilot schemes had been negligible (Devereux and Wood, 2008). This was felt to be due to:

- operating procedures specifically designed to reduce fiduciary risk;
- the involvement of all actors, including communities, in implementing and monitoring the cash transfers;

- the small scale of the pilots and the close attention of donors and NGOs to their implementation.

Minimising fiduciary risk in larger and national social protection programmes will be more challenging. Effective measures to improve public financial management will strengthen the affordability of social protection and are essential for up-scaling smaller initiatives and replicating them through the mainstream public service.

Donors too can improve affordability. In many countries donors and foreign NGOs have initiated social protection schemes as small stand alone projects. In some cases these are directly administered by the external partner using their own management structures and systems. Where they are implemented through public sector bodies special financing instruments are established and the financing partner frequently defines the policy objectives, the types and levels of transfers, the targeting strategies and the delivery mechanisms. With a number of donors involved in the area, the resulting proliferation of different approaches can result in inefficiencies due to the duplication of efforts because of the existence of separate and different targeting and delivery mechanisms for different projects – sometimes in the same Ministry and involving the same target group. Different policy objectives and levels of benefits between programmes can be a source of misunderstanding and conflict.

By supporting the development of nationally defined social protection policies and programmes; and funding them through joint financing mechanisms, donors can reduce the financial and transaction costs of social protection while helping develop the capacities and institutions that will be essential if small scale and locally-based initiatives are to be successfully scaled-up and replicated into national programmes.

Conclusions

Decisions on the affordability of social protection measures and on the levels of public resources to be allocated to them should be taken in inclusive country level policy and budgetary decision-making processes. They should be based on country-specific analysis of need, target groups and expected impact. They should be taken within the context of an overall social policy framework.

The affordability debate should be informed by an assessment of the expected short and medium term impacts of the proposed measures and the economic benefits they bring at household, local economy and national economy levels. This type of analysis will allow a greater understanding of the short term responses that underlie and produce the long-term sustained impact on poverty that is the overall objective. It will also permit a better cost-benefit type analysis of the necessary budgetary allocations.

It is important to be realistic when making assumptions on the ability of the public service to target and deliver social protection measures; and in relation to economic impacts of social transfers which are based on assumptions on the functioning of input, produce and labour markets. Unrealistic expectations will inevitably result in underperformance undermining support and affordability arguments about future financing. Using real survey information on delivery, impacts and market responses gathered at household level from existing programmes, even small and locally-based ones, is probably a more realistic basis for assessing impacts that attempts at modelling responses.

Systematic gathering of information and evidence of impact is essential. There is already significant information available in many countries from small existing programmes, economic and public expenditure data, poverty monitoring exercises and Household Budget Surveys. Specific impact studies on small programmes or first initiatives should be undertaken and where new programmes are established, mechanisms for ongoing analysis and review of delivery and impact should be put in place from the beginning.

Social protection programmes can be built up incrementally. Evidence on impact shows that even small and local programmes produce positive benefits. The possibility of starting small and building can facilitate the affordability debate by allowing programmes to be started with relatively modest initial allocations while evidence from these can provide a sound basis for discussions on expanding programmes and funding allocations.

A clear national approach to social protection is critical. A single national policy defining the objectives of social protection, then types of social protection measures to be used, the definition and targeting of the beneficiary groups and the management and delivery strategies should inform all social protection initiatives. Without such a unifying framework it will be difficult to build the various initiatives that already exist and are likely to emerge into a national social protection system.

Donors have an important role in supporting and participating in the development of national social protection frameworks. This will involve supporting the capacity of government and civil society to develop social protection policies and to plan, finance, deliver and monitor the programmes to implement them. It will also involve moving away from delivering social protection through donor specific financing and delivery mechanisms towards funding national programmes through joint financing instruments.

Notes

- 1 Also where goods provided have had to be sold at a discount in times of food shortage. The difference between the discounted price and the “normal” or economic market price could be considered the flexibility value of cash.
- 2 It should be noted that the proposed programme fully rolled out in 2013 is estimated to cover 10% of the population of Zambia. The 2008 Living Conditions Monitoring Survey indicates that 51% of Zambians live below the food poverty line and that 67% of the rural population live in extreme poverty.

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Social Protection and Vulnerability, Risk and Exclusion across the Life-Cycle*

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- Social protection interventions at key stages across the life-cycle contribute towards breaking the intergenerational transmission of poverty.
- Poverty and vulnerability analysis help identify sources of risk and exclusion that are related to life-cycle changes and intergenerational factors, and help inform appropriate social protection responses.
- Based on a ‘life-cycle analysis’, policymakers can design social protection systems in a holistic way and ensure that individual instruments complement one another to progressively achieve universal coverage and predictable and cumulative benefits to individuals and households to promote pro-poor growth and reduce social exclusion.

Introduction

This good practice note provides a people-centred perspective on the design and implementation of social protection systems. It recommends greater analysis of risk and vulnerability across the life-cycle to inform the design of social protection mechanisms in order to increase their effectiveness for tackling social exclusion and breaking the inter-generational cycle of poverty.

What is meant by ‘life-cycle’?

The provision of basic social protection to citizens from the ‘cradle to the grave’ (Beveridge Report, 1942) was the fanfare aim of the welfare state system created in the UK in the post-1945 period. Since this expression was first coined, the concept of addressing the needs of a population ‘across the life-cycle’ has been in common use by social policymakers in a range of contexts, and with varying definitions.

The meaning of the term ‘life-cycle’ is two-fold: ‘Firstly, the life-cycle’ reflects a continuum of age-stages where the needs of an individual changes through their life, from conception to death. However, changing needs are not solely related to chronological age.

Secondly, the term ‘life-cycles’ refers to the different stages and events of life which an individual or household passes through, and which often bring with it a different status given to individuals such as becoming a widow/er, a single mother, an adolescent, or unemployed.

* The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

In a rapidly changing world, an individual does not conform to a linear sequence of life stages relating solely to age (birth; education; marriage; work; nurturing; old-age). Instead, the individual may follow a cyclical pattern as life-events, often due to changing economic, social and spatial changes - such as death of a relative, accident, loss of job, migration of household members - which lead to changes of a person's role and responsibilities and require him/her to revisit certain cycles (Bonilla Garcia, A. and Gruat, J.V., 2003).

Vulnerability analysis at different stages of the life-cycle

There is increasing recognition that chronic poverty results from the cumulative impact of discrimination, risk, vulnerability and exclusion across an individual's life-cycle and between generations. For definitions of risk and vulnerability, refer to the "Policy Guidance Note").

Thus the multiple factors contributing to vulnerability across the life cycle are not only related to chronological *age* (children, young people, older people) and *life stage* (adolescent men, widows). In addition it is important to consider how *social and cultural factors* such as ethnicity, gender, disability and religion intersect with chronological age and life-stages.

Thus, changes in individual and household life-cycles will influence vulnerability, just as changing levels of risk and vulnerability can mark a shift from one life-cycle to another: 'One enters a new life-cycle when the set of risks and certainties that define the level of vulnerability, changes in a positive or negative way' (Bonilla Garcia *et al.*, 2003).

Table 2 provides an overview of the different types of vulnerabilities faced by individuals at different chronological age stages. It highlights how social and cultural factors particularly gender, are a key determinant of vulnerability and risk. The table focuses on **employment-related** risks and vulnerabilities (refer to "Social Protection and the Informal Economy" chapter).

Table 2. Changing risks and vulnerabilities across the life-cycle

Age stage	Example risks and vulnerabilities
Early years 0-4	<ul style="list-style-type: none"> • Poor maternal and early nutrition leading to stunted growth and other life-long negative health impacts • Poor cognitive development if early care and stimulation inadequate, with lifelong impact • Acute vulnerability to disease and infection/ poor access to health services • Exposure to hazardous environments relating to poor housing and/or parents' work • High dependency: risk from loss of parent/carer • Disability through lack of early intervention • Neglect and discrimination of girls

Age stage	Example risks and vulnerabilities
Children 5-11	<ul style="list-style-type: none"> • Risk of not attending school because of domestic or income-earning responsibilities or lack of household income to pay for school related costs • Inability to benefit from schooling because of added burden of domestic or income-earning responsibilities • Particular issues for girls: not prioritised for investment in education/ domestic responsibilities/ vulnerability to sexual exploitation when attending school • Insufficient food or poor diets increasing likelihood of illness • Dependency: risk from loss of parent/carer
Adolescents 12-24	<ul style="list-style-type: none"> • Vulnerability of (especially girl) children to early withdrawal from school due to lack of parents/family income • Impact of triple burden of work, unpaid care and schooling • Risks from early marriage and child-bearing • Lack of access to training/formal employment leading to entry into high risk employment categories • Increased risk of HIV and AIDS infection as individuals become sexually active • Increasing vulnerability of girls due to gender based violence
Young adults mid-20s/30s	<ul style="list-style-type: none"> • Lack of access to credit/ asset building opportunities • Lack of employment or further training/development • Loss of employment/ reduced income earning potential for women through pregnancy and childcare • Reduced household income relating to HIV and AIDS prevalence, and other illnesses
Middle adults	<ul style="list-style-type: none"> • Loss of employment or employment insecurity through care for younger and older family members (particularly women) • Loss of partner's support through temporary or cyclical migration as well as death, illness, abandonment leading to increased responsibility for dependents • Acquired disability through hazardous employment or other practices
Older people	<ul style="list-style-type: none"> • Loss of income when work is lost due to age discrimination, frailty/illness etc. • Work in informal sector throughout life means that there is no contributory pension provision • Poor health in later life due to poor nutrition, multiple childbirth, poor working environment and lack of health care in earlier years • Continuing to work to support self and dependents in low-income earning and often physically disabling jobs • Discrimination against widows/ lack of inheritance rights for women • Widow's loss of access to late husband's family resources • Increased childcare responsibilities where middle age adults have been lost to HIV and AIDS, leaving dependent children in the care of grandparents • Increased likelihood of age-related disability and chronic illness

The above table reflects how the nature of **risk and vulnerability is influenced by interlinked lifecycle, inter-generational and social exclusion factors**. Poverty experienced in childhood, for example, is likely to have negative consequences over the

course of a person's life in terms of nutritional and health status, personal development and opportunity linked to education, self-esteem, assets and access to labour markets. Research studies demonstrate the way in which low socio-economic status of parents is often transmitted to the next generation¹.

There is also a crucial link in the evolution of life-cycles between generations and between breadwinners and dependents. For example, the loss of employment of a parent can bring an entire household into a new and more vulnerable life-cycle. These links are illustrated clearly in contexts where mortality of prime age adults due to HIV and AIDS and conflict, as well as migration of wage-earners² can lead to an increasing burden on older people to care for young children and other dependents. The burden of care, which is often characterised by intergenerational links, is a major factor in determining vulnerability. For example, 6 million children in sub-Saharan Africa are cared for by their grandparents in 'skipped generation households' (HAI, 2004). Households including both older people and children are, on average, the poorest households in Africa (Kakwani and Subbarao, 2005).

Why is a life-cycle approach issue important in the context of pro-poor growth?

In the context of rapid globalisation, economic growth is recognised as uneven and often contributes to increasing inequality. In the absence of significant investment by governments in social policy, the benefits of economic growth do not "trickle down" to bring about improved social and human development. On the contrary, poor and socially excluded groups find it increasingly difficult to escape the chronic poverty trap which, in the context of climate change and soaring food prices, puts large numbers of people who live just above the poverty line at risk of sliding into poverty (Chronic Poverty Report 2008- 09).

These developments, as well as the rapid pace of change lead to growing uncertainties, result in increased risk and vulnerability for those already trapped in poverty or on the brink of it. Furthermore, rapidly changing demographic trends illustrate how different countries are at different stages of demographic transition. For many of the poorest and most fragile countries, one concern is the 'youth bulge' with a growing number of young people struggling to find work. Over the next 40 years this trend will reverse and by 2050 the proportion of older people in the developing world will more than double from present rates to over 20% of the total population, while the proportion of children will drop by 10% (UN Commission for Social Development, 2001).

The extent to which the poor are able to participate in economic growth or be recipients of family and government support is critical. Pro-poor growth policies, therefore, need to focus not just on poverty levels, but on those trapped in a cycle of poverty and those on the brink of it. A life-cycle approach to poverty reveals that exclusion from growth is multi-dimensional and intergenerational. Failure to break the cycle of chronic poverty will hold back economic growth and widen the gap between those that benefit and those who do not. Poor people will remain trapped in low-return activities and unable to increase their productivity and contribute to economic growth by investing and/or taking economic risks.

Unlocking economic growth potential in poor and middle income countries depends on investment in human and social capital development, and social protection systems have a crucial role to play in tackling the chronic poverty and exclusion which hold back economic growth. A greater emphasis on life-cycle analysis in understanding

vulnerability, risk and exclusion can help highlight the links between investments in human capital development and productivity at key points of the life-cycle and contribute to pro-poor growth.

A life-cycle approach to vulnerability analysis which emphasizes intergenerational issues can also lead to a greater recognition of the **economy of care**. While analysts tend to focus on the productive capacity and potential of human capital, less attention is paid to the ‘re-productive’ activities necessary to support production, and this includes the provision of care to children and other dependents.

The role of social protection in tackling vulnerability across the life-cycle

A package of social protection instruments that impact at critical stages of the life-cycle can contribute significantly to breaking the intergenerational transmission of poverty. Such a package of predictable and secure incomes might include the following instruments³:

- Child support grants
- Disability grants
- Non-contributory pensions, often referred to as social pensions
- Unemployment/working age support
- Free access to healthcare services

The ILO campaign to extend social security for all, for example, argues for a basic minimum package which includes the above mechanisms, in order to create a ‘global social floor’ by reaching all those currently living in poverty and exclusion. But it is not simply that the above mechanisms target certain identified ‘vulnerable groups’. Their overall impact derives more from the way in which the **different mechanisms interact with and support one another in reducing vulnerability** across the life-cycle in such a way that the benefits are cumulative.

Instruments such as child, disability support grants and social pensions **impact at life-stages when vulnerability is more acute** and which are often described as pre- or post-productive⁴.

The above instruments prevent already poor households from falling deeper into poverty as well as reducing the risk of those households on the brink of poverty from sliding back into it when faced with shocks linked to life-cycle changes such as the injury or death of a breadwinner.

The key characteristic of all of the above schemes is that they **provide regular and predictable household income**, enabling households to use and invest this income as they see fit in order to invest at key life-stages (*e.g.* education of children) and to build the assets needed (physical, human and social) to reduce their vulnerability. In this way, social protection mechanisms contribute to a **process of empowerment** as individuals and households make their own decisions when it comes to making the investments needed to break the cycle of poverty.

These instruments also **contribute to the development of human capital** because they have an impact on poverty and opportunity at household level. There is a large and

growing body of evidence that child-oriented social transfer programmes increase the nutritional, health and educational status of children with long-term developmental benefits. Both conditional (*e.g.* in Brazil and Mexico) and unconditional cash transfers (*e.g.* the South African child support grant) demonstrate impressive human capital gains. Initial estimates of the long-term impact of these developmental gains in childhood suggest large increases in adult earnings for children who have benefited from the South African child support grant which will outstrip the original investment in the grant by an estimated 160%-230% (Aguero *et al.*, 2007).

Social pensions have been shown to contribute to overall household income and are directed to support education, improved food intake, health and income generation and reduce inter-generational poverty. This is particularly found in skipped-generation households and those with a high proportion of older people and/or children who often have the pension as the sole source of income, for example in those countries of southern Africa with universal or near-universal pensions (Barrientos *et al.*, 2002). In South Africa, the self-reported health status of women improves dramatically at 60 when they become eligible for a social pension (HAI, 2004): improvements in the health and social status of the pension recipient support the care-giving role of the older person in skipped-generation households. There is also evidence that spending on children's health and education is prioritised by older people in receipt of a pension: in South Africa, girls living in a household with an older woman in receipt of a pension are 3-4 cm taller than girls in households with older women who do not receive a pension; and, in rural Brazil, pensions are strongly associated with increased school enrolment, particularly of girls aged 12-14 (HAI, 2004).

The examples given in Table 3 below summarise the way in which the above instruments work together to address **vulnerability of specific risks** across the life-cycle of the individual and household, and across the generations.

Table 3. Evidence of impact of different instruments across the life-cycle

Risk	Evidence of impact of different instruments across the life-cycle
Hunger/ negative impact on child development	<ul style="list-style-type: none"> • Social transfers improve nutritional status among both adults and children (Sridhar <i>et al.</i>, 2006) and encourage food production while stabilising local demand for food and encouraging higher-risk/higher-return market enterprise. • There is evidence that spending on food is prioritised, including social pensions being spent on providing food to all members of the household (Samson <i>et al.</i>, 2007). • Providing cash transfers direct to mothers is an effective strategy to improve child nutrition (DFID, 2005).

Risk	Evidence of impact of different instruments across the life-cycle
Poor individual/ intergenerational health	<ul style="list-style-type: none"> • Free access to health care have a positive impact on long term health of all household members, especially children. As life-long poverty and poor nutrition/diet leads to early ageing/frailty, access to free health care in old age is crucial to reduce disability and suffering from chronic illnesses • Improvements in nutrition lead to immediate and intergenerational health improvements, e.g. improved maternal health, reduction in child malnourishment and stunting with positive impact across the life-cycle. • Improved education of girls as a result of families being enabled to invest in education also has positive impacts for future health and well-being. • Social protection instruments which provide free access to ART can keep mothers alive and improve child health/ well being as well as contributing to reduction of mother to child transmission. • Access to health services for older people and provision of medication for ageing related health problems enable older people to remain active and contributing to households income / needs
Exclusion from education contributing to poverty across life- cycle	<ul style="list-style-type: none"> • Regular and predictable household income through cash transfers supports parents and carers to make a long term investment in their children's education. • Reduced pressure on children to contribute to household income through work enables them to attend school regularly. • Learning benefits accrue from improved child nutrition (see above). • Cash transfer schemes can increase school attendance as carers tend to prioritise spending on children's education. In Namibia a significant proportion of old age pensions is spent on children's education (Devereux, 2001).
Risks relating to employment	<ul style="list-style-type: none"> • Improvements in child health and education improve future opportunities for employment. • There is some evidence that the Social Cash Transfer Scheme in Malawi has reduced the need for female and child headed households to resort to 'risky behaviour' (i.e. transactional sex) to survive (Schubert and Huijbregts, 2006).
Discrimination and dis-empowerment	<ul style="list-style-type: none"> • Regular income through cash transfers and the knowledge that social assistance/ access to services are received as a <i>right</i> can improve dignity, self-worth and status within the community among those who tend to be socially excluded, e.g. older widows – with long term impact on their dependents. • Legislation to tackle discrimination as part of a comprehensive social protection programme can have positive impact on empowerment and status of socially excluded groups such as disabled people (e.g. disability rights legislation) and women (e.g. inheritance and land ownership). • Women and girls are disproportionately represented among the most excluded: cash transfers such as child support grants made direct to women can increase their status and bargaining power, while increased opportunity for girls to access education can bring gender equity benefits across the life-cycle.

