

Working Paper 143

**SOCIAL PROTECTION CONCEPTS AND
APPROACHES: IMPLICATIONS FOR POLICY AND
PRACTICE IN INTERNATIONAL DEVELOPMENT**

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Acronyms

CG	Consultative Group
CPR	Common Property Resources
DFID	Department for International Development
DHS	Demographic and Health Survey
EC	European Commission (manages the European Community Aid Programme)
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
GDP	Gross Domestic Product
HDI	Human Development Index
HDR	Human Development Report
HIPC	Highly Indebted Poor Countries
IDTs	International Development Targets
IFI	International Financial Institution
IILS	International Institute for Labour Studies
ILO	International Labour Organisation
IMF	International Monetary Fund
IRDP	Integrated Rural Development Programme
NGO	Non-Governmental Organisation
PA	Poverty Assessments
p.c.	per capita
PPA	Participatory Poverty Assessments
PPP	Purchasing Power Parity
PRA	Participatory Rural Appraisal
ODA	Overseas Development Assistance
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department (World Bank)
SAF	Structural Adjustment Facility
UDHR	Universal Declaration of Human Rights
WDR	(World Bank) world Development Report

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The views expressed in this paper are of course those of the authors, and do not necessarily reflect those of DFID or the Overseas Development Institute.

Summary

Definition and rationale

This paper reviews contemporary conceptual developments regarding the meaning and importance of social protection, and identifies ways in which international agencies could contribute to improving the coverage and effectiveness of social protection as an integral component of poverty reduction strategies.

For the purposes of this paper, social protection is taken to refer to:

‘the public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society.’

Social protection thus deals with both the absolute deprivation and vulnerabilities of the poorest, and also with the need of the currently non-poor for security in the face of shocks and life-cycle events. The ‘public’ character of this response may be governmental or non-governmental, or may involve a combination of institutions from both sectors.

The literature reviewed in the course of the production of this paper provided various rationales for the development of social protection as a field of policy. These have included (among others) the need to develop social support for economic reform programmes, or to make growth more efficient and sustainable; the pursuit of social justice and equity, or the obligation to provide all citizens with a minimum acceptable livelihood and protection against risk; and the promotion of social cohesion, solidarity and stability. Drawing on these, it can be proposed that the overall rationale for pursuing social protection is *to promote dynamic, cohesive and stable societies through increased equity and security*.

Why now? The context for contemporary global interest in social protection

Social protection has long been a domestic concern of wealthy nations, which have developed sophisticated institutional arrangements in order to protect against their citizens risk and provide assistance to the destitute. Social protection has however been largely neglected, or addressed only with inappropriate tools, in the majority of poor countries, where emphasis has been placed instead upon the primacy of economic growth. Several factors can be seen to explain the increased attention to social protection within development debates in recent years.

Globalisation

The current growth in interest in development agencies in the issue of social protection derives, to a large extent, from the global reaction to various forms of economic or financial crisis over the 1990s. These have been seen to be associated with contemporary processes of globalisation, and specifically with the growing integration of trade systems and capital markets, which are generally seen to present two contrasting faces. On the one hand, they are seen as increasing opportunities for all (including poorer people and poorer countries), while on the other hand they are seen as increasing insecurity on a global scale. Other dimensions of contemporary global change of relevance include:

- Increasing inequality – both within countries and between countries;
- An increasingly liberalised international economic environment restricting many sources of revenue which were previously available to governments to fund social expenditures; and
- A global demographic transition which implies long-term changes in dependency ratios (in particular, the growth in the absolute and relative numerical importance of older people).

In short, processes of international economic integration are increasingly leaving nation states with less power to regulate conditions for relationships between capital and labour, conditions of access to internal markets, and levels of budgetary support available for human development. Development processes are also contributing to positive processes of human development (such as longer life spans) which may enhance pressures on public resources in the field of social protection. Yet processes of accelerated integration of global societies and economies – which have great potential for increasing growth and human well-being – may in the long run be threatened if growing inequality leads to a perception that basic requirements of social justice are not being met. Analysis suggests that the institutional framework for social policy must adapt in response, at the local, national and global levels – although the appropriate agenda for such a response is still contested.

Changes in development practice

Within donor agencies, the last decade has seen an increasing emphasis on working holistically with the full range of issues of concern to public policy, the public budget, and development in general in order to achieve sustainable reductions in poverty. This approach – embodied in new approaches such as the Comprehensive Development Framework, or the development of overarching Poverty Reduction Strategy Papers as part of debt relief processes – requires a balanced understanding of public policy across all fields. An understanding of the policy field of social protection is necessary in order to arrive at judgements about the appropriate overall mix of policies at the national level.

Citizenship, governance and rights

Rights to elements of social protection are contained in the Universal Declaration of Human Rights. In order to make these rights meaningful at the national level, governments and the international community need to meet the following challenges. Notions of social protection need to be converted into entitlements and standards which embody a sufficient level of consensus about the state's role, and the levels of risk and deprivation that are unacceptable within a given society, to ensure policy which is deliverable, effective and sustainable. In the literature on social protection in general the dimensions of governance and rights seem underdeveloped.¹ They are however significant for the following reasons:

- Defining those levels of material well-being which constitute a minimum acceptable standard (or right) is a fundamental element component of the notion of citizenship.
- There is good historical evidence that, for economies in processes of change, the provision of protection against risk from new levels of exposure to markets is a fundamental part of the bargain between workers and state that accompanies structural reform.

¹ This is in contrast to the literature on famines – with Dreze and Sen's famous argument that the most effective protection against widespread famine is a functioning, open, democratic political system.

- Defining the role of the state in these fields is highly contentious, and can only be handled through political processes. The use of tax funded transfers to assist the poorest requires very high levels of support within society to be politically sustainable – these are among the greatest challenges that systems of democratic government face.
- Social protection policy is also intimately connected to debates on social cohesion and social exclusion. This reflects a view in the social sciences which emphasises that inclusion in a collectivity which provides for mutual assistance is central to the definition of social life. To look at this relationship from a different angle, when a collectivity such as the state loses the capacity to provide for the needs of its members (citizens) in a crisis, it suffers a crisis of legitimacy as a consequence, and accordingly finds it harder to govern.

We should also note that processes of globalisation increasingly require that the international community sets parameters for these issues at a global level. Arguably, initiatives such as the International Development Targets, the International Social Policy Principles and related processes in UN Conferences and Conventions such as the World Summit for Social Development constitute an emergent *global* approach to the fundamental values that underpin approaches to social protection.

Lessons from the literature on poverty, vulnerability and exclusion

Social protection is an integral component of any strategic effort to reduce the incidence and severity of poverty. As such, it relates to a large body of literature on the definition, explanation and identification of the poor; and, conversely, to decades of theoretical and empirical work on what contributes to sustainable poverty-reduction. Three broad traditions of poverty analysis are relevant, covering vulnerability and risk, social exclusion and social cohesion, and issues of political economy and governance. The main lessons for social protection policy are as follows:

- Identification of policy options should begin with understanding the reality of the vulnerabilities of the poor and the assets and capabilities that they can mobilise as individuals, households and communities.
- The range of social protection policy instruments should be integrated, striking an appropriate balance between efforts designed to reduce, mitigate and cope with shocks.
- Without care upon the part of policy-makers means-tested benefits, for example, may foster stigma and dependency which themselves serve to exclude the recipients from participation as full members of society. Social protection must be designed so as to provide for basic material needs while fostering the inclusion of the recipients in the mainstream of society.
- Evidence suggests states that are more dependent upon their citizens for their revenue (rather than upon industries or donors), are more successful at converting per capita GDP into human development improvements. Equitable and efficient revenue collection *and* effective, pro-poor public services both require institutional capacity, good governance and accountability. When these qualities are present, they improve the effectiveness of both state and non-state actors in the management of risk and the provision of a subsistence minimum to all citizens. In many societies this requires the resolution of deep-rooted, fundamental inequalities between privileged and marginalised segments of society.

- Changes which enhance the ‘voice’ and political leverage of the poor and vulnerable are of great value if they can be achieved. The translation of global human rights documentation into concrete commitments to standards and entitlements play an important part in this process: the principles themselves are a necessary but not sufficient condition for improvements in social protection.

Institutional overlap and policy principles

Within the field of social protection, two general kinds of action are conventionally distinguished:

- *Social assistance*, which encompasses public actions which are designed to transfer resources to groups deemed eligible due to deprivation.² Deprivation may be defined by low income, or in terms of other dimensions of poverty (e.g. social or nutritional status).
- *Social insurance* is social security that is financed by contributions and based on the insurance principle: that is, individuals or households protect themselves against risk by combining to pool resources with a larger number of similarly exposed individuals or households.

From this description, it can be seen that social protection as a field of policy and action overlaps with various other programmatic approaches which seek to deliver assistance to the poorest, or which deal with strengthening the livelihoods and reducing the vulnerabilities of poor producers. It is important therefore to read the definition of social protection provided above as referring to the *protection* of those who fall temporarily or persistently under levels of livelihood deemed acceptable, rather than the *promotion* of a general standard of opportunity and livelihood for all citizens. While the definition remains broad, it can thus be used to distinguish social protection from general development policy, although issues of ‘overlap’ will inevitably remain.