What knowledge gaps, considerations and lessons learned exist in relation to life-cycle approaches to social protection?

Key knowledge gaps

Evidence is emerging of the impact of social protection programmes on vulnerability across the life-cycle, but there is little evidence of life-cycle analysis being used systematically to identify gaps and neglected risks of the poor at different lifecycle stages. While the attention of policymakers often focuses on identified vulnerable groups, such as specific age groups, a life-cycle analysis at the planning stage of how these groups relate to one another in the context of risk and vulnerability is often lacking and is rarely systematic.

Whilst research has been undertaken on the impact of child grants and pensions on children and older people (although there is a startling absence of information on disability issues), there is limited analysis of impact across the life-cycle such as the interplay between social protection interventions at different stages of an individual's life-cycle or longer-term intergenerational impacts.

Because of the absence of systematic life-cycle analysis, little is known about the success of social protection programmes in setting in train *sustained* improvements in households' ability to withstand shocks (DFID, 2006).⁵

In particular there is a knowledge gap as to how mechanisms that address unemployment and sickness across the life-cycle (such as employment guarantee schemes, fee-waiver and tax-based health access) protect households from the impact of shocks which project them into new and more challenging life-cycles. This is largely due to the lack of unemployment and sickness mechanisms in developing countries.

Key considerations

Means-tested vs. universal approaches: There is growing evidence that transfers which are allocated according to category (*e.g.* age/ disability) and then applied universally (nationally and non-means tested) are very effective in tackling vulnerability across the life-cycle (Barrientos and Lloyd-Sherlock, 2002). Universal categorical transfers reduce the risk of exclusion errors, which can occur with vulnerability and means-tested targeting approaches. Categorical transfers that are perceived as an entitlement are more likely to promote empowerment rather than stigma (Rawlings, 2004)⁶ Universal categorical transfers are simple to manage and have much lower administrative costs than means-tested programmes, which are also divisive and can stigmatise beneficiaries.

The only advantage of programmes targeted at the poor when compared to universal programmes is that their overall cost is less. But, by focusing on poor people, such programmes often have limited political support. In contrast, universal programmes are usually politically very popular and are more likely to be seen as an entitlement with the benefits being felt across all members of society. Consequently, they are less vulnerable to the political changes or economic shocks which could lead to the erosion of means-tested programmes targeted at a politically excluded minority (Cornia and Steward, 1993)⁷. It is important that targeting choices should be based on poverty diagnostics including life-cycle analysis and be context-specific.

Conditionality: The majority of conditions attached to social transfers are intended to encourage investment in child development, including health and education, and improved health for older people, for example through regular visit of health services. The expectation of impact is that investment in human capital helps to break the intergenerational transmission of poverty. There is debate surrounding the appropriateness and effectiveness of this approach in developing countries where the existing social, education and health infrastructure is extremely weak and capacity to monitor and manage conditional schemes costly and can be counter-productive. Furthermore, there is no evidence that the conditions are the cause of improved school attendance and health status of children in countries such as Brazil and Mexico. Given similar impacts among unconditional programmes, it is likely that cash is the main cause of behavioural change. What is clear is that the withdrawal of benefits due to non-compliance of conditions can have a devastating effect of children and the wider family.

Impact on traditional systems: There are fears that social protection provision might undermine traditional coping mechanisms, many of which depend on intergenerational support. However there is more evidence to suggest that new resources are nearly always additive (Kakwani, N and Subbarao) and may in fact prevent traditional systems from breaking down completely and can help improve reciprocity in families and communities (Clacherty *et al.*, 2008). This is particularly relevant in contexts where traditional coping and support mechanisms are being eroded by factors such as conflict, migration, and HIV/AIDS, often resulting in higher numbers of orphans and vulnerable children (Clacherty *et al.*, 2008).

Child investment: Concern is sometimes raised that increasing focus on and investment in social transfers may lead to funds being diverted from social welfare services which provide support and protection for the most vulnerable children (*e.g.* early childhood education and care, structures for early detection of abuse/neglect, protection from child labour or trafficking) (Giese, 2007). This response is understandable given competing demands for government resources in all countries. However, social transfers needs be viewed as complementary to social welfare services through improving economic security at household level.

Channelling social transfers: Careful thought needs to be given to how social transfers are channelled. Unless additional mechanisms are adopted to reach minors living alone, transfers channelled through adults risk missing vulnerable children who may be unaccompanied (*e.g.* street-living, bonded labour). Extra vigilance may also be needed to ensure social transfers benefit those who may be discriminated against within the household (*e.g.* disabled children, child domestic workers, females in some contexts, older people), with consequent negative impact for their development and continuing exclusion (Giese, 2007).

Absence of the 'voice' of those living with high levels of risk and vulnerability: The social protection debate needs to move beyond governments, donors and the international aid community. Those who are trapped in chronic poverty have no meaningful political voice and lack effective political representation' (Chronic Poverty Report 2008-09). As a result, many social protection mechanisms and systems have been and are being developed without reference to the needs and realities of those whom they seek to reach. Recent developments such as the setting up of an African wide civil society platform on social protection, advocating for and with disadvantaged and socially excluded groups,

are important steps to enable poor people to demand their citizens' rights and engage with government in the choice of delivery mechanisms for social protection.

Lessons learned

Lifecycle analysis at the planning stage: A recognition of the links between vulnerability, lifecycle and intergenerational issues is implicit in the South African Constitution. This compels the state to ensure the 'progressive realisation' of the universal right to social security through the development of a *comprehensive* social security system⁸. Drawing on this vision, the Taylor Committee Report on social security in South Africa⁹ recognises that a patchwork of social grants is insufficient to tackle poverty effectively, and that social protection instruments need to be comprehensive and universal. The Committee recommends the progressive phasing in of new instruments to support existing ones (*e.g.* child benefits), while gradually extending those already introduced (*e.g.* increasing the eligibility age for child support grants and lowering the pension age). Thus, a life-cycle approach enables policy-makers to ensure complementarity and cost-effectiveness, ensuring that there are no coverage gaps in social protection provision.

Linking children at risk to complementary services: The Programa de Erradicaçao do Trabalho Infantil (PETI) in Brazil has not only been effective in reducing child labour as a whole (and increasing school attendance and attainment) but has also decreased the probability of children working in higher-risk activities. (Tabatabai 2006; Yap *et al.*, 2002; Rawlings, 2005)¹⁰

Key recommendations for donors and partner governments

More systematic life-cycle analysis is important for the effective development, monitoring and evaluation of social protection programmes: Life-cycle analysis can provide a powerful framework for better understanding vulnerability and interdependence within households, and for identifying the intergenerational factors and opportunities crucial for breaking the cycle of poverty.

Importance of disaggregated poverty data: In order to support an improved focus on life-cycle issues, data for policymaking and programme design needs to be disaggregated by age, gender, ethnicity and disability.

Importance of linking social protection mechanisms with complementary services to enhance life-cycle impacts: It is important that governments aim for an appropriate balance of spending between social protection and other services. In developing countries, spending is usually skewed towards health and education services, with limited spending on social security - in sharp contrast to the situation in developed countries.

Importance of policy coherence: Many developing countries governments already invest in a range of programmes aimed at reducing vulnerability across the life-cycle. However, often there is no policy coherence with different ministries not engaging with one another. National political coordination and review of existing schemes are crucial to ensure an appropriate mix of systems.

Support initiatives to strengthen the 'voice' of vulnerable groups: Particular efforts need to be made to create opportunities for those at risk at different stages of the lifecycle

to access policy fora and channels in order to express their views on their needs, priorities and realities.

Social protection programmes need to be understood as a long-term investment for social and economic transformation rather than as a short-term safety-net: A greater focus on vulnerability across the life-cycle and breaking the intergenerational transmission of poverty highlights the transformative potential of social protection programmes if supported over the long-term.

Importance of political sustainability: Long term political commitment to social protection programmes is essential if they are to be effective in tackling vulnerability and exclusion across the life-cycle in a sustainable way.

Notes

- 1 Castañeda *et al.*, (1999), for example, conducted a study on inter-generational transmission of poverty in 16 countries in Latin America and found that ‘the number of siblings, mother’s and father’s education and income are strong variables determining the chances of young children completing secondary education – a minimum level considered necessary for permanent exit out of poverty’.
- 2 The impact of migration on a household is complex. Whilst remittances can support vulnerable household members economically, migration of working age adults often increase the care giving burden and lead to labour constraints of the remaining household members who are mostly younger, older or disabled family members.
- 3 Other policies and programmes to combat exclusion and discrimination are also important. These include legislation, removing barriers to services etc.
- 4 This view does not take into account the economic contributions of younger and older people, particularly in contexts where they are playing an increasingly important role as caregivers.
- 5 The World Bank’s Social Risk Management Framework (SRM) provides an analytical tool to understand risks and responses relating to events, but it is weak on analysing how coping mechanisms are eroded over time through continuous stress rather than isolated events.
- 6 Argues that increase in stigma represents a cost of targeting approaches.
- 7 Found that a switch from a universal to a targeted approach in 8 schemes led to a reduction in the real value of the subsidy over time.
- 8 Constitution of the Republic of South Africa 108 of 1996, Section 27.
- 9 Reports of the Taylor Committee into a social security system for South Africa, Department of Social Development, SA, 2003.
- 10 While most social assistance programmes do not have the reduction of child labour as a stated objective, a survey of CCT programmes in Latin America and the Caribbean concludes that they “are also effective in reducing child labour” (Rawlings, 2005).

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Health and Social Protection*

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- Social health protection is of utmost importance for sustainable poverty reduction. However, there are no general blueprint solutions for successful social health protection systems. Policy advice on social health protection has to offer tailor-made approaches adapted to the specific needs and characteristics of each country.
- Donors should support national policy-makers in embedding the issue of social health protection within the national economic and social policies of partner countries. The successful extension of social health protection requires a coherent sectoral and multisectoral coordination of national policies and the alignment of donor activities as defined in the Paris Declaration.
- The successful extension of social health protection requires a long-term commitment. External funds should be made available to partner countries on a predictable and longer term basis and be linked to the national public and private financial capacities.

Relevance of the Topic

Health risks are among the major life risks tackled by social protection. In developing countries, sickness is one of the most frequent causes of poverty. In turn, poverty is one of the greatest health risks. The importance of good health and social health protection has been highlighted by several international resolutions and campaigns, such as the “Resolution and Conclusions concerning Social Security, International Labour Conference (ILC) 2001” and the “Resolution on Sustainable Health Financing, Universal Coverage and Social Health Insurance, World Health Assembly (WHA) 2005”¹. The “Global Campaign on Social Security and Coverage for All”² founded in 2007 stresses the need to ensure access to essential services for the most vulnerable groups.

Based on the core values of universal access, solidarity, equity and social justice, social health protection comprises all the instruments that aim at removing financial barriers preventing access to health services and protecting people from the impoverishing effects of medical expenditures. Whereas the empirical evidence of the beneficial effects of social health protection on economic growth is strong, it is also true that the economic costs of inaction are very high. Not investing in social health protection leads to tremendous follow-up costs ranging from deteriorating health conditions and increasing poverty levels to societal instability due to social raptures. Social health protection is consequently an important tool for overcoming the vicious circle of poverty

* The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

and ill health. In particular, it facilitates pro-poor growth and poverty reduction through the following channels:

- **It helps to improve the health status of people:** High illness-related costs prevent people from seeking health services when in need: in time and at any time. Social health protection removes this barrier and thus enables the provision of a range of timely interventions which help to improve the health status of people, including prevention, treatment, and rehabilitation.
- **It prevents impoverishing health care expenditures:** In countries where patients are required to pay substantial user charges or co-payments, the financial burden associated with medical care can spell economic ruin for whole families, especially if hospital treatment is needed. The WHO estimates that every year more than 150 million individuals in 44 million households face catastrophic health expenditure as a direct result of health problems. About 25 million households or more than 100 million people impoverish due to medical expenses.
- **It substitutes inefficient risk coping mechanisms:** Faced with illness-related costs, people in developing countries often sell productive assets, cut down expenditures on other basic necessities such as food and clothing, and take their children out of school. These types of risk coping mechanism strongly contribute to the persistence of poverty. Their substitution by effective social health protection systems has a positive impact on cross-sectoral poverty issues such as nutrition and education.
- **It increases people's productivity:** By improving the health status of people and by substituting inefficient risk coping mechanisms, social health protection augments people's productivity, which in turn promotes employment and economic growth and further facilitates increases in income levels.
- **It fosters investments:** By reducing existential fears, social (health) protection encourages individuals to take risks which they otherwise would not be willing to take, such as investing in education, new business opportunities, or the creation of workplaces.
- **It promotes social stability and social cohesion:** Social health protection is firmly grounded on values such as solidarity and equity. It thereby strengthens the bonds of cooperation and reciprocity, thus enhancing social stability and social cohesion within a society.
- **It contributes to empowerment:** A better health status enhances the employability of poor people and increases their earning capacities. Social and micro health insurance schemes further provide participatory decision-making structures which strengthen the voice of poor people and may improve the responsiveness and quality of health services.

The above mentioned impact channels demonstrate that social health protection is linked to various MDGs: They include halving extreme poverty (MDG 1), reducing child mortality (MDG 4), improving maternal health (MDG 5), and combating HIV/AIDS, malaria, and other diseases (MDG 6). By the above mentioned mechanisms, social health protection is also linked to the attainment of universal primary education (MDG 2).

Main facts and figures

Good health promotes economic growth (Sachs, J.D., 2002; Gyimah-Brempong and Wilson, 2004; Bloom, Canning, and Sevilla, 2004). According to estimates by the WHO Macroeconomic Commission on Health, a 10% increase in life expectancy leads to an additional increase of 0.3-0.4 percentage points in the annual *per capita* income. As a result, a typical high-income country with an average life expectancy of 77 years has a 1.6% higher annual growth rate in comparison to a typical low-income country with an average life expectancy of 48 years.

Extending social health protection means to move towards enhanced risk-pooling of financial resources within a society. Empirical evidence supports the hypothesis that the degree of risk sharing within a country's health financing system impacts positively on the attainment of the overall health system goals, namely fair financing and the level of health and of responsiveness their distribution across the respective population (Carrin *et al.*, 2001). Studies from Kenya, Senegal, and South Africa showed that where patient fees exist, the insured use more outpatient services than the non-insured (Scheil-Adlung *et al.*, 2007). Other countries such as Uganda, Zambia, and Burundi have increased utilisation of health services by replacing user fee revenues with increased public funds. A recent study from Mexico analyzed the relationship between health insurance coverage and the use of preventive health-care services. The results suggest that the detection of disease and the treatment in a relatively early stage is more likely among the insured than among the non-insured (Pagán, Puig and Soldo, 2007).

Another important issue, social health protection reduces to a certain extent a household's financial loss (Scheil-Adlung *et al.*, 2007). A study on social health protection in Vietnam not only confirmed these findings but also found that a reduction of out-of-pocket payments leads to a higher-than-average increase in consumption. This is consistent with the hypothesis that households tend to considerably hold back consumption when faced with the risk of high out-of-pocket expenditures (Wagstaff and Pradhan, 2005). Evidence from rural China, where health insurance coverage has dropped dramatically after the dismantling of agrarian collectives in the 1980s, suggests that the risk associated with expenditures for health care does influence a variety of financial household decisions, including the extent of temporary migration and school enrolment (Jalan and Ravallion, 2001).

Key issues and debates

Introducing or extending social health protection involves broad changes in a country's institutional (*e.g.* legislative and regulatory requirements) and organisational frameworks (*e.g.* relationships between public and private providers, health insurance organisations, and patients). In this context, the effectiveness of government stewardship constitutes a key factor for success. Skilled and accountable administrative personnel are crucial for creating public confidence in the health financing system. Moreover, civil society (*e.g.* cooperatives, religious bodies, non-governmental organizations) may play an important role in promoting the key values equity and solidarity within a society, facilitating the extension of coverage to excluded groups, and in increasing the accountability of the entire system.

In low-income countries domestic financial resources might not be sufficient to finance approaches to include the poor. Depending on country-specific needs, external

funds can assist in financing measures of social health protection. External funds should however not substitute national public funding. In the long term, all schemes should become as financially independent of external funding as possible. In recent years a series of global health initiatives such as the GAVI Vaccine Fund or the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM) has emerged. Often, these funds provide substantial support for specific health sector deficiencies. However, they should be provided in way that is consistent with national health financing systems.

The extension of social protection in health needs to be embedded in a comprehensive strategy of health sector reform and enabling social and economic policies. In many developing countries, this strategy could involve an improvement of human resources within the health sector and an ensured availability of a regular supply of medicines and equipment. Furthermore, reliable data and information management systems are needed to measure progress, target interventions and formulate policy objectives. Beyond the health sector, the broader determinants of ill-health such as social exclusion of specific groups (*e.g.* the rural population, ethnic minorities, migrants, and unemployed), low levels of education, unequal gender relations, high risk behaviour, malnutrition and an unhealthy environment necessitate the inclusion of a health promotion strategy in any social protection policy.

Several options for ensuring social health protection exist. It is important to note that those options are not mutually exclusive, but can be combined in order to achieve full population coverage: Tax-funded health financing as well as contribution-based social health insurance constitute the primary health financing options, whereas forms of Voluntary for-profit (*i.e.* micro health insurance and private health insurance) and non-for-profit health insurance (*i.e.* community-based health insurance and mutual health organizations) are complementing options.

Irrespective of the type of social health protection scheme in place, health services may either be provided by public or private providers. However, due to their strong impact on the quality of provided health services as well as on the effective prevention of cost escalation it is important to design appropriate provider payment mechanisms for purchasing health services. Within the last years there has been a growing trend to improve quality of health care through quality-based purchasing and accreditation schemes. The institutional set-up of social protection systems such as the purchaser-provider split and increased purchasing power facilitates these quality assurance programmes.

Examples of good and bad practice: What are the lessons learned?

Lesson 1: Several examples show that social health protection is a feasible option in low- and middle-income countries.

- Many countries which by today have achieved universal coverage were low or lower middle income countries when they started implementing social health protection. Examples include South Korea, Thailand, Costa Rica, Germany, Japan or Austria.
- A study on the equity performance of health systems in Asia found that the ability of countries to reach and protect the poor varies considerably not by level of economic development, or level of public spending, but by how health systems are organised. For example, Sri Lanka, Philippines and Thailand show that it is

possible to mitigate the worst inequalities with government expenditures at less than 2% of GDP (Rannan-Eliya and Somanathan, 2005).

Lesson 2: Developing sustainable systems of SHP, however, is not a short-term project but requires long-term planning, strategy, and tenacity. Donors need to be ready to support a long-term process.

- South Korea is a prominent example for the successful introduction of social health insurance. After the adoption of the Health Insurance Act in 1963, it took South Korea only 26 years until the entire population was covered by social health insurance in 1989. High economic growth rates since the 1980s facilitated this development.
- Regarding the extension of social health protection coverage, Thailand is very successful too. The first national social welfare scheme for the poor was introduced already in 1975. In 2003 Thailand after 28 years reached almost full population coverage in terms of financial access. This was achieved by combining contributory social health insurance, tax-based financing and Voluntary private health insurance.
- In other countries the process to reach universal coverage lasted longer than this. In Japan it took 39 years, while it took 59 years in Costa Rica and 134 years in Germany.

Lesson 3: Universal coverage is usually achieved through a mix of health financing tools. To include the poor and informal sector workers tax-based financing as well as micro health insurances are appropriate instruments. However, the poorest of the poor can only be reached by tax-financed approaches. In various countries, experiences of initiatives to link up different funding systems are already available. Different financing approaches are not in competition with one another. Instead they complement each other in order to overcome the most outstanding obstacles on the way towards worldwide universal coverage.

- **Ghana** took first steps to replace its out-of-pocket health financing system by introducing the National Health Insurance System (NHIS) in 2004. It presents a unique mix of Social Insurance and Mutual Health Organisation principles that is driven by strong political commitment, a pro-poor focus, and support from several development partners. The government aims to integrate 50-60% of the Ghanaian population into the national health insurance scheme within the next 10 to 15 years.
- **Tanzania** started a reform of the health sector in 1993 to primarily assure its financial sustainability. The government-initiated schemes, the National Health Insurance Fund (NHIF) for public sector employees and the Voluntary Community Health Funds (CHF) for informal sector workers and poor households at local level, are being successfully supplemented by private health insurances and micro-insurance schemes run by churches, informal sector groups, and cooperatives.
- **Viet Nam** as well as the **Philippines** follow a ‘3-tier-strategy’ with standard social health insurance for formal sector employees and civil servants, Voluntary insurance for independent and informal sector workers, and a tax-financed component for the poor.

Lesson 4: The institutional mechanisms governing the purchasing of health services matter for the quality and cost effectiveness of the overall health system. Appropriate provider payment mechanisms not only motivate high quality healthcare but also take into account the need for efficient financial transfers and protection against fraud and corruption within the payment system.

- In **Rwanda** community-based health insurance schemes have developed contractual relations with health care providers for the purchasing of health care. Bylaws of CBHI schemes and their contracts with health care providers include measures for minimizing risks associated with health insurance (adverse selection, moral hazard, cost escalation, and fraud), thus increasing the financial sustainability of these schemes.
- The **Philippine Health Insurance (PhilHealth)**, which manages the National Health Insurance Programme (NHIP), has introduced an accreditation system. Accredited health facilities have to show on-going proof of a quality assurance programme which includes the presence of functional and necessary equipment, qualified staff, and adherence to a Code of Ethics, guidelines and protocols. Facilities have to agree to peer reviews and to the authority of PhilHealth to inspect and investigate the facility at any time. Another indirect effect of the accreditation programme is the access to a capitation fund which can be used to augment health budgets for primary health services. The fund can be used for necessary drugs and other medical supplies or provide additional pay to health workers and thereby increases motivation of health workers to provide quality health services.

Lesson 5: There is no general blueprint for successful social health protection systems. Social health protection policy has always to be rooted in a society's specific context. This refers to factors such as the prevailing economic situation, the structure of the labour market, the degree of urbanisation, or 'soft factors' such as cultural values or societal consensus.

- By its Federal Constitution of 1988, **Brazil** instituted the Unified Health System (Sistema Único de Saúde, SUS), which set as its goal universal coverage of the entire Brazilian population, offering comprehensive care under the principle of equity. SUS health programmes and services are tax-financed with revenues specific to each level of government (national, state, municipal) and with resources from intergovernmental transfers. The private sector can participate in a complementary manner but is subject to regulation, monitoring, and control by the State.
- **Costa Rica** is another example of a country that has opted for social health insurance as the main option to protect people from social risks. The Costa Rican Social Security Fund (CCSS), created in the early 1940s, is the main health financing source and population coverage is almost universal. Costa Rica has been tremendously successful in improving the health status of its people with health indicators that resemble those of high-income countries.

Lesson 6: All country examples mentioned above highlight the conviction that strong political commitment, good governance and stewardship are indispensable assets for achieving broad social protection. In line with the Paris Declaration on Aid Harmonisation, all development partners should align their efforts and harmonise their agendas.

Recommendations for donors

- Due to the utmost importance of social health protection for sustainable poverty reduction, donors should support national policy-makers in embedding the issue of social health protection within the national economic and social policies of partner countries.
- Policy advice on social health protection has to offer tailor-made approaches adapted to the specific needs and characteristics of each country instead of general blueprint solutions.
- As any successful extension of social health protection requires a long-term commitment external funds should be made available to partner countries on a predictable and longer term basis. All external funds should be linked to the national public and private financial capacities.
- The successful extension of social health protection requires a coherent sectoral and multisectoral approach. Sectoral and multisectoral coordination of national policies and alignment of donor activities are important.

Notes

- 1 www.who.int/gb/ebwha/pdf_files/WHA58/WHA58_33-en.pdf.
- 2 www.ilo.org/public/english/protection/socsec/download/aconsens.pdf.

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Social Protection in the Context of HIV and AIDS*

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- Each bout of illness presents a range of negative economic consequences for households and loss of productivity for the sectors in which the sick and their caregivers are involved. The poorest households are most likely to resort to non-reversible coping strategies including the sale of land or livestock or withdrawal of children from school.
- “AIDS-sensitive” rather than “AIDS-specific” social protection instruments, including cash transfers, protect vulnerable households from the impoverishing effects of HIV and AIDS, while potentially encouraging pro-poor growth.
- Transformative social protection supports the promise to realise the rights of women and girls. Social protection instruments that incorporate a transformative agenda may empower women to access their rights and entitlements in terms of inheritance, education and labour market access, both protecting and mitigating against HIV and AIDS.

Why are HIV and AIDS important in the context of pro-poor growth?

HIV and AIDS are a serious constraint to growth in sub-Saharan Africa¹ and are destroying hard won development gains (AFRODAD, 2007). 33.2 million people are living with HIV and AIDS globally, two-thirds of whom are in sub-Saharan Africa. Over half the adults living with HIV in sub-Saharan Africa are female and in recent years the number of women and girls testing positive for HIV has increased in all regions of the world (UNAIDS, 2007).

HIV and AIDS impacts on adults at the peak of their productivity and earning capacity, with 60% of all deaths recorded in sub-Saharan Africa between the 20 to 49 year old age brackets. Although most diseases undermine economic development and usually affect the poor disproportionately, HIV and AIDS is uniquely damaging because it is primarily concentrated among adults in their most economically productive years.

Each bout of illness presents a range of negative economic consequences for households and loss of productivity for the sectors in which the sick and their caregivers are involved. Loss of labour and consequently income when a breadwinner falls ill coupled with rising medical costs and ultimately funeral expenses may plunge a household into chronic poverty. Furthermore, the poorest households are most likely to resort to non-reversible coping strategies including the sale of land or livestock or withdrawal of children from school. During a three year survey conducted in Kenya it

* The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

was found that neither crop production nor incomes returned to pre-death levels within households affected by AIDS (USAID, 2005). Women, children and elderly caregivers are frequently the least empowered and hardest hit by HIV and AIDS as they endeavour to balance both care giving and income earning roles with fewer physical assets (UNAIDS, 2006).

HIV and AIDS results in reduced investment in human capital and as worker productivity falls, less skilled workers replace them. The International Labour Organisation (ILO) estimates that by 2020, the labour force in high prevalence countries will be reduced by between 10% and 22% contributing to significant losses in knowledge, skills, domestic, agricultural and community customs and practices (ILO, 2000). The agricultural workforce in twelve high prevalence countries was between 3% and 10% smaller than it would have been without the AIDS epidemic, thus contributing to food shortages and exacerbating poverty levels (UNAIDS, 2006).

Health and education levels have been negatively affected in countries with high HIV prevalence rates and it has been suggested that this trend will be even more pronounced in the next generation, a significant proportion of whom will have reduced basic education, life skills, health and social mentoring (ING Barings, 1999). Children orphaned and vulnerable in communities affected by AIDS are at increased risk of missing out on education thus the next generation's capacity to climb out of poverty is significantly reduced.

HIV and AIDS erodes the primary production and consumption band of the population, while private and public sector impacts include reduced productivity due to staff illness and death, increased cost structures, reduced market size, market investment and savings patterns. Public sector commitment to economic growth is reduced as a result of diminished revenue and diversion of revenue to respond to AIDS. Furthermore, additional spending on AIDS may increase borrowing thus discouraging potential private investment (ING Barings, 1999). Savings are diverted to pay for cost of illness which lowers GDP, while the net impact on GDP in sub-Saharan Africa is estimated to be in the region of 1% (UNAIDS, 2006).

Social protection mechanisms have a significant AIDS mitigation impact. Recent research has demonstrated that, in particular, cash transfer programmes piloted in countries with high HIV prevalence have a significant impact on poverty reduction in households affected by HIV and AIDS (UNICEF, ESARO, 2007), while supporting livelihoods, enabling access to education and improving nutrition (Agüero *et al.*, 2007). Hence, it may be argued that cash transfers, when used for productive investment purposes, *e.g.* to purchase education, health care, fertiliser etc. may facilitate a multiplier effect on local economies thus contributing to pro-poor growth (Farrington *et al.*, 2005).

What major risks are tackled by which instruments?

Social health protection that incorporates prevention of mother-to-child transmission (PMTCT) and universal access to Antiretroviral Therapy (ART) is critical if the impoverishing effects of HIV and AIDS are to be reduced. Despite increased access to prevention, treatment and care services, a significant proportion of AIDS-affected communities remain excluded from these services due to infrastructural barriers to delivery, prohibitive transport, virology testing, treatment and other costs. Breaking the intergenerational cycle of HIV transmission from mother-to-child, while prioritising access to free Antiretroviral Therapy (ART) are vital for pro-poor growth and

poverty reduction in countries with high HIV prevalence. The vast majority of people respond well to treatment and consequently skilled workers may be retained, productivity and revenue maintained, livelihoods supported, while the most vulnerable households are spared the necessity of resorting to non-reversible coping strategies. Furthermore, the relationship between maternal and child health is well established; keeping Mothers alive and healthy is crucial for child survival and wellbeing (Save the Children, 2007).

Child benefit, cash transfers or school assistance packages can increase school attendance and education is the single most effective HIV prevention asset. Realisation of quality education for all is central for poverty reduction and sustainable pro-poor growth. The abolition of school fees in many countries has contributed to an increased up-take in education. However, the cost of uniforms, books or shoes is prohibitive for those children orphaned or particularly vulnerable in the context of AIDS. Girls are oftentimes the first to be removed from school when a parent or caregiver falls ill and as such are the most vulnerable in the context of HIV and AIDS. Cash transfer schemes in low income, high HIV prevalence countries are reaching approximately 80% of HIV and AIDS affected households experiencing chronic poverty and labour constraints (UNICEF, ESARO, 2007). As 60% of the members of these households are children, cash transfers at household level reduce risk by enabling access to education.

Cash transfers may prevent households affected by AIDS from adopting non-reversible coping strategies. Emerging evidence is demonstrating that cash transfers are an effective risk management mechanism, which enables the poorest households to better manage the economic consequences of AIDS-related illness or death (UNICEF, ESARO, 2007). Cash transfers may prevent diversion away from household savings to pay for medical or funeral expenses. They may further prevent the sale of livestock or the removal of children from school to care for sick adults or to engage in income earning activities (Farrington *et al.*, 2005). Cash transfers that are conditional on the retention of women and girls in education or those that are transferred to women only may contribute to the empowerment of women and the transformation of unequal relationships.

Labour market interventions mitigate against skills and experience diminished through illness and prolonged labour market absence. HIV is a slow but progressive disease and each bout of illness may present a range of negative economic consequences. Vocational training initiatives coupled with the provision of job creation and back-to-work programmes are critical in the context of HIV and AIDS and pro-poor growth.

The private sector is an important stakeholder and partner in addressing HIV and AIDS. Private sector organisations are in a unique position with a captive audience to promote HIV/AIDS prevention and sexual health promotion among employees, while supporting health insurance and the delivery of treatment programmes to employees and their families. Private sector enterprise has been hard hit by HIV and AIDS particularly in high prevalence regions. Increased costs and decreased revenues as a result of higher absenteeism and staff turnover, reduced productivity, declining morale and a shrinking consumer base have all taken their toll. Public/private partnerships have been effective in South Asia where large company's like Tata Tea Ltd and Tata Steel Ltd. employing 43,000 people have initiated voluntary counselling and testing accompanied by HIV awareness activities and treatment programmes for employees and dependants².

Gender inequality fuels the spread of HIV and AIDS but empowering and increasing resources in women's hands enhances child survival and nutritional status, while improving school attendance (UNICEF, 2007). Gender inequality in education and employment has a negative impact on economic growth and in sub-Saharan Africa where women and girls make up 60% of adults living with HIV and AIDS they are often engaged in non-market production. Legal and institutional frameworks that protect inheritance, land access and other rights denied to women and vulnerable groups are lacking in some countries with a high HIV and AIDS prevalence rate. Women, children and elderly caregivers are frequently the hardest hit by HIV and AIDS as they endeavour to balance both care giving and income earning roles with fewer physical assets. Female headed households tend to have a higher dependency ratio and are consequently at higher risk of poverty. Help Age International estimates that half of older people, mainly women, in high prevalence areas are raising grand children orphaned by AIDS and tend to have fewer economic resources (HelpAge International). When women are healthy, educated and free to avail of life's opportunities, children also thrive. In households where women are key decision-makers, the proportion of resources devoted to children is far greater than in those in which women have a less decisive role. (HelpAge International). Consequently, who controls cash transfers at household level is crucial in terms of AIDS and poverty mitigation, child survival and empowerment of both women and children.

Transformative social protection supports the potential to realise the rights of women in the context of HIV and AIDS. For every ten adult men living with HIV in sub-Saharan Africa, there are fourteen adult women (UNAIDS, 2006)³ infected. Physiological susceptibility and gender inequality in some societies renders women more vulnerable to HIV infection. Social protection mechanisms that incorporate a transformative agenda have the capacity to empower women to access their rights and entitlements in terms of inheritance, education and labour market access (Sabates-Wheeler and Devereaux, 2007). In this regard "transformative" social protection refers to policies that tackle power imbalances in society that may directly or indirectly encourage, create and sustain vulnerabilities (Devereaux and Sabates-Wheeler, 2004) for example changes to the regulatory framework that afford succession rights including land retention to women and are supported by awareness campaigns to help change societal attitudes. Women's empowerment in the context of safer sexual negotiation, sexual and reproductive health naturally extends from the realisation of broader socio-economic, legislative and cultural equality of access and both "men and women need to be allies and partners in reform."⁴

What controversies exist?

Budget substitution may emerge as health and education expenditures decline in favour of increased welfare transfer expenditures (Pauw and Mncube, 2007). This is problematic in the context of already weak health and education systems that are essential for HIV prevention, treatment, care and support. There is a risk, particularly in HIV and AIDS discourse, that the cash transfer element of social protection may dominate to the detriment of an equal focus on essential social services development.

Systems that target narrowly perform badly in terms of redistribution or poverty reduction (Sabartes-Wheeler and Devereux, 2007). "AIDS orphan" targeting or social protection mechanisms that seek to isolate and target households affected by AIDS, risk stigmatising individuals, while proving administratively costly. It has been

demonstrated, however, that general poverty targeting, using a number of variables, which take the impact of AIDS into account (*e.g.* high dependency ratios, prime-age disability) can reach the most vulnerable including those affected by AIDS.

Positive rates of economic growth do not necessarily reduce vulnerability. Poverty is correlated with higher rates of infection and the poorest are most vulnerable to the impacts of the disease. Cross country analysis shows that those with the highest rates of income inequality also have the highest rates of infection. (Gillespie and Greener, 2006). If economic growth is to help reduce HIV and AIDS prevalence, it must reduce inequality. In some countries with the highest HIV prevalence, the wealthiest 10% of the population have revenues that are in the region of 70 times higher than the poorest 10% (UNAIDS, 2006).

Private sector responses to HIV and AIDS tend not to be pro-poor and consequently public/private partnerships, while relevant to the response, have limited overall impact on pro-poor growth. Private sector responses to HIV and AIDS are often confined to large scale organisations that are situated in urban centres. The workforce is comprised of people with the skills, education and ability to access formal employment; hence the most vulnerable to the impoverishing effects of HIV and AIDS, often situated in hard to reach rural communities, are precluded from access.

In sub-Saharan Africa two-thirds of all births go unregistered and birth registration may be required in order to access health, welfare services or for school enrolment. Countries affected by HIV and AIDS tend to have especially low levels of birth and other forms of registration, which has particular implications for women and children leaving them at risk of abuse, exploitation and inheritance violations (UNICEF, UNAIDS, 2004).

Responding to poverty and vulnerability through a HIV lens has been controversial, however, it may also be argued that HIV and AIDS has proved a successful vehicle through which political leadership at a range of levels has been garnered to respond to broader poverty and vulnerability issues.

Mainstreaming the response to HIV and AIDS is widely advocated. Mainstreaming can facilitate the achievement of a multi-sectoral response and national policies and frameworks provide entry points for mainstreaming. However, experience has yet to demonstrate that mainstreaming efforts promoted by donors have been successful in delivering effective multi-sectoral responses. While an emphasis on mainstreaming should be maintained, it should not be at the expense of more specific interventions. Consequently, social protection planning will need to ensure that HIV and AIDS-specific responses do not unwittingly lose priority status.

What are the good practices, based on lessons of experience?

Strengthened health and education systems are crucial to the realisation of universal access to HIV prevention, treatment, care and support. HIV and AIDS have devastating effects on education and health systems. In Zambia for instance, 40 % of all teachers are HIV-positive and are dying at a faster rate than they can be replaced by new graduate (UNICEF, 2006). Strong health and education systems in high prevalence countries are the key to the achievement of Millennium Development Goal 6 in terms of halting and reversing the spread of HIV and AIDS by 2015.

Cash transfers have a significant AIDS mitigation impact and are proving successful in removing the barriers that preclude access to education for the most vulnerable children affected by HIV and AIDS and this is central to the achievement of empowerment and ultimately pro-poor growth (UNICEF, ESARO, 2007). AIDS-sensitive rather than AIDS-specific targeting criteria should be applied.