Another form of overlap is that with areas of sector policy. One of the major shocks against which people wish to insure themselves is the costs of medical care. Another is the necessity, due to lack of funds and / or need to increase household income-generating activities, to withdraw children from school. Systems for funding social services are thus intimately bound in with social protection issues.

Whether social protection is pursued through specialised agencies or regarded as a cross-cutting consideration to inform the work of conventionally defined, sector-focussed state and donor institutions, it is possible to identify some general principles for policy development. Policy options should be:

- Responsive to the needs, realities and conditions of livelihood of those who they are intended to benefit;
- Affordable, both in the context of short and medium term budget planning for the public budget, and in terms of not placing unreasonable burdens on households and communities;
- Sustainable, both financially and politically – with a requirement on government to ensure that the state’s role in social protection reflects an adequate level of public support for interventions to assist the poorest;

² e.g. war veterans

- Mainstreamed institutionally within sustainable structures of governance and implementation whether within state or civil society structures;
- Built on a principle of utilising the capabilities of individuals, households and communities and avoiding creation of dependency and stigma; and
- Flexible – capable of responding to rapidly changing scenarios and emergence of new challenges (for example, the impact of HIV/AIDS), and of meeting the changing needs of individuals within the life-cycle).

Lessons from experience

Social protection outside the state

Evidence suggests that the poorest households in poor countries scarcely ever benefit from direct state support, relying instead on transfers from a range of non-state sources (kin, community, religious organisations etc). But traditional forms of solidarity and collective organisation operating on principles of reciprocity tend to become eroded in conditions where economies become increasingly monetised and involved in market and commodity relations. Such forms of assistance and mutual support may also exclude many of the poorest. Policy makers need a good understanding of the realities of such systems: it is important not to rely on rosy images of harmonious rural communities which venerate older people and care for the vulnerable. Mutual support and solidarity are important characteristics of poor communities in most parts of the developing world, but that does not mean that they fulfil all the functions of social protection that a national policy may wish to promote.

There is evidence that the development of informal social protection can have powerful benefits in terms of strengthening social capital, social cohesion and governance. The development of civil forms of social insurance contributed dramatically to the development of the fabric of civil society in many developed countries. In the UK, for example, the so called ‘friendly’ or ‘beneficial’ societies of the late eighteenth and early nineteenth centuries laid the foundations of a striking number of the significant civil society institutions of modern Britain, and contributed to the development of civil society pressure for public provision in health. Operating the insurance principle can be argued to be a powerful mechanism for developing the organisational capabilities of civil society, with long term benefits for enhancing accountability and governance as well as welfare provision.

Social protection and the state – the developing country experience

The scope of social protection policy is striking. In addition to a broad rationale and benefits, there is a wide range of instruments and institutional relations. Section 3.4 reviews the policy options open to the state, summarising the key points of international experience over recent decades.

State social protection instruments may be grouped under three headings: insurance-based policies and programmes, social assistance, and ‘other’ instruments. The vast majority of the population in low-income countries is *not* covered by any form of statutory social protection, either insurance- or non-insurance based. Both state and private insurers find it hard – and risky – to cover that portion of the workforce (the majority) who work in the informal sector, and who receive only low and irregular wages which do not support regular social insurance contributions. For their part, the poor find that the social protection services offered by statutory coverage (e.g. pensions or unemployment benefit) do not match their priorities (smoothing health care expenditure, assistance

with funeral and survivor costs, and smoothing the impact on expenditure and income foregone that result from maternity, childcare and basic education).

Insurance programmes cover social insurance, crop insurance and health insurance. The coverage of social insurance may be progressively extended from its current small base in the privileged wage-labour segments of the economy in several ways: by removing legal restrictions upon membership, by streamlining administrative procedures, and by adjusting the balance between pay-as-you-go and 'funded' components of pension financing. More fundamental innovations – flexible contribution schedules and more appropriate benefit packages – will be required in order to incorporate significant numbers of the informal sector. For those whose livelihood is centred around agriculture, crop insurance may play the same function as social insurance does for waged labour, by guaranteeing a minimum income: but here too those in the informal sector – marginal farmers oriented to on-farm consumption – may be unable or unwilling to allocate a significant portion of their income to insurance premiums.

Health insurance is potentially of great benefit, given that unexpected medical expenses constitute one of the main threats to household livelihood. Given the high costs of statutory or private health insurance (where they exist), most of those in the developing world who do take out insurance do so through local associations. These arrangements can cope relatively well with high-frequency, low unit cost expenditure on primary and some secondary health (Type II), but are hard pressed to provide what is most needed, namely effective Type I cover against low-frequency, high cost health expenditure (e.g. hospitalisation). Hospital-based schemes are also problematic. The state should seek to facilitate the effectiveness of associations in providing Type II cover while developing suitable partnerships to deliver Type I cover. These arrangements may require quite complex hybridised systems for the sharing of contributions and costs.

Social assistance covers non-contributory, tax-financed benefits, in cash or kind, sometimes universal but generally targeted towards certain categories assumed to be vulnerable. State-provided social assistance is typically of minor importance in low-income countries, although subsidies towards or exemptions from state services may be used. Social assistance may also be used as a means to other social policy ends: the provision of free school meals, for example, may be used to encourage poor families to keep their children (and especially girls) in education. Many forms of social assistance in poor countries have a problematic record – due to deficiencies not just in financial resources – but also in the institutional capacity and accountability necessary to deliver scarce resources to the poor. Attempts to operate exemptions to cost-recovery policies in the delivery of health services have a particularly unsatisfactory record when such exemptions have been based on supposedly means-tested poverty criteria – although they can be more effective when applied to age groups or other easily identifiable social categories (e.g. pregnant women).

There remains a somewhat residual category of social protection instruments that are neither contribution-funded insurance nor tax-funded assistance *per se*. *Labour market policies* that facilitate fuller and more rewarding employment through labour exchanges, prudent labour standards and the like are primarily relevant to the formal sector. The remainder are more oriented towards the needs of the informal sector (broadly defined so as to include subsistence-oriented agriculture). Each has its strengths and weaknesses.

State intervention to *support the prices* of the goods produced by the poor or the commodities they require for subsistence (e.g. food staples) can smooth income and consumption respectively. But these measures, best used on a temporary basis, can easily become institutionalised and, under political pressure, expanded, to the detriment of the state budget and the competitiveness of the economy. While some poor and vulnerable groups may benefit from a given intervention of this

kind, others may suffer, depending upon their position as net consumers or producers of the commodity in question.

Microfinance services may contribute to social protection, enabling the poor to save (creating a buffer against expenditure shocks), and to access loans (which can be used either to invest in an income-generating activity or to meet consumption needs without the need to sell assets, cut back on children's education, or take out usurious private sector loans). The scope for using microfinance to achieve social protection will depend upon macroeconomic stability and the quality of the microfinance institution.

Employment support in the form of public works is widely used, most recently as the primary component of social funds in Africa and Latin America. It seems attractive in that it appears to offer a way to combine the creation of infrastructure and the self-targeted provision of a minimal wage to the poor. In practice it is very hard to achieve both goals satisfactorily, and critics note that public works may be an inefficient way of providing benefits. However, such an approach does have the advantage of political acceptability (the poor cannot be accused of laziness, and the non-poor benefit from the infrastructure that is created), and the administrative machinery, once established, is relatively flexible, with the capacity to scale-up activities during a crisis.

Finally, there is thus a role for instruments which seek *to increase the assets* (financial, physical or human) of those individuals and households not covered by conventional means of social protection. This may take the form of improving security of access (e.g. tenancy reform, protection of access to common property resources) as well as distributive measures which seek to provide ownership (e.g. land reform).

The handling of social protection issues within developing country government structures is often fragmented and poorly co-ordinated, making balanced judgements about priorities and the appropriate role for public policy difficult. Often ministries which deal specifically with the area (e.g. Ministries of Social Welfare) are poorly resourced and marginalised, operating a range of outdated welfare programmes of dubious relevance. Improving overall co-ordination of social policy is a major priority under most conditions. The following points can be made:

- An integrated perspective on social protection policy must come from a country's political leadership. This must take on board dialogue with civil society groups, a coherent view of rights and entitlements, and the range of public sector interests and priorities. An integrated social protection framework is unlikely to emerge unaided from technocrats fragmented between numerous different parts of government service: and, if it did, it would almost certainly lack the legitimacy necessary in this highly contested field. This requires that political leaders become familiar with a challenging range of highly technical issues.
- An effective information base is very important in order to allow for public policy to engage with the realities of deprivation and vulnerability.
- In most circumstances it is desirable that other units of government than specialist social welfare agencies (such as the ministry of finance, planning commission, Cabinet Office) become centrally involved in the development of public policy in this area. This will be helpful in brokering the considerable range of interests involved, and coming to an appropriate view on the state's role, resources and priorities. This implies that governments need a central location

to develop capacity in poverty analysis and monitoring in general, and in the development of social policy more broadly.³

Implications for development agencies

As noted above, new thinking on approaches to the development of effective poverty reduction strategies in international development stresses the need for an integrated approach to this issue in public policy and the public budget. To the extent that donors seek to support country-led processes, this suggests that donors will need to understand areas of public policy that they have previously not specialised in. In an area such as social protection this may pose challenges – as there are many highly technical policy areas (e.g. pensions reform) which would require considerable extra capacity if every donor agency were to develop understanding simultaneously. This is clearly neither efficient nor desirable. There is therefore a challenge for the donor community to agree on which agencies will take a technical lead on developing capacity for support to governments in this area. We note that there are some obvious cases where considerable progress has been made. The ILO has tended to take leadership, while the World Bank clearly has a significant position as it is generally the lead donor in policy dialogue with poor countries. Other agencies (such as UNICEF) have clear expertise in certain dimensions of social policy which give them an authoritative platform for a central role. It is also worth highlighting the work of the Asian Development Bank in developing its strategy. As policy in the field of social protection tends to have a strongly regional character (the issues in Eastern Europe, for example, being dramatically and systemically different from those in Africa) there is a case for seeing this as an appropriate area for the Regional Development Banks, and other regionally based organisation to develop capacity.