Economic support in the form of social assistance to children (Guthrie, 2006) and older citizens is a direct and intergenerational poverty reduction mechanism (Townsend, 2002). Research has consistently demonstrated the poverty reduction effectiveness of an old age pension (Townsend, 2002). Similarly, the child support grant in South Africa has increased school attendance and nutrition levels, while impacting positively on income poverty at household level (Guthrie, 2006).

A multi-sectoral response to HIV and AIDS is widely advocated, however, a review of Poverty Reduction Strategy Papers and National Strategic Plans on AIDS in Africa in 2004 revealed that the priority focus remains on tackling HIV and AIDS through health sector responses (UNAIDS, 2006). Mainstreaming HIV and AIDS is central to the achievement of a multi-sectoral response and national policies including social protection frameworks are appropriate entry points for mainstreaming (UNAIDS/GTZ, 2002).

Empowerment can lead to improved health outcomes particularly for women and those most particularly vulnerable to HIV infection. Hence, social protection mechanisms need to incorporate a transformative element in order to challenge inequalities of access and remove barriers to the empowerment of women. The most effective empowerment strategies are those that promote meaningful participation, ensuring autonomy in decision-making, reinforcing a sense of community and local bonding, thus facilitating psychological empowerment of the community members themselves (WHO Europe, 2006).

A supportive policy environment, that is HIV and AIDS sensitive, is required for investment and while in some of the worst affected countries HIV works against investment, governments need to enable a supportive policy environment that is conducive to investment by enhancing labour skills through the provision of vocational education and training. A skilled labour supply will meet the needs of both the public and private sector, thus providing an incentive for investment and retention of skilled staff through employer sponsored AIDS treatment programmes (ILO, 2004).

Planning processes that include vulnerable communities affected by HIV and AIDS are crucial for the realisation of empowerment and pro-poor growth. Governments, ministries of finance, donors, and private sector enterprise and development planners need to factor HIV and AIDS into poverty reduction strategies and National AIDS Plans from the outset. Empowerment begins with active and meaningful engagement of HIV+ people and communities affected by HIV and AIDS at the earliest stages of planning, programme design, and delivery.

Empowering women through increased access to education, strong economic independence and the transformation of inequitable relationships between men and women at all levels is urgently required to both contain and reverse the spread of HIV and AIDS⁵.

What are the policy implications and recommendations?

Leadership at all levels is required to transform the response to HIV and AIDS.

The United Nations General Assembly Special Session (UNGASS) Declaration of Commitment on HIV and AIDS, 2000, posits political leadership and commitment at the core of the response. If the Livingston Call to Action on Social Protection is to be realised and if this is to affect an impact on HIV and AIDS in some of the worst affected regions of the world, leadership from community to national, regional to global levels is essential.

National budgets that are both pro-poor and HIV and AIDS-sensitive must be a priority of government. Ministries of Finance need to dialogue with national HIV and AIDS planners to ensure that adequate resources are allocated in national budgets. Furthermore, broadly targeted social protection instruments must ensure that HIV and AIDS affected households and individuals are captured.

HIV/AIDS and social protection are central to policy dialogue focused on reaching the Millennium Development Goals (MDG's) and are cross-cutting themes in poverty, inequality and vulnerability discourse. HIV prevention, treatment, care and support constitute the four pillars characterising the global response to HIV and AIDS, while at country level, equitable access to these services must be incorporated into national targets. The removal of barriers inhibiting the most vulnerable from accessing services may be realised through AIDS-sensitive social protection instruments.

Health, education and social welfare systems strengthening must remain a priority focus for governments in the context of HIV and AIDS if universal access to prevention, treatment, care and support is to be achieved. These are priority sectors both in terms of an effective HIV and AIDS response and their capacity to promote and protect empowerment and pro-poor growth.

Support the development of civil registration systems in countries with a high HIV prevalence in order to facilitate access to social protection on a citizenship, rights and entitlements basis. Increasing civil registration in countries severely affected by HIV and AIDS is an important step towards empowerment of the most vulnerable, while enabling access to social assistance, protecting against inheritance violations and securing access to other social protection instruments as a right of citizenship.

Cash transfers have a significant AIDS mitigation impact and may be advocated and supported in the context of their ability to remove barriers to health and education access, while preventing adoption of non-reversible coping mechanisms among the most vulnerable households affected by HIV and AIDS. In this regard, social protection mechanisms including cash transfers have the capacity to realise the delivery of the Millennium Development Goals and the UNGASS Declaration of Commitment on HIV and AIDS. Investment in social protection may impact on economic growth and empowerment in the context of HIV and AIDS, while influencing the current 1% per annum reduction in growth in high prevalence countries. (Wiman and Voipio; UNAIDS, 2006).

Social protection strategies must incorporate a strong transformative agenda to facilitate pro-poor growth and to ensure that the rights of women, children and other groups vulnerable in the context of HIV and AIDS are realised in legal and institutional frameworks.

Equal engagement of men in the realisation of the rights of women is central to improved sexual and reproductive health outcomes, while increasing resources in the hands of women thus potentially mitigating against the impoverishing effects of HIV and AIDS.

Create policy environments that are conducive to foreign investment through facilitation of private and public sector partnerships in HIV prevention and treatment, while facilitating staff retention, skills development and training initiatives.

Notes

- 1 Whilst this paper focuses largely on sub-Saharan Africa, social protection is highly relevant in other regions experiencing concentrated epidemics *e.g.* the need for labour and legal standards which protect those living with HIV and AIDS and health insurance programmes, which ensure access free-of-charge to life saving treatment.
- 2 www.worldbank.org/The Business Case for AIDS.
- 3 Defined as age 15 years and over.
- 4 DAC Network on Gender Equality, Women's Empowerment and HIV Prevention - donor experience, 5th meeting, OECD, Paris, 27-29 June 2007.
- 5 DAC Network on Gender Equality, Women's Empowerment and HIV Prevention - donor experience, 5th meeting, OECD, Paris, 27-29 June 2007.

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Gender and Social Protection*

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- Women and men face different risks and vulnerabilities, some specific to their gender and others exacerbated by gender inequalities and discrimination.
- The design and implementation of social protection programmes should address such gender-related constraints, including barriers to women's economic advancement.
- Social transfers in the hands of women, improves children's health and nutritional status and school attendance, and can be an effective way of reducing hunger and intergenerational poverty.

Social protection is a relatively new policy approach that aims to integrate concerns about social security and poverty reduction into a unified framework (Kabeer, 2008). To date, the social protection agenda has generally been presented in terms of categories of poor, excluded and vulnerable social groups, differentiated according to age, health status and relationship to formal labour markets. This emphasis on the formal sector has left out women in particular. Although some measures are targeted primarily at female-headed households, gender is rarely used as a differentiating lens through which to understand poor people's exposure to risk and vulnerability and to design social protection measures accordingly. At the same time, however, social protection programmes are rarely gender neutral, and poorly designed programme can exacerbate or contribute to inequalities (Luttrell and Moser, 2004).

Progress on gender equality is recognised as a critical factor in achieving the MDGs. Women and men face different constraints and barriers that can limit opportunities for women and girls. According to Kabeer's (2008) typology, these constraints can be:

- **gender-specific** (*i.e.* societal norms and practices that apply to women or men by virtue of their gender);
- **gender-intensified** (*i.e.* inequalities between household members reflecting norms and customs on the distribution of food, health care, access to property, etc.);
- **gender-imposed** (*i.e.* forms of gender disadvantage that reflect discrimination in the wider public domain).

* The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

Such constraints mean that girls and women are disproportionately represented among the extreme poor (DFID, 2005a) in many parts of the world. They not only limit women's access to the labour market, but also often confine working women to more poorly remunerated, more casual and more insecure forms of waged and self-employment, particularly in the informal economy, without access to social protection. Increasing informalisation of women's work and growing sources of vulnerability (*e.g.* due to rising food prices and climate change) affect women's ability to provide for their families and cope with insecurity. Moreover, women are particularly affected by the human rights violations, pervasive poverty and physical insecurity that often characterise fragile states (DFID, 2005b). These factors underscore the need for greater understanding about the rationale and policy and programme implications of a gendered approach to social protection (Box 2).

Box 2. Approaches to achieving gender equality and to social protection

Gender equality

A strategy often used to achieve the goal of gender equality in different sectors is based on a dual or twin-track approach. *Gender mainstreaming* is the integration of a gender perspective into every stage of the policy process – design, implementation, monitoring and evaluation - with a view to promoting equality between women and men. Gender mainstreaming is **not** concerned only with women, but with the relationship between women and men for the benefit of both. *Gender-specific actions* are required in addition to transform the inequalities between women and men that have been identified through gender analysis and mainstreaming (EC 2008).

Social protection

The full range of social protection interventions comprises protective, preventive, promotive and transformative measures (Devereux and Sabates-Wheeler, 2004).

- Protective measures are narrowly targeted safety nets for income and consumption smoothing in periods of crisis or stress (*e.g.* social assistance programmes for the chronically poor).
- Preventive measures seek to avert deprivation (*e.g.* social insurance such as pensions and maternity benefits).
- Promotive measures aim to enhance real incomes and capabilities, and provide springboards and opportunity ladders out of poverty.
- Transformative measures seek to address concerns of social equity and exclusion through social empowerment (*e.g.* collective action for workers' rights, building voice and authority in decision-making for women).

Social protection measures can have different and often overlapping objectives and impacts (*e.g.* simultaneously “promoting” incomes as well as “preventing” deprivation). Kabeer's (2008) “generative” model emphasizes that social protection measures can contribute not only to more livelihoods security for poor and vulnerable groups, but also to some of the mainstream goals of development, including economic growth, human development and good governance.

What are the linkages between gender, social protection and pro-poor growth?

Addressing gendered forms of vulnerability across the life cycle can lead to gains in gender equity, poverty reduction and human development, which is crucial for unlocking economic potential for pro-poor growth. The higher levels of vulnerability often faced by girls affect future productivity; they are more likely than boys to be kept out of school for domestic chores and home-based work (although boys run the risk of not attending because of income-earning responsibilities); and early marriage and childbearing may further restrict their education, skills development and opportunities.

Women's opportunities are also limited by their primary responsibility for childcare and domestic work, cultural restrictions on their public mobility in some regions of the world, and the gender segmentation of employment opportunities. Social security measures in many developing countries tend to be restricted to the small, male-dominated section of the workforce employed in the formal state and private sector. While their market contributions have become more important within household livelihood strategies, women are concentrated in informal and labour intensive work, often face particular risks and vulnerabilities (*e.g.* health risks, interrupted and insecure employment) and are less likely to have been able to save or contribute to pensions. In most regions of the world, women live longer than men and hence face a longer period of widowhood, and risk of decline into greater poverty and insecurity.

In looking at the relationship between social transfers and growth, the gender of cash transfer beneficiaries can make an overall difference to the effectiveness with which it stimulates investment and facilitates more efficient resource allocation within the household (Barrientos, 2008). Well-designed measures that take account of the possibility of both positive and negative synergies between women's work and children's welfare and recognise the barriers to women's advancement in the labour market have strong potential to contribute to the wider goals of economic growth, human development and social justice. There are a range of transmission mechanisms through which social protection can reduce poverty and strengthen growth effects at the micro-level, with particular benefits for women and girls.

Investment in human capital: Social transfers increase investment in human capital, particularly education and health, improving the underlying micro-level determinants of growth (Barrientos, 2008). For examples, studies show the following range of impacts:

Nutrition: Providing cash transfers directly to mothers and grandmothers is an effective strategy to improve child nutrition. South Africa's old age pension has had particularly positive effects on girls' nutritional status, with those in recipient households an average of 3-4 centimetres taller than their same-age counterparts in non-recipient households (Samson *et al.*, 2004).

Health: Research in South Africa estimates that receipt of the unconditional Child Support Grant (CSG) during the first 36 months of life gives a significant boost to child health (Aguero, Carter and Woolard, 2006). The self-reported health status of women in South Africa improves dramatically at 60 when they begin to receive a social pension. In Bangladesh, cash transfers interact with direct health interventions to improve immunisation, access to micronutrients and ante- and post-natal care for mothers (Devereux, 2007). Cash transfers have also shown promise to help mothers and children affected by HIV and AIDS in Cambodia, El Salvador and Kenya (Adato and Bassett, 2008).

Education: Family allowances, social pensions, and other cash transfers linked to school attendance tend to have positive gender effects (Tabor, 2002). In Bangladesh, the school stipend programme has helped achieve gender parity in primary education. There is evidence from rural Brazil that old-age pensions have helped increase school attendance, especially among 12-14-year-old girls (de Carvalho, 2000). In South Africa, the effects of social transfers on the education of girls are also strong (Williams, 2007). Increased opportunity for girls to access education can bring gender equity benefits across the life cycle (HAI, 2008).

Supporting women’s labour market participation: In Brazil, evidence suggests that its large-scale *Bolsa Familia* social transfers programme has had a major impact on women’s labour market participation. The participation rate of beneficiary women is 16% greater than for women in similar non-participating households. The programme has also reduced the probability of employed women leaving their jobs by 8% (Veras *et al.*, 2007). By linking to services such as pre-schools and day-care, encouraging girls to continue their education and otherwise easing the time burdens placed on women, it offers women more opportunity to seek and continue employment (SRC, 2008). Argentina’s *Jefes y Jefas de Hogar* public works programme has also increased the propensity of workers, particularly women, to participate in the labour force and to find a job in the formal sector (Devereux *et al.*, 2006). The unconditional Child Support Grant in South Africa is also associated with an increase in the labour force participation of mothers (Williams, 2007).

Supporting asset accumulation and risk management: Well-designed programmes that link with complementary services can also have a positive effect on women’s risk management and asset accumulation. In an asset transfer programme for ultra-poor women in Bangladesh, the value of the livestock provided is estimated to be doubling every 18 months (DFID, 2007). Social protection can also help provide women with the security to avoid hazardous livelihood options. For instance, there is some evidence that the Social Cash Transfer Scheme in Malawi has reduced the need for female and child-headed households to resort to ‘risky behaviour’ (*i.e.* transactional sex) to survive (Schubert and Huijbregts, 2006).

Improving intra-household resource allocation: Social transfers provided to mothers can have a positive impact both on women’s position in the household and intra-household resource allocation. Improving women’s position can also enable more efficient investment decisions that serve to maximise household income (Barrientos, 2008).

Enabling access to credit and promoting savings: Poor women are frequently highly credit constrained because they lack collateral to access loans. Social transfers, when regular and reliable, can help to alleviate such constraints, promote savings and enable women to invest in livelihood enhancing activities and contribute to growth.

Designing social protection programmes and policies to tackle gender-related risks

Social protection measures need to be designed to respond to different gender-specific categories of risk (Luttrell and Moser, 2004), which include:

- **Health risks** (*e.g.* infant mortality, disease);
- **Life cycle risks** (*e.g.* childbearing, divorce, widowhood);

- **Household economic risks** (e.g. increased expenditure for social obligations such as marriage and funerals);
- **Social risks** (e.g. exclusion, domestic violence, crime).

Many social protection programmes are designed to have multiple objectives, tackling different gender-related risks. Table 4 illustrates how various instruments address life-cycle and work-related vulnerabilities in the informal economy.

Table 4. Social protection instruments - gender related risks and impacts

Type of instrument/ policy response	Gender-related risk	Objectives	Gender-related impact analysis
Conditional and unconditional cash transfers for mothers and children (mainly targeted at mothers/ primary carers).	<ul style="list-style-type: none"> • Insufficient and/or unequal allocation of resources and opportunities between boy and girl children • Child labour, especially boys. • Female foeticide and child marriage. • Insufficient nutrition and pre- and post-natal care, and risks for working mothers. 	<ul style="list-style-type: none"> • Promote investments in children's health, nutrition and education. * Reduced maternal and infant mortality. 	<ul style="list-style-type: none"> • Improves survival, nutrition, health and education of girl children • Promotes and expands women's livelihood options. • Increases women's bargaining power in household and community. • Can bring excluded women into the circle of citizenship. • Improves nutrition and health of newborn and mother.
Childcare support for working mothers.	<ul style="list-style-type: none"> • Children may be left alone in the house or with an unreliable carer when mothers go out to work. 	<ul style="list-style-type: none"> • Reduce reliance on poor care arrangements and likelihood of adverse effects for children. 	<ul style="list-style-type: none"> • Improves access to education for girl children. • Expands women's employment opportunities. • Increases women's participation in public life.
School feeding programmes/after-school training.	<ul style="list-style-type: none"> • Children may not attend school due to domestic chores/home-based work (mainly girls) and child labour (mainly boys). 	<ul style="list-style-type: none"> • Promote investments in children's health, nutrition, and education. 	<ul style="list-style-type: none"> • Better nutrition and uninterrupted education promotes employability and productivity of next generation of workers.
Secondary school scholarships or additional stipends for girls.	<ul style="list-style-type: none"> • Double burden of work/ school leads to low productivity, fewer opportunities in adulthood, more likelihood of entering high-risk employment (e.g. hazardous industries, prostitution). 	<ul style="list-style-type: none"> • School retention for girls. 	<ul style="list-style-type: none"> • Can delay marriage of daughters aged 11-19. • Positive impacts for future health and well-being. • Overcomes parental indifference/reluctance over girls' education.

Type of instrument/ policy response	Gender-related risk	Objectives	Gender-related impact analysis
Employment-generating public works programmes.	<ul style="list-style-type: none"> • Gender-related inequalities in access to employment. • Loss of employment/ employment insecurity because of pregnancy or time taken out for childcare. 	<ul style="list-style-type: none"> • Cope with threats to income and consumption flows. 	<ul style="list-style-type: none"> • Can help to break inertia of on-going unemployment. • Creates infrastructure that may enable women's mobility or reduce workloads.
Social pensions.	<ul style="list-style-type: none"> • Costs of retiring or withdrawing from work in the absence of any work-related provision for retirement. • Widow's loss of assets to late husband's family; dependence on good will of children/family members. • Heavy childcare responsibilities where HIV and AIDS lead to high numbers of absent middle-age adults and vulnerable children. 	<ul style="list-style-type: none"> • Meet basic needs of elderly and destitute. 	<ul style="list-style-type: none"> • Can give elderly men and women some bargaining power. • Can act as recognition of women's unpaid work. • Improves security, dignity, self worth, status, particularly for elderly widows.
Legislation.	<ul style="list-style-type: none"> • Discrimination (e.g. inheritance, land ownership). 	<ul style="list-style-type: none"> • Women's empowerment. 	<ul style="list-style-type: none"> • Gives women tools for advancing their status and empowerment.

Source: Adapted from Kabeer, 2008, Tables 3.1 and 9.1.