Future directions in social protection

In outlining policy conclusions to this review we face the following challenges. Social protection is a field of enormous scope. The many ways in which human well-being is produced makes precise delineation of the field of activity and policy difficult. The challenges embodied in providing protection for the poorest in developing countries are considerable. We will conclude by highlighting a few policy areas which we feel merit more consideration due to either evolving trends on a global scale or a lack of theoretical and practical development in the literature at present.

The international community should seek to continue to meet the challenges posed by growing levels of insecurity and inequality in the following ways:

- Combat growing global inequality, both by reversing the decline in the 1990s in development assistance flows to poor countries, and by using other instruments (e.g. trade and debt policy);
- Continue to mobilise global civil and political pressure for sustainable poverty reduction, establishing links with related movements such as the pressure for ethical standards in global business and trade;
- Establish global and regional mechanisms which can come to the assistance of countries in situations of temporary crisis to ensure support to basic livelihoods, and ensure that long term investments in the human and social capabilities of the countries concerned are not compromised;

³ Many elements of the development of the Poverty Eradication Action Plan and subsequent policy frameworks in Uganda will provide useful guidance for practice in this respect – where the Ministry of Finance, Planning and Economic Development has provided strong leadership in developing national strategies.

- Continue, through processes such as the follow up to the World Summit for Social Development to develop a global consensus on the needs, instruments and standards of social protection policy;⁴
- Analyse risks associated with globalisation processes that are likely to continue to grow (e.g. volatility of investment flows, diminishing revenue base for poorer countries) and take action to reduce the harmful effects and prevent further shocks and deterioration;
- Strengthen mechanisms of global social governance within the United Nations system so that the sense of global entitlement for the poor, embodied in initiatives such as the International Development Targets, can be reinforced through enhanced accountability.

Governance and social protection

The literature on social protection has a largely technocratic character. Discussion focuses on forms of deprivation (described and elaborated in ever-growing detail), and the array of technical policy instruments which can be deployed to achieve objectives. On the whole there is a lack of consideration of the ways in which those objectives are set by the societies concerned. Yet it is evident that in developed countries this is a highly contested area, where great political skill is needed to facilitate consensus on the level to which the public at large is willing to see tax funded resources go towards protecting the poor, older people, children or other groups. Civil society groups (e.g. pressure groups and the media) play highly significant roles in these debates. On the whole the literature on social protection analyses civil society based forms of social protection as ‘delivery mechanisms’ for policy goals determined by technocrats. It is clear, however, that they also function to demand accountability from providers, and press public bodies to develop effective policy approaches and allocate resources.

Conclusion – Social protection, the development process and poverty reduction

Figure 1 below represents the role of effective social protection policy in promoting a developmental process. The primary linkages are that social protection policy can act to strengthen social cohesion, human development and livelihoods. Through these channels it helps ensure broad based, equitable growth. This in turn strengthens effective, accountable governance (through enhanced legitimacy, revenue and capacity), without which, in turn social protection policy is not likely to be effective.

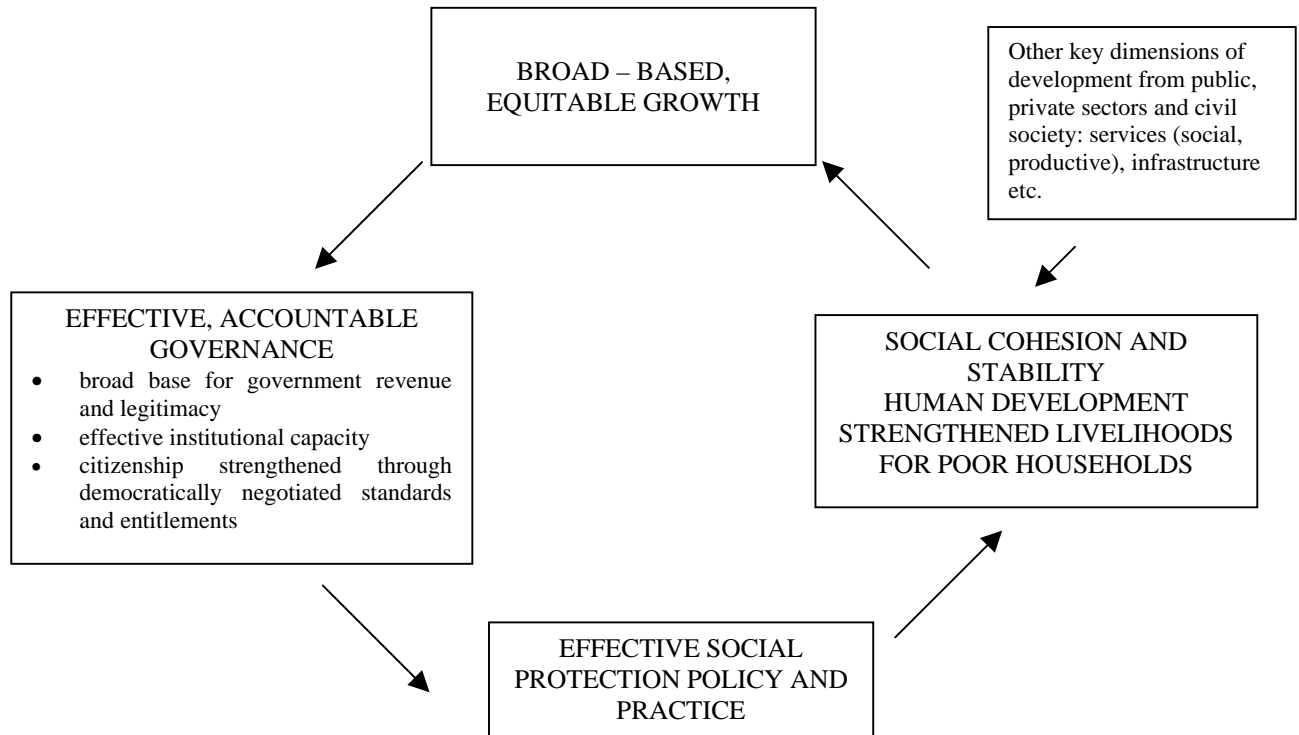
The development of effective social protection policy must be underpinned by the following strategic policy priorities:

- Social protection policy development should start from the needs, realities and priorities of the groups which are intended to benefit. A range of factors contribute to the creation of policy and programme systems responsive to the needs of the poor, with issues of governance, transparency and information assuming critical importance. Core priorities for government are:
 - establishing an information base on issues of poverty and deprivation, including qualitative approaches which illustrate poor people’s realities and perspectives. This information must also be disseminated effectively in order to inform public debate;

⁴ The social policy principles debate, which was initiated by the Development Committee of the World Bank/IMF and is to be taken forward by the UN within the follow up to the World Summit for Social Development, has focused on national level guidelines of good practice in various fields, including social protection

- engaging in negotiation with different institutions and groups of citizens in order to strengthen consensus about the rights and entitlements in the field to social protection which citizens can expect, and the role of government in fulfilling them.
- Policy development in developing countries needs to take account of the rich variety of institutions outside the public sector which provide social protection functions. States must engage with informal, traditional and private systems so that public policy makes best use of their potential. Priorities for governments include:
 - ensuring an adequate understanding of the various non-state institutions and practices which provide insurance and assistance to poor people;
 - supporting the development of local level groups which enhance the security of livelihoods of poor people, with particular attention to the needs of different groups (differentiated by gender, social status and age, for example). These local collectivities may include savings and credit groups, informal mutual aid and insurance groups, or user groups for managing common property resources. Support to these groups will require both programmes and appropriate regulation.
- Public policy for social protection needs to strike a balance between measures designed to *prevent* shocks which will have a negative impact on the poor (e.g. through appropriate trade and macro policy, protection against floods, or preventative health care to guard against epidemics); *ex ante* measures which *reduce* the impact of such shocks when they happen (for example, promoting diversified income sources for the poor); and those measures which help those affected *cope* once shocks have occurred and have had an impact. In many cases public policy needs to strengthen the content of policies for prevention and reduction of shocks, rather than merely assisting people to cope afterwards (a key argument in WDR 2000 / 01).
- Measures to strengthen the capacity of public policy to help the poorest (those who suffer from persistent rather than transitory deprivation) are a priority in many developing countries. This is a challenging area as it requires sophisticated institutional capacity to deal with both the identification of groups needing special assistance, and the development of complex and differentiated policy responses. Among the challenges to be overcome:
 - improving the capacity to effectively identify the poorest and most vulnerable for the receipt of publicly-led assistance;
 - improving the capacity of state structures to respond to the needs of those who are in the weakest position to voice demands, needs, rights and concerns;
 - strengthening the capacity of civil society groups representing the poorest to hold providers of social assistance accountable;
 - strengthening institutional capacity, and transparency in public service, to give a better chance of transfers reaching the intended groups.

Figure 1 Initiating a virtuous circle: social protection, the development process and poverty reduction



1. Introduction and Background

This paper aims to provide a strategic overview of the issue of social protection – including current global thinking in key international organisations. The central objective is the thematic development of the concept of social protection, including guidance on how agencies might operationalise the concept more effectively in their policy and programme work, globally and with Southern partners. It concentrates in particular upon poorer developing countries, although some reference is made to issues in middle income and transitional economies in order to inform policy-makers of the full range of possibilities. It also focuses deliberately on social protection in non-emergency situations, as there is generally a separation of institutional responsibilities for ‘emergency’ and ‘developmental’ aid within international agencies.

Several international agencies are currently actively engaged in policy development on this theme. The World Bank has this year prepared a Social Protection Sector Strategy Paper; the ILO is seeking to incorporate the findings of a global research programme on social protection into current initiatives such as ‘Fair Work for All’; and the Asian Development Bank has developed a strategy frame which sets social protection policy and programme work in the context of their new overarching commitment to poverty reduction.

This paper is intended to review and contribute to the ongoing debate in this field. In particular, it seeks to draw attention to the governance aspects of social protection provision, and the importance of links between national and international frameworks of targets and rights, and the realisation of effective social protection provision. The overarching global framework for these goals is taken to be the International Development Targets (IDTs), which are designed to provide milestones against which progress towards the goal of poverty reduction can be measured. These targets are summarised in Box 1.

Several donors have adopted the IDTs in order to elaborate strategic thinking on the actions required in order to achieve global poverty reduction. The UK Department for International Development (DFID) is one of these donors, and has elaborated Target Strategy Papers (TSPs) in order to spell out the action need to achieve each of the targets. The Economic Well-being Target Strategy Paper relates to the most well-known of the targets, that of reducing by one half the proportion of people living in extreme poverty by the year 2015.⁵ This TSP contains the following arguments relevant for elaborating policy frameworks for social protection:

- The indicator of achievement is a reduction in the proportion of people living below a dollar a day from one quarter to one eighth of the world’s population by 2015. This reinforces the focus on poorer countries, and in particular South Asia, sub-Saharan Africa and East Asia where the majority of people under this global poverty line live;
- Achieving the target is argued to be built around three fundamental requirements, namely growth, equity and security. Social protection is discussed among the priorities for action at the national and global levels which are needed to support progress in each of these three areas;

⁵ There is also a set of qualitative elements of development which are less amenable to quantification but which are essential to the attainment of the quantitative targets. These include democratic accountability, the protection of human rights and the rule of law. In recognition of this DFID has also prepared TSPs on the issues of human rights and governance. Although the work on social protection falls within the strategic ambit of the work on the economic well-being target, it should be recognised that social protection contributes to achievement of all of the IDTs – in particular through enabling households and individuals to maintain access to key services in times of severe distress.

- The core message of the paper is that the livelihoods of poor people must be at the centre of any strategy for action for poverty reduction – implying an emphasis on the capabilities and assets of the poor themselves as the primary foundation for sustainable poverty reduction.

Box 1 The International Development Targets

Economic Well-being

- A reduction by one-half in the proportion of people living in extreme poverty by 2015.

Human Development

- Universal primary education in all countries by 2015
- Demonstrated progress towards gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005
- A reduction by two-thirds in the mortality rates for infants and children under age 5 and a reduction by three-fourths in maternal mortality, all by 2015
- Access through the primary health-care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than the year 2015

Environmental Sustainability and Regeneration

- The implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015

Source: DAC 1996, DFID 1997

The links between social protection and the human rights framework are also worth noting.⁶ The right to livelihood security is recognised in a number of international documents, including the Universal Declaration of Human Rights (UDHR). The essence of this right is the guarantee of a minimum livelihood – not necessarily income – in circumstances which jeopardise an individual's survival, including unemployment, sickness, disability, widowhood and old age. The theme of social protection has been pursued in a number of ILO Declarations since the UDHR.⁷

As is widely recognised, however, the ILO instruments have tended to rely heavily on assumptions geared to conditions of work characteristic of the formal sector and the developed world. Recent work in the ILO emphasises the need for radical re-thinking if the ILO's leadership on issues of social protection is to supply appropriate guidance for developing country contexts (van Ginneken 1999). Applying a rights framework to the issue of social protection in developing country contexts raises the following basic question: how can countries which lack the resources to provide transfers to the poorest on a sustainable basis in conditions of widespread deprivation, best act to ensure the fulfilment of the right to minimum livelihood with dignity for their citizens?

This paper is, in a sense, an attempt to address this question. At this point two basic points are worth noting:⁸

⁷ The primary ILO Convention in this field is C102 - the Social Security (Minimum Standards) Convention of 1952 – other relevant post-war conventions include C103 (Maternity Protection), C118 (equality of treatment in social security), C128 (Invalidity, Old Age), C121 (employment injury) and C168 (employment promotion and protection against unemployment).

⁸ Following the work of the UN Committee on Economic, Social and Cultural Rights, summarised in Ferguson (1999, p 8).

- the state has obligations to protect, promote and respect social and economic rights. While the state should respect the right to minimum livelihood under all circumstances (i.e. never act in such a way as to undermine this right – for example taxing the starving) in other respects the state should seek to work towards progressive realisation of this right in conditions where scarcity of resources makes full immediate realisation unattainable;
- the state's obligation in respect to social protection for its citizens does not mean that the state has to achieve this uniquely or primarily through providing social security transfers – promoting the enabling environment for people to use their own efforts to achieve security of livelihoods is equally critical.

The following chapter elaborates on these themes, delineating the scope of the definition of social protection, the rationale for its provision, and the institutional and historical context which underpin contemporary patterns and potential future developments.

2. Social protection: defining the field of action and policy

2.1 Towards a conceptual and operational framework

This section reviews the global context for social protection and highlights the reasons for the enhanced interest in the issue in the international development community. This involves addressing the diversity of definitions of and approaches to social protection which are adopted by international development agencies as they develop policy in this field.

The first issue that needs to be addressed is the distinction, if any, between social protection and alternative terms in circulation. *Social security* is the most long-established of these terms. However, it is still primarily associated with the comprehensive and sophisticated social insurance and social assistance machinery of the developed world. As such, it is seen by some as inappropriate to the debate in much of the developing world, where higher levels of absolute poverty, combined with financially and institutionally weak states, pose a set of fundamentally different challenges. The more recent terminology of *safety nets* (or sometimes more specifically *social safety nets*) is by contrast associated primarily with developing countries. These terms imply a more limited range of interventions – notably targeted social assistance (often now administered through social funds) – which have often been originally conceived as short-term, compensatory measures during structural adjustment or other national crises.

Social protection has only come into widespread use relatively recently. For Lund and Srinivas, the term has the advantage of

‘the same encompassing tenor or umbrella sense as social security...[but also] the advantage, over social security, of being extensively used in both ‘more developed’ and ‘less developed’ parts of the world’ (Lund and Srinivas 2000: 14).

However, there is also a danger that different academics and development agencies use social protection with different definitions in mind (discussed in more detail below). Understandings of the meaning of social protection vary in a number of ways – between broad and narrow perspectives; between definitions which focus on the nature of the deprivations and problems addressed, and those which focus on the policy instruments used to address them; and between those which take a conceptual as opposed to a pragmatic approach to the task. Most definitions have a dual character, referring to both the nature of deprivation and the form of policy response. Almost all definitions, however, include the following three dimensions:

- they address *vulnerability and risk*
- and *levels of (absolute) deprivation deemed unacceptable*
- *through* a form of response which is both social and public in character.

For the purposes of this paper we will use the following definition:

‘Social protection refers to the public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society.’

According to this understanding, social protection deals with both the absolute deprivation and vulnerabilities of the poorest, and also with the need of the non-poor for security in the face of shocks and the particular demands of different stages of the life-cycle (e.g. pregnancy and child-rearing, marriage, death and funerals). As such, it encompasses as its core the two main broad fields of response mechanism, namely *social assistance* and *social insurance*. Van Ginneken (1999) distinguishes these two components of social protection as follows:

‘*Social assistance* is defined as benefits in cash or in kinds that are financed by the state (national or local) and that are mostly provided on the basis of a means or income test. The concept also includes universal benefit schemes, i.e. those which are tax-based but do not use a means test...*Social insurance* is social security that is financed by contributions and is based on the insurance principle. The essence of insurance is understood here to be the elimination of the uncertain risk of loss for the individual or household by combining a larger number of similarly exposed individuals or households into a common fund that makes good the loss caused to any one member. (van Ginneken 1999: 6)’

This description is not specific regarding the identity of the institutions providing insurance-based social protection, but identifies the state as provider of social assistance. Given the importance of informal transfers in the livelihoods of the poor (that is, transfers from community, kin, religious groups etc.), and in keeping with a broad definition of social protection proposed above, we suggest that the concept of social assistance should not be restricted to state funded transfers, but apply to all forms of public action which are designed to transfer resources to groups deemed eligible due to deprivation.⁹ This eligibility may be seen in terms of income poverty, or in terms of other dimensions of deprivation. Similarly, insurance is understood broadly to encompass any form of pooling of resources among groups to provide protection against risk. Insurance schemes may be state-run (statutory unemployment insurance, or pensions, for example), state-regulated but run in the private sector, or informal.