Cash transfers focused on women and children: Whether conditional or unconditional, these transfers can play a key role in improving the allocation of resources and opportunities from a gender perspective. Both child allowances and maternity benefits are mechanisms for addressing gender-specific constraints. Provision of maternity benefits is important for the future health of children and can mean significant savings to health and welfare budgets (Lund and Srinivas, 2000). A new conditional cash transfer and insurance scheme launched by the Government of India for the girl child, aims to tackle gender-specific risks such as female foeticide, child marriage and dowry. Conditions include birth registration, immunisation and delaying marriage to eighteen.

Childcare support: This recognises women's dual responsibility in production and reproduction as well as the critical need to expand employment options for working women from low-income households. It is also an indirect means of promoting children's well-being and education and reducing child labour. Examples include Mobile Crèche, a voluntary organisation in India that meets the childcare needs of women workers in the construction industry, and *Hogares Comunitarios*, a government initiated programme in Guatemala.

School feeding: As an example of a programme with multiple impacts, the provision of mid-day meals to children in India not only improved their attendance and nutrition but also helped to generate jobs in the local community for members of a socially excluded group and allowed more regular participation in paid work by mothers.

School stipends: There is evidence to suggest that investment in girls' education has long-term social benefits. Programmes that promote keeping girls in school include provision of secondary school stipends for girls in Bangladesh, higher value of cash transfers for girls' education in Mexico and additional take-home rations for girls who attend school in Pakistan.

Public works programmes: Programmes such as India's National Rural Employment Guarantee Scheme can play a key role in providing immediate employment opportunities and mitigating seasonal hunger. Depending on programme design, skills training can also be provided for women. Women's participation varies considerably by region and programme design, and is often determined by childcare and domestic responsibilities as well as cultural norms and values (such as restrictions on women's mobility).

Pensions: Social pension schemes based on non-contributory transfer payments (rather than contributions) make an important difference to women's old age security, with evidence from several countries (*e.g.* Lesotho and South Africa) that contributions are pooled within the household with proven benefits for grandchildren. They also have important multiplier effects in the wider economy, giving rise to increased trade opportunities.

Legislation: Development, implementation and awareness-raising on laws to tackle discrimination (*e.g.* related to inheritance and land ownership) as part of a comprehensive social protection programme can have positive transformative impact on women's empowerment and status.

Knowledge gaps and debates on gender and social protection

Gender of the transfer recipient

Gender-based targeting needs to consider the national context and identify and mitigate any potential unintended effects. For example, there are negative reports from Bangladesh that domestic violence may increase with transfers to women (Luttrell and Moser, 2004). More therefore needs to be understood about the situations where women/girls or female-headed households should be preferentially targeted and the most appropriate mechanism. Female-headed households are not a homogenous group – for example, widows and abandoned mothers are more likely to be poor than women whose husbands provide remittances.

Women's empowerment

Individual studies indicate that social protection can help address gender imbalances in access to education, health and food. However there is currently a lack of reliable data on the overall empowerment effects (Molyneux, 2007). Recent studies suggest a mix of both positive and negative possible effects.

Research from Mexico's Oportunidades programme shows that giving cash only to women increases their decision-making role in household expenditure and their financial security, self-esteem and social status. A gender audit of Brazil's *Bolsa Familia* found that women's domestic status increased because the income received was regular, compared with other household members whose jobs and wages are uncertain (Suarez *et al.*, 2006). On the other hand, some argue that conditional cash transfers reinforce gender stereotypes. Many programmes assume that women are available to carry out the care-related obligations associated with conditional transfers without consideration of their breadwinning responsibilities or need for paid work, and to the neglect of any recognition of fathering responsibilities. Some Brazilian experts have commented that *Bolsa Familia* utilises the 'culture of mothering' without necessarily supporting the personal progress of women as active citizens (SRC, 2008).

Different types of social protection instruments

Food transfers: In certain circumstances, some authors have found that food may be more gender-equitable than cash transfers, if women have greater control over its distribution (Harvey, 2005). In Malawi, for instance, men dominate the Social Action Fund's cash-for-work programme, while women predominate in the World Food Programme's food-for-work initiative (Devereux, 2002). Subbarao (2003) documents that in Lesotho and Zambia, paying half the programme wage in food attracted more women than men. Based on studies to date, it is not clear whether this demonstrates the benefits of in-kind payments, the stigmatisation of food as a means of payment, or gender bias in other programmes (which often attract only a small percentage of women).

Childcare support: The popularity of cash transfers in the current social protection agenda of international donors has led to concerns that the role of the provision of subsidised childcare support for working mothers has received less attention from the research community. Yet, in India childcare was recognised by the 2002 National Commission on Labour as one of three main areas of insecurity in the lives of poor women, in addition to old age and access to health care.

Micro-finance: There is debate over the issue of micro-finance being included as a social protection instrument. Several authors (Kabeer, 2008; Devereux and Sabates-Wheeler, 2004) argue for its inclusion. They contend that schemes providing social insurance and economic opportunities can not only have a protective function but also provide promotional measures that offer 'opportunity ladders' out of poverty. In particular, loans to women have been found to have positive impacts on family welfare, children's schooling and women's voice and bargaining power within the home as well as the wider community. On the other hand, some studies show that the need to save regularly as a condition of group membership, to make timely payments and pay interest on loans and premiums on insurance, favours the moderately poor rather than reaching the extremely poor (Kabeer, 2008).

Insurance: The poor, especially women, have limited access to either private insurance against risk, given the underdeveloped nature of credit and insurance markets, or social insurance, given unstable and irregular wage employment and underemployment (Guhan, 1995). While micro-finance services to the poor have generally focused on credit and savings, there is now growing interest in various types of community-based insurance, especially in the area of health. FINCA Uganda, for

example has operated a single risk, not-for-profit health insurance scheme since 1998 to cover hospital costs in case of illness (see also Box 4, below).

Good practices in gender and social protection

Political will to adopt a gender mainstreaming strategy

High-level political will and commitment are essential for the integration of both gender and social protection into national policies and strategies and ensure adequate budgeting. Ethiopia's Productive Safety Nets Programme (PSNP) has established a framework for gender mainstreaming that is recognised to require continued leadership support, and provides lessons for other government sectors. Over the last two decades, OECD countries have made some progress in this regard. For example, the European Commission has recently developed a *Manual for Gender Mainstreaming, Social Inclusion and Social Protection Policies* for member states (EC, 2008).

Conducting a gender analysis

Conducting a gender analysis and assessment of sources of risk and vulnerability helps to inform appropriate social protection policy and programme responses, identify likely gender impacts and select suitable indicators. It can also assess unintended effects (e.g. on men and women's different informal networks and transfers) and identify potential mitigation approaches. Useful tools for gender analysis are the Harvard and Moser frameworks, and the social relations approach (World Bank, 2007). A life-cycle approach helps to outline the various risks and sources of vulnerability for men and women at different life stages. It is also important to consider rural–urban and regional variations. For example, a gender audit of Brazil's *Bolsa Familia* found that urban women emphasised greater ability to make choices and decisions, whereas rural women reported improved status due to their ability to make household financial contributions and enhanced awareness of Brazilian citizenship (Suarez *et al.*, 2006).

Considering gender in policy and programme design

Gender needs to be mainstreamed into all aspects of policy and programme design for social protection, including targeting, linkages with complementary services, institutional arrangements, awareness-raising and monitoring and evaluation. Design options may include a range of responses according to the spectrum of protective, preventive, promotive and transformative programme objectives, as appropriate.

Targeting transfers to women

The experience of conditional cash transfer programmes in Brazil, Honduras, Mexico, Nicaragua and South Africa has shown that children, particularly girls, in households with female pension recipients are more likely to be healthier and to attend school than if a male receives the grant (Samson, van Niekerk and MacQuene, 2006). A pilot programme in Papua New Guinea is explicitly based on the premise that a social cash transfer to women caring for children may support the achievement of a range of objectives (see Box 3), reflecting Kabeer's (2008) "generative" model, described earlier.

Box 3. Social cash transfers in Papua New Guinea

Papua New Guinea's draft national Child Protection strategy includes a pilot social cash transfer programme as a way to address women and children's vulnerability. The aim is to reduce the dependency of poor women on the informal "wantok" system (extended family, kin and clan groups). Programme objectives include poverty reduction, mitigating the impact of HIV and AIDS on affected children, women's empowerment and reduced domestic violence.

Source: Samson, 2008

Linking social protection provision for women with complementary services

An emerging lesson from global experience is that cash transfers alone are not as effective as cash plus key complementary interventions (Samson, 2008). Gender-related examples include providing childcare support for working mothers, enhancing recipients' access to the labour market through job training, and linking to agricultural input support. This type of integrated approach responds to the importance of recognising women's needs as workers as well as their needs as mothers.

Taking into account gender specific-constraints

It is important to ensure that social transfer programmes are designed to accommodate the needs of participating women. Examples include ensuring that transactions for eligibility and distribution of food or cash transfers take place at convenient hours and in culturally acceptable conditions.

An analysis of employment-generation schemes world-wide highlights the need to design interventions that are based on clear eligibility criteria and ensure gender equity. Government directives and quotas for including women can be effective. For example, India's National Rural Employment Guarantee Act 2005 calls for at least 33% of jobs to go to women. Where cultural constraints restrict women's mobility in the public domain, women-only projects or components of larger projects can help to overcome barriers (e.g. the Rural Maintenance Programme in Bangladesh). The distance of projects and the availability of childcare can also make a difference. The Employment Guarantee Scheme in the state of Maharashtra, India, not only guaranteed employment within eight miles of participants' villages but also provided childcare facilities on site (Engkvist, 1995).

A gender study of Ethiopia's PSNP highlights the importance of avoiding the months of heaviest agricultural workload for women (Helm Corporation, 2008). It also identified the need for improvements in the grievance procedures system, in order to explicitly consider the constraints to appeal experienced by women (e.g. time, transport, gender bias to speaking in public places) to ensure that women have fair access.

Supporting women's organisations and awareness raising

The absence of social protection and decent working conditions has resulted in initiatives by workers in the informal economy to organise and mobilise. An example of good practice in this regard is the Self Employed Women's Association in India (see Box 4). Belonging to an organisation is often the first step for women workers

in gaining recognition since their work is often devalued, particularly when conducted in the informal economy and on a self-employed basis. Research highlights the value attached by women to paid work, however precarious, and the importance given to social security measures covering ill health, death and contingencies over improving wages and work conditions.

Box 4. The Self Employed Women's Association (SEWA)

SEWA has helped to generate a model of organisation among poor women workers in India that combines trade union negotiating strategies with co-operative formation and provision of support services for members. Co-operatives increase members' livelihood security, which is critical for strengthening bargaining power and voice. SEWA Bank provides credit and savings services to members as well as an integrated insurance scheme, in partnership with nationalised insurance companies. Set up in response to members' concerns about health costs and loan defaults due to ill health, the insurance scheme has over 102,000 members and includes life, asset and health insurance. SEWA has also developed its own maternity benefit scheme.

Using multiple channels of communication is often critical for increasing women's participation in social protection programmes. Efforts to proactively recruit women to public works programmes often benefit from the presence of civil society organisations or women's groups that have already established contacts with poorer sections of the community, particularly female members. Knowledge of different social security measures is often higher among members of civil society networks, including micro-finance groups.

Developing robust monitoring and evaluation to assess gender impacts and inform programme development

Good quality monitoring and evaluation systems are essential for highlighting the differential impacts of social protection measures on men and women, informing evidence-based policy options and improving programme design (taking into account the preceding points). Gender-disaggregated indicators built into a programme's design may include indicators on wages, asset-holding, consumption, and changes in the health and nutritional status of women and men, boys and girls (Luttrell and Moser, 2004). Monitoring and evaluation in Papua New Guinea will focus on the extent to which social cash transfers empower women and promote child protection outcomes (Samson, 2008). In addition, there should be regular evaluations by independent assessors to ensure a greater degree of legitimacy. The Oportunidades programme in Mexico, for example, has been reviewed by independent external IFPRI researchers.

Both qualitative and quantitative approaches are important for providing balanced insights into programme impacts. In Brazil, the Ministry of Social Development commissioned a major quantitative survey of the impact of *Bolsa Familia*, complemented by two qualitative studies on gender and empowerment. The 2008 gender study of the PSNP in Ethiopia recommends ways in which the programme can better promote gender equality outcomes and build on the positive impacts in delivering benefits to women through cash transfers and income from public works.

Policy implications and suggestions for donors and partner governments

Ensuring a gender perspective in the design and implementation of different types of social protection policies and programmes can enhance effectiveness and efficiency and improve social protection outcomes for both women and men. Partner governments and donors can help ensure appropriate social protection responses to the differential risks and vulnerabilities faced by men and women by:

- Supporting effective gender analyses to improve understanding of the impact of changing risks and vulnerabilities (*e.g.* due to climate change and food price volatility) on men and women, and the implications for appropriate social protection responses over different timeframes;
- Strengthening the collection of gender-disaggregated data on poverty rates, programme coverage, income, nutritional status, access to health and education, and employment conditions to help identify ways to strengthen social protection programmes;
- Developing and broadening the evidence base on gender and social protection to also cover different types of instruments, including social insurance and innovative schemes to reach women working in the informal sector;
- Supporting capacity building of policy-makers in the design and implementation of gender-sensitive social protection policies and programmes, as appropriate to specific contexts;
- Supporting women's organisations and awareness raising efforts to increase women's participation in social protection initiatives.
- Designing gender-specific programme actions that help redress inequalities that prevent women and girls from benefiting from/participating in social protection programmes;
- Building institutional co-ordination between various stakeholders, and ensuring linkages and synergies with complementary sectors and service providers.
- Reviewing and supporting social protection legislation to strengthen mechanisms to address gender discrimination.

Notes

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Social Protection in Fragile States: Lessons Learned*

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- Mechanisms – how to expand the range of instruments available for social protection in fragile states?
- Financing – how to provide longer term, more harmonised and predictable funding for social protection in fragile states?
- Actors and delivery capacity – which actors or combination of actors could deliver social protection at scale in different contexts of fragility (governments, NGOs, UN agencies, private sector)?

Introduction

This paper examines the key issues around options for social protection in fragile states, drawing on a longer analytical report. It argues that the objectives for social protection in fragile states are essentially the same as in development contexts and that what is needed is adapting instruments, financing and delivery capacity to cope with fragility. It suggests three essential challenges:

The current situation in fragile states is far from ideal. Financing is short-term, unpredictable and not harmonised, delivery capacity is limited and, until recently, food aid has been the dominant response mechanism. This paper attempts to set out options which might enable international assistance for social protection to move beyond this status quo to deliver longer term, more predictable financing, for an appropriate range of actors to provide a wider range of social protection instruments.

The growing interest in social protection may provide an avenue for moving forward what has become a stagnant debate about the appropriate roles of relief and development actors in fragile states. As the need for social protection responses to chronic poverty becomes increasingly accepted there might be opportunities to expand welfare safety nets during periods of crisis to help people to deal with shocks. There may also be opportunities to develop projects that began as emergency interventions into longer-term social protection programmes.

* The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

Why is the topic important for promoting pro-poor growth?

A third of the world's poor live in countries where the state lacks either the will or the capacity to engage productively with their citizens to ensure security, safeguard human rights and provide the basic functions for development. Supporting fragile states to deliver basic social protection to their citizens could play an important role in promoting pro-poor growth in a number of ways.

Social protection is increasingly being seen as an appropriate and affordable response to address long-term poverty and vulnerability. There is a growing recognition by international donors and national governments that long-term welfare safety nets may be a key component of social protection strategies and that they may themselves have positive impacts on growth and development. Social protection has also been presented as an agenda that can strengthen the legitimacy of the state by allowing it to re-shoulder responsibilities for ensuring the basic survival of its citizens and so contribute to reducing political fragility and reducing the risk of a lapse back into crisis. Social protection can have the dual objective of addressing both economic and social risk and vulnerability. Darcy (2004) points out that in conflict and post-conflict contexts, the social protection agenda must be seen as part of a wider human security agenda that encompasses protection from intimidation and coercion.

Analytical framework

There are a range of conceptual frameworks used in debates around social protection. Devereux and Wheeler (2007) discuss five; the World Bank's social risk management framework, transformative social protection, asset thresholds, the POVNET approach and the universal social minimum. We argue that it isn't helpful to come up with another framework for social protection that is particular to fragile states. What is needed is to think through the particular challenges for social protection in different fragile state contexts.

Table 5 uses the transformative social protection concept to highlight some of these challenges. This explicitly frames humanitarian aid as a subset of social protection rather than a separate category. In practice humanitarian aid is often seen as different from social protection and policy is framed in terms of moving from a short term relief focus to a longer term social protection agenda. However, there is nothing in any of the definitions of social protection that would appear to form a sensible basis for excluding and indeed it is arguably one of the central planks of any set of; 'public actions that enable people to deal more effectively with risk and vulnerability to crises and tackle extreme and chronic poverty' (DFID, 2006b).

Table 5. Social protection in fragile states

Categories of social protection	Types of projects	Issues in Fragile States	Examples in Fragile states
Protection	Safety nets and social assistance Disability benefits Single parent grants Social pensions Fee waivers on health and education Child / orphan grants	Long term safety nets rarely in place Pre-crisis forms of social assistance may have collapsed but sometimes remain (e.g. Cash transfers continued to around 60,000 households in Iraq in 2003)	Food aid usually delivered by humanitarian actors often for many years but on the basis of year by year appeals so can't be planned long-term Cash transfers just beginning to be seen as an alternative to food aid Re-emerging interest in longer term safety nets (e.g. PSNP) but limited practical experience to date
Preventive	Social insurance – contributory pensions, health insurance, unemployment benefits	Again vestiges of old systems may be in place but rarely survive fragility	Interest in potential of insurance both at a micro level as a complement to micro-finance and at a national level through weather indexes and catastrophe bonds.
Promotive	Livelihood enhancing programmes – microcredit, public works	Emergency examples such as seed provision but these are often small scale and with concerns over impact and effectiveness	Seeds, tools and other input programmes. Cash and food for work Income generation programmes
Transformative	Advocacy, sensitization, rights campaigns	May be particularly important in fragile states where rights are more likely to be abused	Advocacy around protection Rights based approaches to programming Human rights advocacy

Key Controversies – competing or complementary principles

The terms of reference for this paper asked; ‘what underlying principles of engagement could donors follow in reaching the poorest people in fragile states through social protection?’ There are several sets of overlapping principles that could govern donor engagement in social protection in fragile states, which include the OECD principles for engagement in fragile states; the DAC endorsed good humanitarian donorship principles and the Paris and Rome declarations on aid effectiveness (OECD, 2005; OECD, 2007; GHD, 2003). Social protection does not have a similarly clearly delineated set of principles but does perhaps have underlying principles informing the way in which it is being framed in current discourse. Whether or not these principles are competing or complementary represents a key controversy around approaches to social protection in fragile states.