In other words, the public character of social protection responses in our definition may be governmental or non-governmental, or may involve a combination of both types of institution. Response to risk and deprivation may take the form of strengthening collective, membership-based responses to risk; statutory instruments which enhance security; interventions which enhance access to employment and secure tenure of assets; and direct interventions to ensure minimum acceptable standards of livelihood for those with insufficient assets to secure a livelihood.

The field of social protection thus encompasses many different areas and traditions of policy response. Many of these are highly technical and specialised in character (such as insurance systems, pension reform, welfare transfers, or public employment schemes).¹⁰ Definitions that seek to locate social protection within a broad context can go further to include famine relief, or even in some cases most activities that relate to public policy to support the well being of citizens and reduce poverty.¹¹ We are aware that the definition provided above could, pedantically, be read in this way. Arguably, for example, providing an education system is a way of mitigating deprivation. It is important therefore to read the above definition as referring to the *protection* of those who fall temporarily or persistently under levels of livelihood deemed acceptable or are likely to do so,

⁹ Some traditional transfers (e.g. gifts to figures of religious authority) are not made on grounds of deprivation.

¹⁰ The policy instruments will be discussed in detail in section 3.

¹¹ For example Getubig and Schmidt, 1992: “...any kind of collective measures or activities designed to ensure that members of society meet their basic needs (such as adequate nutrition, shelter, health care and clean water supply), as well as being protected from contingencies (such as illness, disability, death, unemployment and old age) to enable them to maintain a standard of living consistent with social norms.”

rather than the *promotion* of a general standard of opportunity and livelihood for all citizens.¹² While the definition remains broad, it can thus be distinguished from areas of general development policy, although issues of overlap with promotional policies will inevitably remain.

It is also important to locate social protection in the context of significant relationships with other areas of policy. Firstly, social protection comprises part of the broader field of social policy. The linkage between social protection and broader social policy analysis is important to the analysis and prioritisation of public expenditures and public policy choices. Particularly in poorer countries, difficult choices need to be made in relation to the capacity of the state and the need to direct financial, institutional and human resources at different fields, including for example health, education and water as well as social protection. Secondly, it is important not to see social protection as a field that deals only with residual problems of human welfare, but as a form of policy which liberates human potential and promotes equality of opportunity as well as of outcome. It is possible to see a balanced approach to social protection contributing to economic well-being (see DFID 1999) through three channels:

- by increasing *security*, through helping households and communities sustain their livelihoods in the face of economic, political, environmental, health or other shocks – as well as reducing the likelihood of such shocks occurring;
- by contributing to *equality* through a) promoting levels of livelihood sufficient to ensure enhanced equality of opportunity by allowing for all households to achieve basic education for their children, as well as standards of health and nutrition necessary for human development, and b) raising the levels of consumption and livelihood of the poorest;

and

- by promoting *growth* through: a) ensuring that all households have the wherewithal to provide for basic human development thus ensuring a skilled, productive workforce, b) reinforcing values of social solidarity and thereby contributing to levels of social cohesion necessary for long-term economic development, and c) providing an environment in which individuals and households are able to adapt and change livelihood strategies without fear of calamity should such strategies fail.

Inappropriate social protection policy may by contrast serve to undermine any or all of the above. The use of statutory forms of social insurance for providing pensions and other benefits to workers in uneconomic state enterprises for example, has been shown in practice to enhance inequality in many developing countries, by effectively taxing poorer workers to provide benefits for the non-poor (van Ginneken 1999). There is also the obvious danger that a growing burden of public expenditure in social assistance transfers may destabilise the public budget and undermine the capacity to provide the core investments in public infrastructure and services that a country needs for growth and security of livelihoods.¹³ In our approach to social protection it is therefore worth outlining some basic underlying criteria for policy in this field. These are sketched out here in Box 2, and developed in more detail in Section 3.4.

¹² This distinction follows Dreze and Sen (1989, 1991)

Box 2 Principles for social protection policy and programme responses

Policy options should be:

- Responsive to the needs, realities and conditions of livelihood of those who they are intended to benefit;
- Affordable in the context of short and medium term budget planning for the public budget – and in terms of not placing unreasonable burdens on households and communities;
- Sustainable, both financially and politically – with a requirement on government to ensure that the state’s role in social protection reflects an adequate level of public support for interventions to assist the poorest;
- Mainstreamed institutionally within sustainable structures of governance and implementation whether within state or civil society structures;
- Built on a principle of utilising the capabilities of individuals, households and communities and avoiding creation of dependency and stigma;
- Flexible – capable of responding to rapidly changing scenarios and emergence of new challenges (e.g. impact of HIV/AIDS), and of supporting individuals through the changing demands of the life-cycle.

2.2 The rationale for social protection

2.2.1 The case for the systematic treatment of social protection

The discussion above on the definition of social protection and its relationships to other fields of policy has already touched in passing on some of the main reasons for paying attention to social protection. Drawing on the literature we have reviewed, it is possible to derive a list of the various rationales for the development of social protection as a field of policy (see Box 3).

Box 3 The rationale for social protection policy

Variouly, social protection is argued to be necessary in order to:

- develop social support for reform programmes
- promote social justice and equity – and make growth more efficient and equitable
- provide policy-led support to those outside the labour market/with insufficient assets to achieve a secure livelihood
- provide protection for all citizens against risk (including financial crises)
- ensure basic acceptable livelihood standards for all
- facilitate investment in human capital for poor households and communities
- enable people to take economic risks to pursue livelihoods
- promote social cohesion and social solidarity (social stability)
- compensate for declining effectiveness of traditional and informal systems for enhancing livelihood security
- ensure continuity of access for all to the basic services necessary for developing human capital and meeting basic needs.

A summary rationale for pursuing social protection in the context of international development would be *to promote dynamic, cohesive stable societies through increased equity and security.*

2.2.2 *The economic rationale for government intervention*

The rationale for involving government in social protection, rather than leaving action to the private sector, relates to the inability of the private sector unaided to solve two problems: firstly the low level of income (and hence high poverty) of some individuals or groups, and secondly the vulnerability of others to transient poverty due to high variability of incomes and lack of effective consumption smoothing strategies. Transient poverty can become permanent if, for example, indebtedness or sales of assets reduce future income earning potential.

On the first point regarding low average living standards, market mechanisms, however well they function, do not guarantee a minimally acceptable standard of life if individuals or groups have insufficient assets. Transfers of assets or income are needed to deal with the moral obligation to guarantee this minimum standard. Regarding the second point of variability, insurance markets are notoriously incomplete for well understood reasons of market failure:¹⁴ inadequate information with which to assess risk, adverse selection (e.g. the unhealthy are most likely to seek health insurance), moral hazard (insured individuals have lower incentives to avoid risk), high transactions costs for poor and dispersed populations, and covariant risks (which bankrupt the insurance institution if all insured parties are affected at once).

The problem of absolute average poverty requires redistributive policies. These can be of three main types:

- Increasing the level and range of assets available to the poorest (e.g. land reform, investments in human capital through health and education, or physical capital to raise the returns to the assets they have). These interventions would be indistinguishable from general poverty reduction policies. Though primarily aimed at raising average income, asset transfers also enable poor people to smooth consumption more effectively because they can diversify income sources, and sell or mortgage assets when bad times strike.
- Measures to raise the returns on assets held by the poor, for example by raising the demand for their labour through employment schemes, or to raise wages or the price of crops produced by the poor.
- Direct targeted transfers of income, in cash or in kind. These can take the form of direct financial transfers, or transfers in kind through free or subsidised access to merit goods e.g. food rations at free or subsidised prices, or exemptions from user fees. The central problem is how to target the poor while minimising leakage to the non-poor, keeping costs manageable, and avoiding incentive problems and the creation of dependence.

The insurance role of the state in smoothing consumption can occur at a range of levels from macro to micro. All governments have a responsibility to react to emergency situations affecting large numbers of people. For shocks which are widespread in scope, the state holds foreign exchange reserves which can be converted to extra spending to meet needs at short notice.¹⁵ The state may also hold emergency food grain reserves. Governments are also able to borrow and to call on the donor community in dealing with widespread emergencies. While emergency response is not the main focus of this paper, there are linkages between contingency planning for such events and ongoing social protection provision. Where an administrative infrastructure exists for providing

¹⁵ DFID recognised the importance of these reserves: witness the provision of general balance of payments support as the main mechanism to help governments in Southern Africa deal with the 1992/3 drought.

targeted support to the poorest, for example through food for work and other feeding schemes, it can more readily be expanded in times of emergency.¹⁶

The extent to which the state can practically intervene to protect individuals from misfortune is in practice very much more limited in low-income countries. Where many are poor, difficult choices have to be made about the resources devoted to the poorest of the poor, with potential trade-offs between development activities and state funded forms of social protection. Although there may be the opportunity for beneficial public sector intervention, there are also opportunity costs. In looking at which measures a government can afford and can practically implement, affordability, capacity and accountability of government action will be key considerations.

2.3 Why now? The global context for the contemporary concern with social protection

The late 1990s showed a growing concern with the global dimensions of social policy, evident in both the academic literature and policy developments.¹⁷ Perhaps the defining event of this period, the event which provoked the international community to examine the changing environment for economic and social policy and its relationship to the institutional framework for managing risk and promoting opportunity, was the Asian financial crisis that broke in mid-1997.¹⁸ This crisis resulted in serious economic recession and hardship in countries (South Korea, Indonesia, Thailand and Malaysia, among others) which had previously been regarded as developmental success stories. Although policy regimes obviously differed considerably between the countries affected, they could all be characterised as having pursued a relatively open, growth-led path to development and poverty reduction. This general strategy of rapid, broad-based economic growth had been widely praised and, albeit with different interpretations and emphases, recommended as a suitable development strategy in international policy discourse (e.g. World Bank 1990, 1993). Arguably, however, the neglect of social protection mechanisms made these countries vulnerable, following an economic crash, to rapid increases in poverty and the adoption of household-level coping mechanisms which slowed economic recovery and undermined long-term human development. These vulnerabilities were only really exposed from 1997, when economic recession hit harder than it would have done had such policies and programmes been in place.¹⁹

Following and in turn followed by similar events in Latin America and the former Soviet Union, the Asian crisis stimulated a global debate on the adequacy of the existing ‘financial architecture’ provided by the Bretton Woods institutions. Governments, academics and multilateral institutions are now debating the proposition that new global institutional arrangements are needed in a world of increased economic volatility (seen in both commodity relations and capital flows), and are examining the implications of such change for economic and social policy. The serious political interest in the development of global social policy is seen most clearly in a request in October 1998, from the Development Committee of the World Bank/IMF, that the World Bank should ‘work with the United Nations, the Fund and other partners to develop general principles of good practice in structural and social policies’.

These events clearly form part of the ongoing debates concerning the various phenomena described under the term ‘globalisation’. For the purposes of this paper, globalisation is taken as having two key aspects: firstly, accelerated global integration of various kinds (driven by liberalisation of trade and capital flows, and technological changes which lead to growing volumes and changing patterns

¹⁶ The Bank refers to these as “simmering” safety nets.

¹⁷ For a politician’s view of these issues see Brown (1998)

of exchange of information and knowledge) and, secondly, the institutional responses to these integrative processes, occurring at various levels, from global through regional and national to local scales.²⁰

Particularly in the aftermath of the Asian crisis, analysis of the economic and social consequences of globalisation tends to stress two differing and parallel dimensions. On the one hand, current global processes of change are seen as increasing opportunities for all, including poorer people and poorer countries. On the other hand, they are seen as exacerbating insecurity on a global scale, in terms of both the increased probability that economic shocks will be international rather than national in scale, and the increased severity (greater breadth and depth) of those shocks when they do occur.²¹

The increasing focus on social protection in international development organisations (as evidenced in new World Bank and ADB strategy documents) can thus be seen, at least in part, as the reactions of policy-makers to the various financial crises of the 1990s. Underlying this has been the general trend towards re-focussing development co-operation on the elimination of poverty.²² Much of this policy-focussed analysis has concentrated upon addressing national and sub-national processes that cause or reduce poverty. Increasingly, however, the anti-poverty debate has also addressed distinctive features of contemporary globalisation which are seen to necessitate a policy response at the supra-national level. Some of these secular trends include:

- Generally increasing levels of inequality, both within countries (Cornia 1999, Stewart 1999) and between countries (the income gap between the fifth of the world's people living in the richest countries and the fifth in the poorest rose from 30 to one in 1960 to 74 to one in 1997²³). Income inequality is increasing in many countries, with labour market segmentations (skilled / unskilled, rural / urban, formal / informal, export / domestic) becoming increasingly significant, although they vary in their nature. There is an increasing gap between rewards to skilled and unskilled labour, and globalisation of information industries will exacerbate this trend;²⁴
- Freer movement of capital between nations implies that national economies can compete for foreign investment by having lower standards of labour rights and labour protection, as well as lower taxes on labour and productive enterprises. This prompts fears that capital goes 'regime shopping' for the best conditions, engendering a 'race to the bottom' in standards of labour rights and social investment,²⁵
- An increasingly liberalised international economic environment restricts the ability of governments to access many of the sources of revenue (e.g. trade tariffs or labour taxes) previously drawn upon to fund social expenditures. This threatens a 'fiscal squeeze' on the public revenues required to fund social expenditures at the level of the nation-state.²⁶ There is a trend to lower tax on higher incomes, resulting in tax systems becoming less redistributive (ILO 1999b);

²⁰ See for example UNDP 1999.

²¹ Whether the perception of increasing insecurity matches the reality of change has been contested. Some argue that global integration increases exposure to shocks – but should under most circumstances also provide mitigating effects (Page, 1999). Giddens (1998) argues that it is the type of risk ('manufactured uncertainty', arising from human agency) which has changed rather than the absolute level.

²² As shown in DFID 1997, World Bank 1990, 2000/01.

²³ UNDP 1999: 3.

²⁴ the report estimates that there are 25,000 workers in India in IT based 'remote services' such as data entry – this is expected to exceed a million within ten years.

²⁵ Deacon 1997.

²⁶ See for example Grunberg 1998, UNDP *HDR* 1999: 92.

- During the 1990s, multilateral institutions (such as the World Bank and IMF) have become increasingly engaged with areas of classic ‘social policy’ – especially through the increasing focus on poverty reduction and the social sectors;
- Many developing countries – especially those with a narrow export base – see themselves as becoming more vulnerable to international shocks. There is growing international concern about the volatility of short-term capital flows, a volatility which has been shown to lead, under some conditions, to rapidly developing crises of welfare;
- Increasingly, flows of labour migrants between poorer and richer countries has led to a recognition that treating poverty as a regional and global, rather than simply national, issue is a practical as well as a moral imperative;
- Increasing levels of information about economic and political connections between different parts of the world have fostered new forms of civil society action at the international level (e.g. the ‘ethical trade’ initiative) based on global solidarity.

In response to these trends the ILO advocates increased international attention to action in four areas: education and training; social safety nets; labour law and industrial relations; and core labour standards (ILO 1999b). Improved social protection is therefore seen as one of four pillars of socially responsive globalisation, fulfilling two ‘complementary purposes’: the equitable distribution of the costs and benefits of globalisation and restructuring; and the strengthening of societal support for reform processes.

There is a danger that processes of international economic integration are increasingly leaving nation states – and poorer nation states in particular – with less power to regulate conditions for relationships between capital and labour, conditions of access to internal markets, and the levels of budgetary support available for human development. As the nation state remains the major framework for systems of formal political participation there is a clear danger of a vacuum developing in terms of authority and accountability as this process extends. Processes of accelerated integration of global societies and economies – processes which have great potential for increasing growth and human well-being – may in the long run be threatened if growing inequality leads to a perception that basic standards of social justice are not being met. This analysis suggests that the institutional framework for social policy must adapt in response, at the local, national and global levels (see Box 4). The appropriate agenda for such a response is, however, still contested (Norton 2000).

Drawing on recent thinking on social policy in the North, it is important to register that social policy is inextricably linked to economic policy, and not a residual category of public policy dealing with welfare. Good social policy is increasingly needed to provide the investment needed for a cohesive, dynamic society with a skilled and healthy workforce. In short, it is as much about enhancing opportunities as it is about providing protection for those not able to find a sufficient livelihood through the market or institutions of kinship and community.

Another significant process of global change (albeit of a different kind) is the ongoing global demographic transition from high birth and death rates to low. This transition implies long-term growth in the absolute numbers and relative proportions of older people. Improvements in medical care and reproductive health are leading to longer life spans and posing a complex global challenge to systems of social protection for older people (Heslop 1999). This problem (acute in much of Eastern Europe, and growing elsewhere) will underscore the need to find means of social protection

which are flexible, cost-effective, and make the most use of the active capabilities of groups often stereotyped as unable to be active contributors to society and development.

Box 4 Defining social policy

Social policy is a term with a complex history both in the academic literature and in practical policy fields. Discussions on its definition tend to revolve around the following issues:

- What is the sectoral coverage? Some definitions interpret social policy as relating primarily to particular sectors — notably health, education and social protection — while other views seek to define the term cross-sectorally, in relation to areas of policy outcomes (poverty reduction, equity, redistribution, social cohesion).
- What is the key agency in the field of social policy? Views of social policy predominant in the North have tended to assume that the key agent in social policy is the national government. This in turn has often led to a perception that Northern social policy frameworks are unsuited in many developing country contexts where institutions of kinship and community play a larger role in relation to social protection for poor people. Arguably, the process of globalisation is one of the factors that have acted to close this gap — with an increasing emphasis on non-state actors (private sector, voluntary agencies, community based organisations, etc.) in Northern social policy frameworks.
- Does social policy imply normative goals? Generally a set of values (relating to the promotion of certain minimum standards of social justice and equity) are taken to accompany the field of social policy. Yet institutions that do not subscribe to these values may still be significant actors in the social policy field: so is a value-based definition restrictive?