Humanitarian principles (as expressed in GHD) are often seen as solely applicable in humanitarian crises and therefore as ceasing to be applicable at some hard to define point when a fragile state is no longer a humanitarian crisis and developmental principles kick in. The problem with this is that transitions are rarely so neat, humanitarian needs continue and humanitarian and developmental principles need to be simultaneously respected, not least by donor governments that have made clear commitments to each of these sets of principles. It is therefore important to explore possible tensions between these principles.

The greatest potential tension is between the focus on state building and integration between political, security and development objectives within the fragile states agenda and the commitment to neutrality and independence within the humanitarian agenda. Relief and social protection are often framed in opposition to each other because it is assumed that relief is state avoiding and short term in contrast to social protection which has a longer-term perspective and is most appropriately delivered by the state. Humanitarian actors see themselves as trying to maintain space for independent and neutral humanitarian action which can continue to deliver lifesaving assistance in contexts where conflict is still ongoing (as in Afghanistan), where humanitarian needs are still acute and there is a risk of return to conflict (as in southern Sudan) or where states are blocking access to vulnerable populations (Somali Region in Ethiopia). Development actors, however, following the OECD fragile states principles are often focussed on 'state building as a central objective' in ways that may make maintaining independence and neutrality difficult. Navigating this dilemma is therefore central to any attempt to move from a humanitarian focus to a broader social protection agenda in fragile states.

Table 6. Complementary or Competing Principles

<p>The OECD outlines ten Principles for Good International Engagement in Fragile States and Situations (OECD 2007):</p> <p>Take context as the starting point</p> <p>Do no harm</p> <p>Focus on state-building as the central objective</p> <p>Prioritise prevention</p> <p>Recognise the links between political, security and development objectives</p> <p>Promote non discrimination as a basis for inclusive and stable societies</p> <p>Align with local priorities in different ways in different contexts</p> <p>Agree on practical co-ordination between international actors</p> <p>Act fast ... but stay engaged long enough to give success a chance</p> <p>Avoid pockets of exclusion</p>	<p>The Good Humanitarian Donorship Initiative comprises a set of objectives, definitions and principles for humanitarian action agreed by a group of donors in 2003 and endorsed by the DAC.</p> <p>Humanitarian action should be guided by the principles of humanity, impartiality, and neutrality, independence.</p> <p>Respect international humanitarian law, refugee law and human rights.</p> <p>Reaffirm the primary responsibility of states and strive to ensure flexible and timely funding.</p> <p>Allocate funding in proportion to needs.</p> <p>Involve beneficiaries in humanitarian response.</p> <p>Strengthen the capacity of countries to prepare for, mitigate and respond to humanitarian crises.</p> <p>Provide humanitarian relief in ways that are supportive of recovery and long-term development</p>	<p>Paris Declaration on aid effectiveness</p> <p>Ownership – partner countries exercise effective leadership over their development strategies and coordinate development actions</p> <p>Alignment – donors base their overall support on partner countries national development strategies, institutions and procedures</p> <p>Harmonisation – donors' actions are more harmonised, transparent and collectively effective</p>	<p>Social Protection Principles?</p> <p>These are not yet well defined but might include:</p> <p>A focus on the primary role of the state in delivery.</p> <p>A focus on coverage and effective targeting.</p> <p>A long term approach focused on sustainability in terms of financing and delivery capacity.</p> <p>A focus on rights and addressing social inequalities within social protection programmes</p>
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We argue in this paper that whilst these tensions are real, developmental and humanitarian principles are not necessarily contradictory. Humanity (a central focus on saving lives and alleviating suffering) and impartiality (aid according to need without discrimination) are principles that should be shared by developmental actors.

A focus on humanity might make it less acceptable to downplay humanitarian needs in a focus on statebuilding or security objectives at the expense of strategies to alleviate immediate suffering. A commitment to impartiality should be consistent with the fragile states principle of avoiding exclusion and promoting non-discrimination and would mean focussing on questions of coverage and access and on areas where state control remains weak or contested.

Neutrality and independence are too often taken as shorthand for disengagement from state structures rather than as necessitating principled engagement with states. The Good Humanitarian Donorship initiative and UN resolutions recognise that the primary responsibility for assisting and protecting their citizens during times of disaster rests with the affected state. Not taking sides in a conflict and maintaining independence can be perfectly consistent with working through government structures to provide services where there remains state willingness and capacity.

Development actors should be as committed as humanitarians to not taking sides in a conflict and for the same reasons as humanitarians; that if they are seen as supporting one side or the other it will threaten their ability to provide support to civilians on both sides of a conflict. There is also just as strong a need for an independent civil society able to be critical of government and donors and hold them to account in development contexts as humanitarian ones. The OECD DAC fragile states principles talk about ‘recognising the links between political, security and development objectives’ but the problem with positive sounding commitments to greater integration or coherence is that development or humanitarian objectives are in practice likely to be subordinated to more powerful political and security objectives. A focus on the independence of developmental objectives as desirable in their own right might help to combat the inappropriate instrumentalisation of development assistance for political and security ends.

Principle in Nepal

The space to operate programmes (whether relief or development) in a conflict depends on the consent of the warring parties and the host communities. In Nepal, development agencies are facing increasing difficulties from the parties to the conflict that may hamper or limit access, while at the same time protection needs for communities are increasing

One response to this challenge by the international community and its implementing partners has been the adoption of Basic Operating Guidelines as a statement of both the standards and principles by which agencies in Nepal operate. The Guidelines are innovative in that, unlike the majority of codes of conduct in other countries they were drawn up in a conflict environment where there are no immediate humanitarian needs or large-scale relief programmes.

Source : Armon et al. 2004: 25

The other aspect of this debate that needs to be unpicked more carefully than it has been to date is the OECD commitment to ‘state-building as the central objective’. Few would argue that having legitimate and accountable states able to fulfil core functions is a desirable long-term objective in fragile states but that rather begs the question of whether or not you would want to build the capacity of particular government regimes at any given moment. How to engage in a principled fashion with states that are failing to meet the basic needs of their citizens and may indeed be complicit in abuses of human rights law and, in extreme cases crimes against humanity, is clearly hugely difficult. A focus on principles of humanity, neutrality, impartiality and independence may help in navigating these dilemmas. The ultimate objective of state building might at times require distance from particular regimes and advocacy, influence and political pressure on the part of international actors to encourage states to live up to their responsibilities to protect and assist their citizens in the face of crisis.

Social protection does not have a clearly articulated and agreed set of principles in the same way that humanitarian aid and the fragile states agenda have developed. Some of the social protection principles suggested in Table 6 are straightforwardly compatible with humanitarian and fragile states principles. The focus on coverage and targeting is clearly compatible with principles of impartiality and avoiding exclusion. The focus on the primary role of the state and governance fits well with the fragile states agenda around state building. The focus on rights and addressing social inequalities fits well with commitments to non-discrimination and the increasing focus of humanitarian actors on rights based approaches and protection challenges (O'Callaghan and Pantuliano, 2007).

A dilemma arises around the question of sustainability and what the term means in contexts of fragility. Safety nets had long been seen as unsustainable and unaffordable for developing countries but social protection is increasingly being seen both as potentially affordable within budget constraints and as something that donor governments can make long term commitments to (Devereux and Wheeler, 2007). In practice, in highly aid dependent fragile states sustainability in terms of a government's ability to finance its own social services is often a distant objective and is likely to require long-term donor commitments.

Good practice: What do we know so far and still need to know?

There is a need to be cautious in making judgements about good practice as this is a newly emerging theme and practice remains limited. There is also a huge lack of rigorous evaluation or evidence based research on which to make judgements on whether practice is good or bad. There is a large amount that we do not know and a clear agenda for further research and learning around these issues. Nevertheless, there is some emerging experience which this paper describes in the next three sections around new instruments for social protection, innovations around financing and the actors involved in delivery of social protection.

Instruments for social protection in fragile states

The full range of social protection instruments available in wider development contexts should be considered in fragile states. Rather than restricting the range of instruments available the focus should be on adapting them to contexts of fragility and applying them in a manner consistent with core humanitarian and development principles. Arguably, part of the limitation of humanitarian programming in fragile states has been the use of too narrow a range of instruments and a failure of imagination in programming.

In fragile states humanitarian aid has often been the primary mechanism for providing social protection. Where the state has been unable to provide basic services for its citizens international humanitarian actors have taken on this role and this has long served as an instrument of last resort in fragile states. However, there are a number of limitations with humanitarian aid, not least because it is primarily delivered by international actors, there are concerns that it undermines national and local capacities and could thus be detrimental to notions of state-building and the political contract between a state and its citizens (De Waal, 1998). Furthermore, the reach of humanitarian actors is often limited and the resources they have at their disposal inadequate, so needs may not be met adequately. In long-running crises, what is designed as a short-term instrument for meeting acute needs ends up as an inadequate instrument for meeting long-term needs. In recognising these limitations of humanitarian aid it is important not to lose sight of its

very real strengths. Humanitarian actors have shown a consistent ability to deliver a range of services even in the midst of conflicts and their implementation capacity and expertise is clearly invaluable.

There has been growing interest in and experience with the role of cash transfers in both emergency relief and longer term social protection. Cash transfers have been successfully delivered in fragile states such as Somalia, Afghanistan and DRC, even where conflict was still ongoing (Harvey, 2007). Until recently, relief provision has been dominated by the in-kind provision of assistance in the form of food aid, seeds, shelter materials and non-food items (buckets, blankets). Concerns about the feasibility of cash have centred on whether it would be harder to target, more prone to corruption, inflationary in weak markets, disadvantageous to women and impossible to deliver safely in conflict environments. Recent experience has suggested that these concerns do not necessarily materialise, even in fragile states. Cash transfer projects have not been inflationary and women have been able to have a say in how money is spent. Corruption and insecurity clearly remain important concerns but cash has not been more prone to corrupt diversion than in-kind assistance even in conflicts. Evaluations of cash transfer projects have also suggested that cash can be more cost effective than in-kind assistance, can create positive multiplier impacts in local economies and it provides people with greater choice which can create opportunities for productive investment and spending on key social services. Recipients have overwhelmingly been found to spend cash sensibly on immediate basic needs and, if more generous amounts are provided, on critical investments in livelihoods and in accessing health and education services. The fact that cash transfers have been successfully used in some emergency contexts does not mean that they will always be appropriate. What is needed is the capacity to make informed decisions about what range of mechanisms should be used in delivering social transfers.

Interventions that could be included within a social protection umbrella focussed on agricultural production remain extremely important where agriculture based livelihoods continue to support the majority of the population. Traditionally, agriculture interventions in fragile states have tended to remain narrowly focussed on distributions of seeds and tools often with large questions marks over their appropriateness (Levine and Chastre, 2004; Longley, 2006). Seed vouchers and fairs have recently been used as alternative to in-kind seed distributions and cash support may also enable local purchase of seed (Bramel *et al.*, 2004). There are, however, a much wider range of possible interventions both in terms of projects and policies that could be used to support agricultural livelihoods which would be potentially applicable in fragile states such as input subsidies, interventions to support markets and infrastructure development (Sabates, Wheeler *et al.*, 2007). Some of them may be particularly appropriate. For example, investments in infrastructure such as irrigation and feeder roads and in support to markets may be particularly needed in post conflict contexts where infrastructure has been badly eroded and markets weakened.

Subsidies, whether of food or agricultural inputs have been largely off the donor policy agenda for some time but recent experience with an agricultural inputs subsidy in Malawi has been very positive. Evaluations suggest that the subsidy led to an additional 600-700 000 tonnes of maize were produced in 2007, once the impact of rainfall was controlled for. Two million households were able to buy fertiliser at less than a third of the retail price using private sector as well as state owned outlets for distribution (DFID, 2007a; Dorward, 2007). National, government led subsidy programmes may well be beyond the capacity of many fragile states but as with other social protection instruments, subsidies may still be possible with international support and may be

particularly relevant in kick-starting agricultural production in post-conflict environments.

Public policy measures to reduce the burden of critical expenditure items on household income are an instrument that has seldom been used but has significant potential (Save the Children UK, 2006). An example is policies to waive fees for health and education or to expand free schooling and health care which are often major items of expenditure for poor households.

There is increasing interest in the possible use of insurance mechanisms as a form of response to food insecurity and disasters. Micro-finance providers have been examining the possibility of extending their product range to provide micro-insurance and at a more macro level some governments have taken out 'catastrophe bonds' against extreme weather events and UN agencies have been piloting weather based insurance indexes (WFP, 2005). Market based options contracts may present another policy option. There has also been discussion, but little practical experience, around the potential for micro-finance in conflicts and fragile states (Miamiian, 2005).

Interventions to support pastoralist livelihoods and livestock production such as destocking and fodder provision are another area where there is considerable scope for expansion and innovative programming (Catley *et al.*, 2005; Alinovi *et al.*, 2007). Abede *et al.* (2007, forthcoming) describe a commercial de-stocking intervention which was piloted in southern Ethiopia during the drought in early 2006. The intervention led to the estimated purchase of 20,000 cattle valued at USD 1.01 million. In terms of aid investment, the approximate benefit-cost ratio was 41:1 for the intervention.

There may also be a need for specific support for particular vulnerable groups such as people with disabilities, the elderly and orphans and other vulnerable children. Programmes that provide support to people living with HIV/AIDS through home based care may be one example of a possible intervention that builds on community support mechanisms. In Zimbabwe, for instance, the Protracted Relief programme support home based care programmes and WFP provides food aid integrated with other forms of support (DFID, 2007c).

This section has attempted to provide some examples of the wide range of instruments potentially available within the broad umbrella of social protection. There is a need to consider a wide range of possible instruments in each context and not narrow programming options down unnecessarily. Safety nets or social assistance, whether in the form of cash or food, may need to be complemented with interventions aiming at supporting productive activities and markets.

Financing

Ensuring adequate and sustainable financing for social protection in fragile states remains difficult with states own resources constrained and donors reluctant to enter into long-term commitments. There is, however, a clear need to attempt to move away from inadequate, short-term and project specific funding and provide longer term, more harmonised and predictable funding for social protection.

Being able to deliver longer term, more predictable funding would provide key advantages for both aid agencies and disaster affected populations. For aid agencies, a move to longer term funding would enable them to plan and programme much more strategically, to invest more in staff skills and capacity and make longer term

commitments to communities and local partners. For disaster affected populations, a key advantage of longer term funding would be predictability. One of the important drawbacks of humanitarian assistance is that it is often unreliable. If longer term social protection could be delivered more predictably households would be able to plan it within their own livelihood strategies and coping mechanisms.

Donor governments have attempted to harmonise in part through the development of new financing mechanisms to provide support in fragile states. As Leader and Colenso (2005) argue; ‘various ways of pooling funds such as multi donor trust funds and joint programmes can promote a more programmatic and long term approach to service delivery (Leader & Colenso, 2005). Project based approaches can also provide predictable funding over time and incorporate varying degrees of alignment to government systems. In Zimbabwe, DFID’s Protracted Relief Programme was established in part as an alternative to annual relief programmes with food aid as the main component and funds 12 major NGOs on a multi-annual basis for a diverse range of activities aimed to boost food production, improve access to water and provide care for the chronically ill (DFID, 2007b). The Productive Safety Nets Programme in Ethiopia is another example of an attempt to move from annual relief appeals to more multi-annual and predictable financing of social protection.

Social funds (providing support to communities for small projects) have been seen as possible social protection instruments. Social Funds have enabled the World Bank to respond rapidly in the aftermath of natural disasters in part due to simplified procedures, good management and operational autonomy and the approach itself which takes advantage of a wide range of available implementation capacity. Where social funds are already in place, teams can act immediately in concert with municipal governments and other agencies to prioritise and implement projects (World Bank, 2007). In the aftermath of the earthquake the Pakistan Poverty Alleviation Fund responded quickly through the establishment of a Disaster Relief Centre by day two and the reallocation of USD 5 million from existing project funds to relief activities. In Madagascar, an existing Community Development Project added a social protection component focussed on public works in urban communities which was used as a risk mitigation mechanism following cyclones in 2004. A relief component was also added, procedures were simplified and beneficiary contributions waived or reduced in hard hit areas. Emergency activities were contracted out to UNICEF and technical audits were carried out during implementation to allow reorientation of procedures (Rakis 2006; Independent Evaluation Group 2006).

What emerging experience suggests is that there are a wide range of possible financial instruments that can be developed to provide more harmonised, predictable, multi-year funding in fragile states. Putting these sorts of programmes in place, however, would require longer term commitments from donors willing to fund multi-year programmes and so engagement from development actors as well as humanitarian departments often only able to make short-term commitments. Various approaches to providing more harmonised and joint funding such as multi-donor trust funds have potential but attention needs to be focussed on how they work in practice as well as supporting the general principle of harmonisation.

Delivering social protection: Actors

Providing any kind of social assistance requires delivery capacity in terms of planning, coordination and the actual delivery of inputs, cash, food, or goods to people.

Ideally, social protection should be provided by the state but the reality of fragile states means that either the state does not have the capacity to deliver such transfers, or donors are not willing to work with it for political reasons, or it does not have control over all its territory.

Where the state is incapable of or unwilling to engage in delivering social protection, international aid actors may take on more responsibility for social protection. It is in these contexts that humanitarian aid has usually been and remains the primary instrument for social protection. Where this is the case, longer term social protection is still needed, but would need to be delivered through non-governmental and UN actors. Approaches such as the Protracted Relief Programme in Zimbabwe provide examples of how donors can support international aid actors in ways that enable them to move beyond short term emergency appeals whilst maintaining a principled engagement with state structures (DFID, 2007). The Temporary International Mechanism in the Occupied Palestinian Territories provides another example (TIM, 2007; Grupo Sogges, 2007). An evaluation of the TIM concluded that it; ‘has been an innovative instrument capable in a very difficult and complicated environment, to quickly mobilise resources from a number of different donors and to target them efficiently to the most needy, at a time when political constraints impose that, in order to participate, potential donors must assure transparency and accountability which can be provided only by rigorous and complete fiduciary procedures’ (Grupo Sogges: 4).

Even if social protection is provided primarily through non-state actors there may still be a need to respect state sovereignty and to attempt to involve the government, where possible. One way of approaching this is shadow systems alignment, which aims to ensure that the capacity of the state to deliver in the future is not undermined. Shadow systems alignment, in the short-term, would organise aid delivery to be compatible with existing or future state structures rather than duplicating or undermining them. The long-term aim is for the state to provide these services (ODI, 2005).

In improving contexts, there may be enough state capacity or willingness for the state to play a central role and for donors to be willing to fund a state. Where this is the case, it is clearly preferable and can enable social protection to fulfil state building objectives. For example, an evaluation of the Social Development Fund in Yemen, which provides funding for a broad range of social development projects such as education, health and road building, concluded that; ‘it is contributing to the promotion of solid systems of governance that underscore state building.’ (Jennings, 2006: 6). In Afghanistan, the National Solidarity Programme, which provides block grants to Community Development Councils for social and productive infrastructure and services, has as its key objective strengthening community level governance in order to address the lack of social cohesion brought about by almost three decades of conflict and provides a vehicle for ‘re-building the trust between the central government and its citizens (NSP, 2007).

There is a need to be realistic about the delivery capacity of a state. In particular there is need to guard against moving from a situation where there is expensive and patchy but effective NGO delivery to one where the government is providing services in theory but in practice does not have the capacity. This can result in a collapse in entitlements as health clinics or schools stop functioning because people are not being paid or supplies such as drugs are not being delivered.

Where government capacities are limited it may still be possible to engage with relevant line ministries in the development of policy. The ministries responsible for social protection and welfare safety nets have often become relatively weak because of the lack

of investment in this field compared to ministries of health or education. Engaging relevant line ministries in debates about social protection policies may be part of the process of rebuilding some analytical and implementation capacity within governments to deliver social protection.

Box 5. Protracted Relief Programme in Zimbabwe

This DFID funded programme supports 12 major NGOs in a diverse range of activities aimed at boosting food production, improving access to water and providing care to the chronically ill. Technical support is provided by UN agencies international agricultural research centres.

Agricultural support interventions include targeted input distributions, seed multiplication, nutrition gardens and conservation farming. Block grants are provided to schools in exchange for fee waivers for orphans and vulnerable children. Support is also provided to home based care, savings and loans and a range of water and sanitation interventions.

DFID argues that this is an innovative programme because it:

- Is operating at a significant scale with almost 1.5 million people likely to be reached in 2007.
- In a situation of declining government services, NGOs are showing themselves able to deliver services on a large scale
- Interventions using simple technologies such as conservation farming, home based care and water pumps are having significant impacts.
- It demonstrates that it is possible to improve agricultural livelihoods despite pessimism about the sector.
- It utilises community based support mechanisms on a large scale.
- It combines local and international NGOs, UN agencies and local government in ways that encourages learning and cooperation.
- Learning support is designed into the programme through a Technical Learning Unit.

Samson and MacQuene (2006) argue that a diverse toolkit of instruments that tackle social protection, livelihoods protection and food security has proven valuable and is appropriate given the complex situation in Zimbabwe.

Source : DFID 2007b and c; Samson and MacQuene 2006

Where it is difficult to engage with central government departments due to lack of capacity, willingness or political differences it may still be possible to work with local governments in service delivery. In Zimbabwe the Protracted Relief Programme (Box 5) has significant involvement with government agencies at Provincial, District and village levels and some engagement from the agricultural research and extension agency within the Ministry of Agriculture. UN agency partners in the programme, Food and Agriculture Organisation (FAO) and UNICEF, have played a key role in liaising with the government at national level about the programme (Jones *et al.*, 2006). The multi-donor programme of support to orphans and vulnerable children through UNICEF and the multi-donor Expanded Support Programme, for HIV/AIDS, Prevention and Treatment, are both in line with the national HIV/AIDS strategy and are examples of how donors can respect and support government sovereignty even in extremely difficult policy environments. The Expanded Support Programme relies on UN agencies for implementation, and managed

by a working group made up of government, donors, UN agencies and civil society (DFID, 2007d).

Conclusion and policy implications for donors

The paper argues that existing social protection frameworks provide an appropriate starting point for addressing social protection in fragile states. What is needed is to think through the particular issues for social protection policies and programmes in different contexts of fragility. These centre round the need for principled engagement with states to find flexible ways of utilising a wider range of instruments, financing and actors to deliver social protection in contexts where it is desperately needed.

Donors are committed to both humanitarian principles of humanity, neutrality, independence and impartiality and the OECD principles for engagement with fragile states. This presents dilemmas around how to maintain independent humanitarian space and focus on state-building as the central objective. The paper argues that these are not necessarily incompatible. More work, however is clearly needed to look at how commitment to both sets of principles works in practice in particular contexts and in particular to unpick what a commitment to state building entails.

A commitment to the humanitarian imperative to act in the face of suffering implies a need for caution in moving away from relief whilst humanitarian needs are still present and trade-offs between short-term effectiveness in delivery against longer-term state building objectives. Impartiality, non-discrimination and avoiding exclusion both imply a need to focus on coverage and implementing social protection programmes on a large-scale and without excluding particular geographic areas or population groups. Independence and the fragile states principle of state building and to 'align with local priorities in different ways' implies a need for flexibility and adaptability in terms of the actors involved in delivering social protection. Where governments are unable or unwilling to be engaged or actively involved in widespread abuses of human rights relating to social protection then it is clearly sensible to work through international actors. Decisions about who to work with clearly need to be context and time specific and unavoidably involve political judgements about particular government regimes and their degrees of capacity and will. Even where working directly with and through the state is not possible, the long term objective needs to be to encourage states to live up to their responsibilities to protect and assist their citizens. Opportunities to move towards this may be possible with shadow alignment strategies and in working with line ministries and layers of local government where technical capacity remains.

Donor engagement in social protection is often framed about financing for projects and programmes. There may also, however, be important opportunities to engage in and influence policy debates about the appropriate role of social protection in fragile states. Many entry points are opening up for discussion and engagement of social protection as interest in social protection continues to move up the policy agenda for both national governments and international agencies. As noted in the introduction the evidence base around what works in practice in terms of different instruments, financing mechanisms and actors involved in social protection is very thin. One way that donors could play an important role in moving forward the policy debate would be by supporting more in-depth research into the implementation of different social protection policies and programmes in specific contexts.

Delivering social protection on a large scale is vital to both meeting needs more effectively and living up to principles of impartiality. Different financing mechanisms such as joint programmes and multi-donor trust funds may provide opportunities to operate on a larger scale but there is a need to be cautious about how they work in practice in particular contexts. Fundamentally, increasing the scale of social protection is about greater resources and longer term multi-annual commitments of bigger funding in difficult environments. Whether social protection is delivered through international actors, governments in joint funding or project by project mechanisms, expanding coverage implies that more money is needed. Sustainability, in the sense of governments being able to take over the financing of social protection programmes through domestic revenues is probably a long term objective and donors need to be able to make long term commitments to financing social protection.

There's a need for caution in making recommendations relating to what is a new and emerging agenda where the evidence base remains thin but the Box 6 below might provide a starting point.

Box 6. Recommendations on addressing social protection in fragile states

Flexibility and adaptability are key in terms of actors, instruments and financing.

- There's a need to be pragmatic about working with a range of actors and to balance the desire to build state capacity with the need to maintain access to basic services and potentially life-saving assistance.
- There's a need to utilise a much wider range of possible social protection instruments within broad social protection strategies. For too long, aid in fragile states seems to have been constrained by a failure of imagination about what's possible.
- There are tensions between fragile states principles focussed on state-building and humanitarian ones focussed on independence and neutrality but donors have committed to both sets of principles and both need to be respected. Navigating these tensions means finding principled ways of engaging with states to both alleviate immediate suffering and move gradually towards longer term, sustainable capacity to deliver state-led social protection.

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Climate Change Adaptation, Disaster Risk Reduction and Social Protection*

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- Comprehensive social protection that aims to prevent impoverishment - and protect, promote and transform livelihoods and social relations - provides significant opportunities to help people adapt to climate change.
- Social protection policies and programmes need to consider climate change in order to effectively address the multiple risk and vulnerabilities faced by the poor and excluded.
- Developing social protection approaches for climate change adaptation requires a rigorous evidence base and an improved understanding of social impacts and policy and implementation processes.

Poorer developing countries are especially vulnerable to climate change because of their geographic exposure, low incomes and greater reliance on climate sensitive sectors, particularly agriculture. People exposed to the most severe climate-related hazards are often those least able to cope with the associated impacts, due to their limited adaptive capacity. This in turn poses multiple threats to economic growth, wider poverty reduction, and the achievement of the Millennium Development Goals (ADB *et al.*, 2003; Stern *et al.*, 2006). Within this context, there is growing recognition of the potential role of social protection as a response to the multiple risks and short and long-term shocks and stresses associated with climate change. Stern (2008) argues that social protection could become one of the priority sectors for adaptation in developing countries. To date however, little is known about the linkages and value of social protection for adaptation in practice.

By exploring the relationship between climate change adaptation, disaster risk reduction (DRR) and social protection, the Institute of Development Studies (IDS) researchers have developed the concept of 'adaptive social protection'. Adaptive social protection involves examining the role of social protection in strengthening adaptation, for example, in developing more climate-resilient livelihoods. This paper outlines linkages between the three fields and assesses good practice within current social protection mechanisms. Recommendations for policy-makers are made including issues to be examined further, challenges to be met and gaps in knowledge to be filled.

* The opinions expressed and arguments employed in this paper are the sole responsibility of the authors, and do not necessarily reflect those of the OECD or the governments of its member countries.

Risk and vulnerability in the context of climate change

“Climate change will make it impossible for the world to achieve the Millennium Development Goals. Poverty is bound to increase. Food security is bound to get worse.”

Professor Richard Odingo, vice-Chairman of the IPCC.

There is growing evidence that climate change is increasing the frequency and intensity of climate-related hazards, and hence the level and patterns of often inter-related risks, exacerbating levels of vulnerability for poor and excluded people. Poverty and social impacts, though generally not well-understood, are likely to be profound and will impact humans through a variety of direct (changes in climate variables) and indirect pathways (pests and diseases; degradation of natural resources; food price and employment risks; displacement; conflicts, negative spirals) (Heltberg *et al.*, 2008a).

For many poor rural people, reliance on subsistence agriculture means that the impact of climate shocks and stresses are likely to have negative implications for their food and livelihood security, human capital and welfare. Risks and uncertainties, often associated with seasonality, are typically embedded in agricultural practices and poor people often have considerable experience of coping and risk management strategies, which need to be built upon in developing more resilient livelihoods.

Climate change also has implications for the urban poor and for rural-urban change. Most informal urban settlements are built illegally and without formal planning. Limited availability of water, high child and infant mortality rates and a very high disease burden (malaria, tuberculosis, diarrhea etc.) are common characteristics of such informal settlements (Satterthwaite *et al.*, 2007). Planning for climate change in such situations will be extremely difficult when governments have limited authority and capacity to address the risks posed by existing hazards (*ibid.*).

With climate change negatively impacting rural livelihoods, migration from rural to urban areas is increasingly likely to become the favoured adaptation strategy of the mobile, rural poor. This will further exacerbate the problem of people living in urban fringe hazardous environments with potential risks of social unrest. At the same time, the greater concentration of people creates opportunities for more effectively managing climate change risks *vis-à-vis* people living in remote rural locations. Furthermore, migration should not be viewed as a universally negative impact of climate change; it can serve a positive function. For both the poor and non-poor, migration can be an accumulative strategy (Scott, 2008). For example, rural agricultural labourers may choose voluntary internal migration from rural to urban areas in the aftermath of a shock in order to move from the agricultural to non-agricultural sector. However, migration is not an option for all, especially the chronically poor or specific vulnerable or excluded people, who may face discrimination and severely limited mobility.

Poor people in Africa often face already high risks and use informal and often ineffective means to protect themselves against those risks, in the context of very low coverage of government and market-based instruments (Heltberg *et al.*, 2008b). With climate change likely to result in an increased magnitude and frequency of shocks, innovative approaches to social protection and DRR will be needed to bolster local resilience, support livelihood diversification strategies, and reinforce people's coping strategies.

The social dimensions of climate change – differentiated impacts:

The impacts of climate change will be overlaid onto existing vulnerabilities of both the rural and urban poor and excluded, such as vulnerability to seasonality, to poor health and to market fluctuations (*e.g.* food and fuel price volatility). Poor communities are not homogenous however, and it is important to understand the differentiated social impacts of climate change based on gender, age, disability, ethnicity, geographical location, livelihood, and migrant status (Tanner and Mitchell, 2008). Some specific examples include:

- Gender: Water and climate change**
 Men and women have distinct roles in water use and management, leading to different needs and priorities. Climate change will increase the time taken to collect water in rural areas, a task mainly done by women and girls, due to travelling greater distances to find water. In urban areas, water collection is also an issue as women and girls may spend hours queuing for intermittent water supplies (Brody *et al.*, 2008).
- The Elderly: Health and climate change**
 The elderly are likely to be particularly vulnerable especially where social protection is limited or non-existent. They are at high risk from climate-change related impacts like heat stress and malnutrition and in rural areas can face restricted access to healthcare, as they are often unable to travel long distances to the nearest health facility (Brody *et al.*, 2008).
- Children: Drought and climate change**
 Children are at highest health risk from inadequate water supplies during drought, and also predicted changes in vector-borne diseases. They are also at highest risk of malnutrition, with long-term implications for overall development. Children may also be at risk of early entry into work and exploitation in order to cover lost income from agriculture (Bartlett, 2008).

Understanding the intra-household dynamics around how age and gender influence resource access and time expenditure, and anticipated impacts of shocks, is critical for addressing future adaptation needs. Table 7 below describes some the potential impacts of climate change on vulnerable groups, wider society, health, agriculture, water resources, and urban areas.

Table 7. Examples of possible impacts of climate change due to changes in extreme weather or climate events by sector

Phenomenon and direction of trend	Likelihood of trend based on projections for the 21st century using SRES scenarios	Agriculture, forestry and ecosystems	Water resources	Human health	Settlement and society
Over most land areas, warmer and fewer cold days and nights, warmer and more frequent hot days and nights	Virtually certain ³	Increased yields in colder environmental; decreased yields in warmer environments; increased insect outbreaks	Effect on water resources relying on snowmelt; effects on some water supplies	Reduced human mortality from decreased cold exposure	Reduced energy demand for heating; increased demand for cooling; declining air quality in cities; effects on winter tourism

Phenomenon and direction of trend	Likelihood of trend based on projections for the 21st century using SRES scenarios	Agriculture, forestry and ecosystems	Water resources	Human health	Settlement and society
Warm spells/heat waves. Frequency increases over most land areas	Very likely	Reduced yields in warmer regions due to heat stress; increased danger of wildfire	Increased water demand; water quality problems, e.g. algal blooms	Increased risk of heat related mortality, especially for elderly, sick, very young and socially isolated	Reduction in quality of life for people in warm areas without appropriate housing; impacts on elderly, very young and poor
Heavy precipitation events. Frequency increases over most areas	Likely	Damage to crops; soil erosion; inability to cultivate land due to water logging of soils	Adverse effects on quality of surface and groundwater; contamination of water supply; water scarcity may be relieved	Increased risk of deaths, injuries and infectious, respiratory and skin diseases	Disruption of settlements, commerce, transport and societies due to flooding; pressures on urban and rural infrastructures; loss of property
Area affected by drought increases	Likely	Land degradation; lower yields/crop damage and failure; increased livestock deaths; increased danger of wildfire	More widespread water stress	Increased risk of food and water shortage; increased risk of malnutrition; increased risk of water- and food-borne diseases	Water shortages for settlements, industry and societies; reduced hydropower generation potentials; potential for population migration
Intense tropical cyclone activity increases	Likely	Damage to crops; uprooting of trees; damage to coral reefs	Power outages causing disruption of public water supply; water	Increased risk of deaths, injuries, water- and food-borne diseases; post traumatic stress disorder	Disruption by flood and high winds; withdrawal of risk coverage in vulnerable areas by private insurers; potential for population migrations; loss of property
Increased incidence of extreme high ⁴ sea level (excludes tsunamis)	Likely ⁵	Stalinisation of irrigation water, estuaries and fresh water systems	Decreased fresh water availability due to salt water intrusion	Increased risk of deaths, injuries by drowning in floods; migration-related health effects	Costs of coastal production versus costs of land-use relocation; potential for movement of populations and infrastructure

Source: Sabates-Wheeler *et al.*, 2008

The benefits of a combined approach to climate change adaptation, disaster risk reduction and social protection

The increase in covariate (environmental and health) risks due to ongoing and future climate changes - and the demonstrated adverse impacts of such risks - make it important to scale up interventions to reduce household vulnerability (Heltberg *et al.*, 2008a). As outlined in Table 8, rural and urban livelihoods are already affected by shocks that are threatening their sustainability, with negative implications for the poor and excluded. People's livelihood strategies in many areas may change significantly over the next 20 to 30 years. Increasing levels of physical and economic vulnerability could result in increasing numbers of households, who are dependent on agricultural livelihoods, becoming highly vulnerable to even small shocks (Cipryk, 2008). This questions the assumptions upon which many social protection policies are based and highlights the importance of ensuring that social protection approaches are relevant to the needs of the population, particularly the poorest and excluded, at threat from climate change. Social protection policy needs to learn from and incorporate DRR and adaptation approaches to ensure programmes continue to effectively support livelihoods and protect the poor and excluded from shocks and risks in the face of climate change.

Social protection has much to offer in helping the poorest reduce their exposure to current (DRR) and future (adaptation) climate shocks. Table 8 highlights potential adaptation benefits of different strands of social protection.

Table 8. Promoting adaptation through social protection

SP category	SP instruments	Adaptation and DRR benefits
<i>Protective</i> (coping strategies)	<ul style="list-style-type: none"> - social service provision - social transfers (food/cash), including safety nets - social pension schemes - public works programmes 	<ul style="list-style-type: none"> - protection of those most vulnerable to climate risks, with low levels of adaptive capacity
<i>Preventive</i> (coping strategies)	<ul style="list-style-type: none"> - social transfers - livelihood diversification - weather-indexed crop insurance - social insurance 	<ul style="list-style-type: none"> - prevents damaging coping strategies as a result of risks to weather-dependent livelihoods
<i>Promotive</i> (building adaptive capacity)	<ul style="list-style-type: none"> - social transfers - access to credit - asset transfers or protection - starter packs (drought/flood-resistant) - access to common property resources - public works programmes 	<ul style="list-style-type: none"> - promotes resilience through livelihood diversification and security to withstand climate related shocks - promotes opportunities arising from climate change
<i>Transformative</i> (building adaptive capacity)	<ul style="list-style-type: none"> - promotion of minority rights - anti-discrimination campaigns - social funds - proactively challenging discriminatory behaviour 	<ul style="list-style-type: none"> - transforms social relations to combat discrimination underlying social and political vulnerability

Social protection, DRR and climate change adaptation have much in common in terms of measures and broad objectives. They all seek to take integrated, multi-sectoral approaches to mitigate risks faced by poor people. They tackle the impact of, and seek to make individuals, communities and societies more resilient and less vulnerable to shocks and stresses. They are also all in relatively formative stages of development and testing, rather than established components of development and poverty reduction, particularly in low-income countries.