Deacon (1997) argues that ‘Global social policy as a practice of supranational actors embodies global social redistribution, global social regulation, and global social provision and / or empowerment, and includes the ways in which supranational organisations shape national social policy.’

2.4 Conceptual foundations from the literature on poverty and deprivation

Debates on social protection can draw heavily upon a rich tradition of research dealing with the nature of poverty and deprivation and related public policy choices. This section will summarise a few of the issues, with a focus on recent developments.

The increasing importance attached to social protection issues within debates upon poverty reduction can be illustrated by comparing the two ‘decennial’ World Bank World Development Reports (1990 and 2000) which deal with the theme of poverty. WDR 90 included the theme of ‘safety nets’ as part of the ‘three legged’ poverty reduction strategy (human development and labour intensive growth constituting the other two legs). The inclusion of this theme was a landmark in re-focusing attention on the social protection role of the state in the aftermath of the neo-liberal consensus of the 1980s. Much of the debate during the 1990s was critical of the ‘safety net’ formulation, however, which implied a perception of the poorest as passive recipients of transfers rather than as active agents. Nonetheless, WDR 90 still represented an important watershed, bringing social protection issues back into the mainstream of the debate on international development.

WDR 2000/01 *Attacking Poverty*, is conceptually a broader document, dealing with experiential and qualitative as well as consumption-based dimensions of poverty. The overall framework for WDR 2000/01 is built on three new ‘legs’ for a conceptualisation of poverty and the measures needed to tackle it. These are the themes of empowerment, security and opportunity. The debate around WDR 2000/01 has already given much momentum to the development of policy in social

protection – primarily under the theme of security – and this is likely to increase as the document is disseminated.

2.4.1 Risk and vulnerability

The literature on risk and vulnerability falls broadly within two traditions. One is based on participatory and ethnographic understandings of the nature of poor people's realities and livelihoods.²⁷ This material has been influential in bringing issues of vulnerability into the mainstream of policy debate. In the late 1980s and early 1990s when quantitative survey based approaches focused on providing static 'snapshot' pictures of the levels of deprivation, this literature emphasised the fact that poor people's own perceptions of well being placed considerable emphasis on issues of security, both of the person and of livelihoods.

The other tradition comprises a comprehensive re-visiting of the issue of risk and vulnerability in empirical, quantitative, and conceptual economic analysis. Box 5 outlines a conceptualisation of 'risk' which draws predominantly on the work of the World Bank in developing a conceptual framework for social protection policy (see in particular Holtzmann and Jorgensen 1999). This is a rich literature that encompasses most recent developments and trends in the analysis of poverty and deprivation.

The following table illustrates some of the different elements in the two analytical traditions.

Table 1 Approaches to understanding vulnerability

Qualitative and Participatory Analysis	New Economic Approaches
<ul style="list-style-type: none"> ▪ Emphasis on poor people's own analysis of significance of different threats to livelihoods and the effectiveness of policy actions. 	<ul style="list-style-type: none"> ▪ Emphasis on outsider measurement of significance of indicators of vulnerability to different shocks – measured through household survey instruments, other quantitative measures.
<ul style="list-style-type: none"> ▪ Emphasis on a range of different forms of variation over time – not only sudden shocks but cyclical repeated elements of deprivation such as seasonality and long-term trends 	<ul style="list-style-type: none"> ▪ Emphasis on the detailed analysis of different kinds of shocks, rather than repetitive, chronic elements of vulnerability.
<ul style="list-style-type: none"> ▪ Vulnerability analysed from the perspective of a variety of different social units and groupings – individuals, households, communities, social groups by gender, status etc 	<ul style="list-style-type: none"> ▪ Vulnerability primarily analysed at the household level.
<ul style="list-style-type: none"> ▪ Analysis of assets and coping mechanisms includes un-monetised strategies that are difficult to measure, e.g. use of common property resources for access to medicines and 'famine foods'. Also highlights the social institutions needed for sustainable management of such resources. 	<ul style="list-style-type: none"> ▪ Analysis allows for quantification and measurement, but may miss out important elements of poor households and communities' assets and livelihood strategies.

²⁷ The seminal work in this area is the collection of articles in IDS bulletin 1989 20:2 *Vulnerability: How the Poor Cope* (in particular Chambers, Swift). Evolving approaches in participatory approaches to poverty assessment which emphasise vulnerability and the significance of the assets of the poor can be traced through Norton and Stephens (1995), Norton *et al* (1995), World Bank (1995), Robb (1999). Significant developments in terms of asset/vulnerability frameworks include Moser (1996) and Scoones (1998) DFID (1999)

Both traditions emphasise the importance of analysing vulnerability from the perspectives of endowments of assets that can be accessed by poor households, individuals or communities. These assets are not simply material – the analytical framework of ‘sustainable rural livelihoods’, for example, groups assets into five types of capital (physical, natural, financial, social and human). The literature also shows how assets are significant not simply as aids to production but also as stores of wealth, buffering individuals and households against hard times. This goes for social capital as much as it does for physical capital: social networks that can be used to increase well-being (through access to information or stakeholders, for example) also enable people to make claims on others in times of trouble.

Box 5 Conceptualisation of risk

From the perspective of an individual actor, risk can be described in terms of a balance between probability and magnitude. Probability may be alternatively expressed in terms of probable frequency with which a shock occurs. Thus a household may face a relatively high probability of a short-term incapacitating illness or poor harvest (i.e. these will occur perhaps every few years), but could probably weather these. A crippling accident or illness, or the complete failure of the harvest, would be rarer but more devastating.

Scaling up from the individual or household to discuss policy implications, it is possible to make some further categorisations of risk, relating to the number of people likely to be affected at one time, and the sequencing of shocks (adapted from World Bank 1999a: 22–3):

- *Patterned vs. generalised shocks.* Shocks which affect only certain individuals or households (e.g. non-communicative illness or accidents, frictional unemployment, etc.) call for different preparations and responses from shocks which affect all those in the society or region under question (e.g. financial crisis, inflation, crop failure in a monoculture rural economy). In the World Bank Social Strategy Paper, these are described as ‘idiosyncratic’ vs. ‘covariant’ shocks.
- *Single versus repeated shocks.* Many shocks are associated (e.g. disease following famine). Strategies capable of mitigating or coping with a single shock may give way under the impact of repeated shocks.
- *Catastrophic vs. non-catastrophic shocks.* This essentially relates to the magnitude of the shock, as discussed above: some shocks are relatively small, and can be absorbed through minor adjustments in the household economy (selling some assets, reducing non-essential consumption etc.) but others are potentially devastating.

It is important to stress that none of these categorisations are hard-and-fast distinctions. The magnitude of a shock may be defined in either absolute or relative terms: for a household with only one economically active adult and no assets, even a short-term illness of the head of household may be devastating, whereas for a household that is equally poor but has more labourers such an illness could be perhaps be absorbed. Similarly, whether a crisis is considered general or discriminating depends upon scale of analysis: a local flood or decline in price of a particular local product may be considered relatively discriminating on a national scale but affect the whole society on the local scale, with important implications for the ability of local institutional arrangements to provide relief.

From the point of view of social protection policy the literature on risk and vulnerability implies the following:

- Options should be responsive to the realities of poor people’s livelihoods, and informed by awareness of the assets and capabilities which they deploy;

- Interventions (policies and programmes) should be integrated , and should aim to of reduce and mitigate significant risks (both those particular risks faced by individuals or households – e.g. illness – or and those generalised risks faced simultaneously by whole economies, such as financial crises) as well as helping people to cope with the results once a risk event has occurred (see Box 6).

2.4.2 Social exclusion and social cohesion

The idea that forms of mutual insurance which protect against risk and eventualities such as old age are fundamental to the mutual solidarity that underpins society is not new. It formed a central part of the argument in the last chapter of the classic anthropological text ‘The Gift’ (Mauss 1954). According to Mauss, principles of reciprocity and mutual obligation are fundamental to the values of solidarity and identity that underpin the cohesion of societies. The tradition in which Mauss was writing was one which placed emphasis on social relations as being at the heart of the motivations and incentives of policy and behaviour – in contrast to the liberal individualistic traditions more associated with the anglophone world.

In modern development theory this approach has found expression in the concept of social exclusion, which has been advocated as a framework for analysing deprivation and the social and political processes which lie behind it²⁸. In its original form (in French public discourse) social exclusion refers primarily to a rupture of the social and moral bonds between an individual or group and society. There is not the space here to discuss at length the linkages between social protection policy and the rich theoretical tradition concerning social exclusion in developed and developing countries. However, it is worth highlighting the following implications:

- Standing outside of collective, mutual forms of solidarity and support (citizenship of a country or membership of a community) is itself a form of exclusion;
- Citizenship – or membership of groups – is often defined by the entitlement to public support in times of hardship and need. When states’ capacities to deliver such entitlements are eroded it may therefore contribute to a crisis of legitimacy or governance. The state’s capacity to facilitate the development of a consensus on its role in social protection (commensurate with its institutional and fiscal capability) and to subsequently deliver on its side of the bargain is critical to sustaining its own legitimacy.
- Not all forms of social protection foster social inclusion. For example, highly targeted one-way transfers, based on means-testing or other selection mechanisms, can create a sense of stigma which is itself exclusionary. Forms of social protection based on mutual obligation and some sense of reciprocal obligation may protect the poorest against shocks just as effectively but lessen the demeaning connotations²⁹.
- The delivery of benefits to groups often erroneously assumed to be outside the labour market (e.g. older people or people with disabilities) needs to be based upon sensitivity to the perception of these benefits by the recipients and by society in general. Too often social assistance is based upon assumptions of dependency or stereotypes which do not recognise the active contributions made by these groups. The results of such social protection policies are often counter-productive.