Social protection describes all initiatives that transfer income or assets to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of the marginalised. Its overall objectives are to extend the benefits of economic growth and reduce the economic or social vulnerability of poor, vulnerable and marginalised people. (IDS 2006; Devereux and Sabates-Wheeler 2004).

Disaster Risk Reduction (DRR) describes the development and application of policies, strategies and practices that minimise vulnerabilities, hazards and unfolding disaster impacts throughout a society in the broad context of sustainable development.

Climate Change Adaptation is about reducing the risks posed by climate change to people's lives and livelihoods' (DFID, 2006).

As with DRR and adaptation, social protection has witnessed a rapid rise up the development policy agenda. Growing experience, together with improved evidence, suggests that it can contribute to poverty reduction and help move people into productive livelihoods. Many social protection instruments have contributed to reducing vulnerability related to climate variations and extremes and their impact on livelihoods described in the previous section. Table 9 highlights key features of these three approaches, demonstrating some overlap.

Table 9. Key Characteristics of social protection, adaptation and disaster risk reduction

	Social protection	Adaptation	DRR
<i>Core disciplinary grounding</i>	Development and welfare economics	Social development and physical sciences	Physical sciences
<i>Dominant focus</i>	Implementation of measures to manage risk	Enabling processes of adaptation	Prevention of disaster events
<i>Main shocks and stresses addressed</i>	Multiple	Climate-related	All natural hazard-related, including climate
<i>International coordination</i>	Informal, OECD task group	UNFCCC – Nairobi Work Programme	UN-ISDR Hyogo Framework for Action
<i>Main Funding</i>	Ad hoc multilateral and bilateral	Coordinated international funds: Global Environment Facility, UNFCCC/Kyoto Protocol funds. Ad hoc bilateral	Coordinated international funding: ISDR, GFDRR Ad hoc civil sponsored and bilateral

The social protection policy agenda focuses on the poorest and most vulnerable in society and the transfer of resources (especially cash) to households to smooth consumption or support income. Social protection can target different groups such as the income poor, children, disabled and elderly. In DRR, efforts within relief and recovery are designed to smooth the social impact of shocks, with far less emphasis on preventative approaches that tackle disasters from a holistic perspective. In adaptation, attention to building on existing coping practices is also focused on smoothing shocks as a first step.

Linkages in practice: Investigating the evidence base

Country experiences of a diverse range of social protection instruments - weather-indexed crop insurance, employment guarantee schemes, asset transfers and cash transfers - reveal how measures can enhance the resilience of vulnerable communities. These point to ways in which the design of social protection measures could be strengthened taking into account current and potential future climate related shocks.

Cash transfers

Predictable cash transfers can play an important role in mitigating the vulnerability of the chronic poor who will increasingly be exposed to climate related shocks and stresses. Kenya's National Social Protection Framework delivers cash transfers through two separate initiatives targeting different vulnerable groups. The Vice President's Orphans and Vulnerable Children Cash Transfers Programme is a conditional transfer dependent on children's attendance in schools and health care facilities. This is particularly important for ensuring vulnerable children are not withdrawn from school or unable to access healthcare as a consequence of a climate induced livelihood shock. The Hunger Safety Net Programme aims to improve not just food security and nutrition but also access to health and education by moving away from emergency relief responses to a predictable, guaranteed and sustained resources transfer. This is an example of how social protection can support adaptation and disaster risk reduction as it aims to reduce the need for emergency relief in times of drought and/or crop failure (Devereux and Coll-Black, 2007).

Ethiopia's Productive Safety Net Programme (PSNP) is a cash (and food) transfer programme aimed at alleviating household vulnerability to seasonal food insecurity consumption across the hunger period. It provides seasonal employment on public works in exchange for cash or food transfers to help protect household assets and smooth a shift away from emergency food aid toward a more predictable and targeted safety net. So far, the programme has successfully prevented the use of damaging coping strategies during periods of increased stress. There is also some evidence that cash transfers can build assets or provide households with contingency finance for mitigating climate-related risks. But the timing has to be right, both in terms of coinciding with the hungry season and also making sure the amount of transfer takes adequate account of purchasing power, which can vary over the course of a year. The Government of Ethiopia is aiming to graduate all participants from the programme after five years. However, in a changing climate, social protection measures must reduce risk and reduce poverty proactively over *extended* timeframes, particularly in ecological and social environments subjected to high states of flux (Tanner and Mitchell, 2007).

Weather-indexed crop insurance

In recent years there has been a shift away from insuring against poor crop yields toward insuring directly against bad weather. A contract is written against an index establishing a relationship between lack of rainfall and crop failure, verified by long historical records of both rainfall and yields. Farmers collect an immediate payout if the index reaches a certain measure or “trigger,” regardless of actual losses, so farmers still have an incentive to make productive management decisions. This removes moral hazard and adverse selection problems inherent in crop insurance (Hellmuth *et al.*, 2007; Hess and Syroka 2005). When well designed, they may also permit farmers to enhance adaptive capacity through greater risk-taking experimentation in agriculture practices not possible in crop-insurance schemes.

Asset transfers

Selling productive assets such as livestock is a common coping strategy among the rural poor during times of climatic stress or shock. Inability to access such assets traps the poor in a persistent cycle of chronic poverty (Chronic Poverty Research Centre 2005; World Bank 2001). A sustainable strategy for disaster reduction must therefore focus on activities to help the vulnerable build assets (UN-ISDR 2004; Wisner *et al.*, 2004; Vasta, 2004) that incorporate climate screening in order to ensure that such assets are able to support resilience in a changing climate (Tanner *et al.*, 2007).

Social protection measures can contribute to asset accumulation, for example through unconditional and conditional cash transfers, micro-credit as well as the direct provision of livestock or poultry through asset transfer programmes. The Reducing Vulnerability to Climate Change (RVCC) project in Bangladesh has explicitly mainstreamed climate change throughout its design and implementation. One adaptation strategy identified by the programme is the need to promote alternative livelihoods. The project encouraged the uptake of assets such as duck-rearing to enhance income and achieve greater resilience in the face of climate change (Mallik, 2006).

Employment guarantee schemes

Finding work in the urban areas is particularly challenging for excluded people who may face discrimination from employees or lack supportive social networks in their destination community. There are also few opportunities for off farm employment in rural areas. A legislative guarantee of employment can help build the resilience of these people to the impacts of climate change. The National Rural Employment Guarantee Act (NREGA) of India, beginning in February 2006 in two hundred of the poorest rural districts, guarantees 100 days of employment a year to the rural poor. Wages are fixed at the State minimum wage. These public works programmes, such as strengthening embankments and de-silting irrigation may be used as a physical response for building household and community resilience against climate change impacts. The scheme currently issues job cards on a household rather than individual basis and this may not be sufficient to support the chronically poor and may also prevent vulnerable household members from benefiting from the scheme. Employment guarantee schemes can have gender equity objectives, and target women and female headed households; however, critics have questioned the implications for women’s workloads. Where the work involves heavy manual labour, this can exclude highly vulnerable people such as the

elderly and disabled. (Devereux *et al.*, 2007). Other forms of social protection would be needed for the labour-constrained poor and further evaluation of the impact of employment guarantee schemes on vulnerable and excluded people is required (Scott, 2008). There is also evidence that employment guarantee schemes may not be efficient relative to cash transfers (Devereux *et al.*, 2007).

Social pensions

Social Pensions can be understood as non-contributory cash transfers from the State to elderly people, in which entitlements are not based on a lengthy record of contributions to a pension plan. These include cash transfers for poor old people, pensions and old age grants (Barrientos, 2004). The social pension is seen as constituting an additional stream of income and is often redistributed to the recipient's extended family, and thus used in wider contexts (Devereux, 2001). Devereux presents evidence on the wider development impacts of the social pension including the contribution to development of trade and marketing infrastructure, uses in productive purposes such as education, business and agricultural assets and as a vital source of household food security by stabilising income and consumption in the face of shocks. In this way, it provides buffers against livelihood shocks, such as the impacts of climate change.

Based on examples given above, the Table 10 summarizes the benefits and challenges of social protection for adaptation and DRR.

Table 10. Benefits and challenges of social protection for adaptation and DRR

Social protection measure	Benefits for adaptation and DRR	Challenges
Cash transfers	<ul style="list-style-type: none"> - Targeting of most vulnerable to climate shocks - Smoothing consumption allowing adaptive risk-taking and investment - Flexibility enhanced to cope with climate shocks 	<ul style="list-style-type: none"> - Ensuring adequate size and predictability of transfers - Long term focus to reduce risk over extended timeframes - Demonstrating economic case for cash transfers related to climate shocks - Use of socio-ecological vulnerability indices for targeting
Weather-based crop insurance	<ul style="list-style-type: none"> - Rapid payouts possible - Guards against the adverse selection and moral hazard - Frees up assets for investment in adaptive capacity - Easily linked to trends and projections for climate change - Supports adaptive flexibility and risk taking 	<ul style="list-style-type: none"> - Targeting marginal farmers - Tackling differentiated gender impacts - Affordable premiums for poor - Subsidising capital costs - Integrating climate change projections into financial risk assessment - Guarantee mechanisms for re-insurance

Social protection measure	Benefits for adaptation and DRR	Challenges
Employment guarantee scheme	<ul style="list-style-type: none"> - Provides potential off-farm employment in rural areas - Public works can be used as a physical response for building resilience against climate change impacts - Provides a guaranteed income to combat seasonal variation 	<ul style="list-style-type: none"> - One job card per household may not be sufficient to support vulnerable and marginalised individuals - Can negatively impact on agricultural real wages - Lack of awareness means low enrolment rates - Inefficient compared to direct cash transfers
Asset transfers	<ul style="list-style-type: none"> - Ability to target most vulnerable people - Easily integrated in livelihoods programmes 	<ul style="list-style-type: none"> - Ensuring local appropriateness of assets - Integrating changing nature environmental stresses in asset selection
Social Pensions	<ul style="list-style-type: none"> - Addressing the dualism of old people being unable to provide for themselves, and high levels of unemployment and very low incomes limiting the ability of the poor to care for their elderly - Targeting most vulnerable to climate change shocks. - Providing a guaranteed household income. 	<ul style="list-style-type: none"> - Cost inefficiencies (arising from inclusion errors) - 'Perverse redistribution of income', as rich people outliving the poor people - High transaction costs

Lessons and Challenges

For social protection programmes to successfully support adaptation and DRR, a number of lessons and challenges need to be recognised and addressed during design and implementation.

Longer term perspectives on social protection

More recent social protection policies and programmes refer to the need for 'long-term' interventions. Considering adaptation and DRR in the context of social protection provides a strong incentive for developing longer term perspectives.

People-centred and social aspects

Social protection interventions need to fully address issues of social vulnerability including marginalisation and exclusion, and be based on the realities of the poor. Recent disasters and adaptation discourse and practice is now giving increased focus to community-based adaptation, and the development of tools and methods to assess human vulnerability.

Institutional capacity and co-ordination

Ministries responsible for the three different fields are commonly poorly resourced and marginalised, which constrains effective cross-sectoral linkages. Political ownership

is important for building a coherent agenda among the fields. For each, it is important to link policy and actions with wider poverty reduction frameworks and growth strategies.

Instrumentalism vs. rights based approaches

From an instrumentalist perspective, social protection is often viewed as a means for efficient delivery of the MDGs. Similarly, DRR and adaptation are advocated as cost-effective means of preventing future negative impacts on development investments. From a rights-based or activist perspective, related equity and justice debates have been at the heart of advocacy on adaptation and social protection (the ideal of a ‘universal social minimum’). A key implication is likely increased engagement with rights and equity based arguments around climate change injustice.

Targeting

Ensuring that the poor and vulnerable benefit from adaptive social protection mechanisms requires effective targeting (when provision is not universal). Climate change may contribute to making targeting more complex due to an increase in seasonal migration or permanent migration, making locating beneficiaries more difficult. Climate change impacts will also affect both the poor and non-poor, and may contribute to pushing the non-poor into poverty. Therefore, means-testing adaptive social protection may not be the most effective way to target those at risk of climate change impacts. Targeting may need to be focused on vulnerable life cycle periods, *e.g.* social pensions, or be broad-based, such as employment guarantee schemes, to ensure that access is available to those who need it.

Uncertainty

There are challenges in trying to establish the impacts of climate change with any degree of confidence. For policy-makers it is difficult politically to back plans for an unknown future. Therefore, it may be challenging to get policy-makers to accept the need to adjust social protection mechanisms to cope with hard to predict and unforeseen livelihood risks.

Adaptive social protection

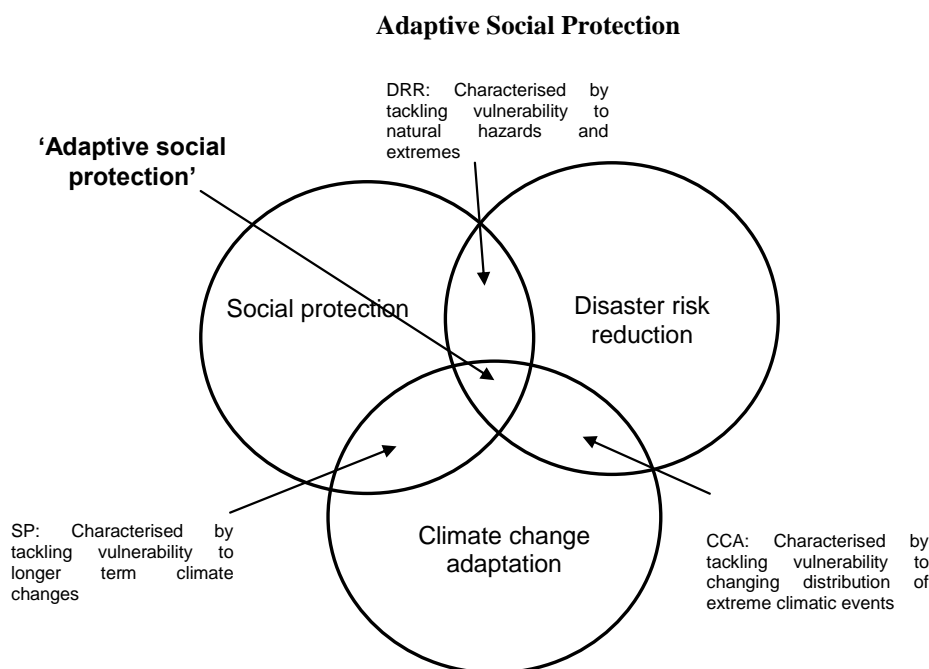
By placing social protection in the context of the impacts of natural phenomena, particularly climate, we establish a framework for social protection measures to strengthen poor people’s resilience to disaster risks that acknowledge the changing and unpredictable nature of climate-related impacts. This concept of *adaptive social protection* is characterised by a number of features that include:

- An emphasis on transforming productive livelihoods as well as protecting, and adapting to changing climate conditions rather than simply reinforcing coping mechanisms.
- Grounding in an understanding of the structural root causes of poverty for particular people, permitting more effective targeting of vulnerability to multiple shocks and stresses.

- Incorporation of rights-based rationale for action, stressing equity and justice dimensions of chronic poverty and climate change adaptation in addition to instrumentalist rationale based primarily on economic efficiency.
- An enhanced role for research from both the natural and social sciences to inform the development and targeting of social protection policies and measures in the context of the burden of both geophysical hazards and changing climate-related hazards.
- A longer term perspective for social protection policies that takes into account the changing nature of shocks and stresses.

Adaptive Social Protection suggests ways in which social protection programmes themselves can be made more robust in the face of current and future shocks. This includes:

- *Climate proofing social protection* through a long-term vision in the context of more reliable and accurate predictions and consideration of vulnerability.
- *Policy and programmatic options* for social protection for climate change adaptation.
- *A preventative and holistic poverty approach* for DRR.



Recommendations: Towards implementing adaptive social protection

Social protection holds significant promise for protecting poor and excluded people against current (DRR) and future (adaptation) weather extremes and tackling increasing levels of risk and vulnerability. There are still considerable gaps in knowledge on both the

evidence base and complexity of policy processes. This calls for international coherence between policy-makers and practitioners to address the following priorities:

Evidence

There is a need to further develop an evidence base on how to effectively combine social protection measures to mitigate vulnerability to climate change in different contexts. This could include:

- Capturing further lessons from existing case studies to support learning in other countries
- Combining the long-term study of poverty impacts and social responses to climate change with trends and projections for future climate hazards.
- Building evidence on the economic costs and benefits of different social protection measures for climate change adaptation.
- Generating evidence of the cost effectiveness of social protection measures relative to alternative interventions.

Policy and practice

- Taking a longer term perspective for social protection initiatives that takes into account the changing nature of shocks and stresses
- Developing Climate Risk Assessments for use in conjunction with social protection programme design and implementation.
- Developing practical guidance on the design and implementation of appropriate adaptation methods, taking into account the views of affected groups, particularly women, children and the elderly.
- Supporting civil society to help the poor build voice to demand access to social protection instruments.
- Reviewing existing adaptation funding guidelines and criteria to identify opportunities to integrate appropriate social protection responses.
- Strengthening synergies and linkages between academics and practitioners from across the three disciplines to strengthen understanding, co-ordination and good practice.
- Designing monitoring and evaluation systems to capture further evidence and feedback on the effectiveness of an adaptive social protection approach.

Notes

- 1 Centre for Social Protection, Institute of Development Studies, University of Sussex, Brighton, UK, BN1 9RE. E-mail: *socialprotection@ids.ac.uk*.
- 2 Climate Change and Development Centre, Institute of Development Studies, University of Sussex, Brighton.
- 3 Warming of the most extreme days and nights each year.
- 4 Extreme high seas level depends on average sea level and on regional weather systems. It is defined as the highest 1% of hourly values of observed sea level at a station for a given reference period.
- 5 In all scenarios the projected global average sea level at 2100 is higher than in the reference period. The effect of changes in regional weather systems on sea level extremes has not been assessed.

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Promoting Pro-Poor Growth

SOCIAL PROTECTION

Social protection directly reduces poverty. It helps poor women and men better tackle vulnerability and embark on more sustainable routes out of poverty, for example by more successful participation in the labour market. Social protection is also an investment in people. It helps them better manage the trade-offs between satisfying immediate needs and building better livelihoods for the future. There is a growing body of evidence showing that social protection programmes are effective and there is now strong political interest in the contribution they can make to growth-enhancing strategies to lead developing countries out of the present global crisis.

This report by the DAC Network on Poverty Reduction (POVNET) shows that social protection programmes can be affordable, including in the poorest countries, when they are well designed and well implemented. Countries can start off small and expand coverage and benefits over time, on the basis of emerging evidence and expanding support. But social protection needs strong and long-term political will and commitment as well to deliver lasting benefits. Aid donors can help by committing to a long-term partnership with developing countries to provide the technical and financial support needed to underpin developing countries' efforts.