²⁸ See de Haan 1999, Rodgers *et al* 1995, especially the article by Silver.

²⁹ The argument against such schemes (workfare etc.) is that they often are seen to involve elements of paternalism and control.

Box 6 Risk management strategies

The World Bank places considerable emphasis on an analysis of strategies for coping with risk. Based upon what they know of the likely probability and magnitude of the risks facing them, actors (individuals or institutions) may attempt to manage risk in three different ways.

Risk reduction: actions, taken in advance of a shock, which reduce the probability that the risk event will occur. In terms of government policy, this would include (for example) economic policy measures to minimise the risk of inflation or currency crisis.

Risk mitigation: actions taken in advance of a shock which reduce the magnitude of the potential risk event. Examples from the household level include diversification of livelihood strategies (so that if the return to one activity declines dramatically subsistence or income can still be obtained from other activities); taking out insurance (formal or informal); and cultivating social ties which might be of assistance in the event of a crisis.

Risk coping: actions taken once the risk has occurred which reduce – or distribute – the effects. Examples include selling assets, reducing consumption, or undertaking more physically risky or socially unapproved activities to earn a livelihood.

The balance between these strategic considerations can guide actors towards different livelihood decisions. The Bank identified three of these, expressed in formal terms, with observations as to the information requirements for each:

- *Minimise the size of the maximum loss:* particularly relevant to the very poor, decision-making guided by this principle in theory requires no information on probability, just on the magnitudes of loss that might result from each of a range of choices.
- *Minimise the probability of loss of consumption below a given threshold.* The decision-maker identifies an acceptable level of loss, rejects options which entail a risk of loss which will take them below this threshold consumption level, and then chooses among the remaining alternatives. The information required is the expected return from alternative consumption and the variability of these returns, expressed as probabilities.
- *Maximise the expected return within a given level of variability.* For those with some security, decisions may be guided by a goal to maximise return within an acceptable range of outcomes. In other words, the decision-maker still considers the minimum return (or maximum loss) which s/he is prepared to accept, but amongst choices which meet this criterion will choose that which offers the greatest reward. He or she requires information on possible and likely returns for a variety of activities – that is, the variance of return.

Both the individual strategies and the models of decision-making based upon them are of course excessively formalised. Most actors manage risk on a much more informal basis, and in practice combine one or more strategies at any one time. There are also trade-offs between the strategies of reduction, mitigation and coping. Strategies commonly taken to cope with shock – e.g. reducing consumption, selling assets, taking children out of education in order to save on fees and set them to work earning income – make the household more vulnerable to other shocks having once recovered (i.e. undermine risk mitigation).

One of the major problems facing individuals, households, companies and governments in planning for and reacting to crises is the availability of information. The emphasis is thus upon the role of state policy in complementing existing social risk management mechanisms, matching instruments to gaps in existing coverage. It is argued by the Bank that governments at present spend too much effort attempting to mitigate and cope with risk and not enough attempting to reduce risk.

Notions of social exclusion are also frequently applied in the arguments concerning globalisation, particularly with regard to the increasing levels of inequality referred to above. Civil society activism in the North is steadily moving in emphasis from charitable giving to addressing structural issues of social justice (the movement for debt forgiveness, the pressure for ethical standards in global trade). These shifts constitute encouraging evidence of the growth of new forms of global solidarity, although the capacity to address growing polarisation within the global economy clearly has limits.

2.4.3 Political dimensions, rights and accountability

There is a growing literature suggesting linkages between the nature of national governance and the effective reduction of poverty. This section will summarise briefly some of the salient arguments.

A cross-country study of 61 developing countries³⁰ found that the effectiveness of a country at converting resources (GDP per capita) into human development was correlated with (among other variables) the extent to which the state was dependent on its citizens for revenue, rather than upon extractive industries or donors. This suggests that the accountability of public services delivery tends to be reinforced (at least under some conditions) through dependence upon a broad revenue base.

Historical studies of the development of welfare capacities in both developed and developing countries suggest that the level of livelihood risk is a key determinant of the level of state interventions with social objectives. In reviewing the arguments related to developing countries, Moore (1999) argues that what really counts in determining the state's share of the economy is openness to livelihood risk – not just openness (volatility of terms of trade, reliance on few products). This research also suggests that where developed countries respond to pressures around economic uncertainty by increasing social spending, poor countries tend to respond by expanding government consumption. This is because many poor countries lack the capacity to implement effective social welfare programmes to mitigate risk, so substitute for this by creating government jobs and 'development programmes' which have reach key constituencies of political support, if not the broader population.

The policy implications thus point strongly to the critical need in most developing country contexts to strengthen capacities at an institutional level, and the structure of governance and accountability. Without these preconditions, conditions of increasing risk will be unlikely to lead to broad-based action to support the livelihoods of the poorest.

The lack of entitlement to state social protection has deep roots in many developing countries. Mamdani, for example, in his analysis of the segmented nature of Africa societies, traces the roots of this to the period when white colonisers had rights of 'citizenship' while Africans existed as 'subjects'. While race is no longer the principle dimension of exclusion, the legacy of the bifurcated society persists. It underpins the current division in many Africa states between 'citizens' who work in the core segments of the labour market and enjoy decent wages, job security and working conditions as well as social benefits, and 'subjects' who occupy the marginalised, often rural segments which are characterised by informal livelihoods and low levels of access to public provisioning and services.³¹ This type of segmentation has major policy implications for social protection, which can be addressed through technocratic programme design. It has to be recognised, however, that in full-blown form structural inequalities of this kind are problematic not

³⁰ Moore *et al* 1999

³¹ Mamdani 1996, Kabeer 1999.

just for the detail of programme design, but for the development of governance and society at a fundamental level.

As we noted in the introduction to this paper, human rights documentation lays out the aspiration to broad-based forms of social protection (the rights to social security and a decent standard of living are part of the Universal Declaration on Human Rights). Recent approaches to integrating human rights into development practice stress the need to convert such aspirations into standards and entitlements which reflect consensus on agreed sustainable approaches and which are communicated widely. In this form they can assist groups which lack voice and the political and social networks required to successfully claim these benefits. Without such concrete elaboration, however, statements of rights are of questionable policy relevance. Their potential lies in enhancing the vertical accountability of public policy to populations at large, particularly the poor, and in emphasising the social dimensions of equality of access, particularly through the principle of non-discrimination.

Finally, it should be noted that a common element which emerges from studies of poor people's own perceptions of poverty is a lack of 'voice', or the capacity to influence public policy and services which affect them.

In conclusion, the literature on the interactions between politics, governance and poverty provides the following key insights on social protection:

- Active civic pressure for effective state action helps to deliver broad-based and effective social protection. Institutional capacity is critical but chronically underdeveloped in many developing countries.
- Many developing countries suffer from forms of structural inequality which mean that formal mechanisms of social protection are unavailable to the majority of the population. Under these conditions, social protection tends to exacerbate rather than reduce inequality. The clearest example is over-protection of formal sector employees in countries where the majority of the labour force (including its poorest members) work in the informal sectors or subsistence-oriented agriculture.
- Human rights provisions have to be turned into negotiated understandings of entitlements and standards (which can be sustainably delivered) in order to provide a framework against which the poorest can make claims for more effective public action.

2.5 Development agency perspectives on social protection

2.5.1 Influences upon agency position regarding social policy

In this section we review the experience and approaches taken by a sample of international development organisations to social protection. The first point to note is that development agencies bring with them to the issue of social protection a set of concerns, some which are reasonably general (an over-riding concern with poverty issues) and some of which are variable. Among the key elements of this 'baggage' in any particular case will be the following:

- The overall policy framework, and understandings of objectives and key concepts (such as the nature of poverty);

- Issues of structural overlap with between social protection and other programmes and professional groupings. For example, if the agency in question has a professional group dealing with health, policy on health insurance may well already be covered under sector policy. There may also be specific programmatic approaches to the issue of vulnerability more generally (for example, the sustainable livelihoods approach) already in circulation within the organisation: those seeking to develop an agency position on social protection will then need to take account of this existing division of labour.

Most donor agencies see their role as supporting long-term reductions in poverty, which offers an eventual reduction in the need for aid, rather than providing protection of livelihoods, especially where such assistance has characteristics of a recurrent service with no clear exit. But the increasing recognition of the necessity for development agencies to engage with the full range of governmental policies in partner countries, and to take a long-term view of the development process, implies a certain convergence of interest. As social protection expenditures form part of a country's overall budget and social policy actions, even agencies which do not specialise historically in that area will be forced to develop understanding in the field.

2.5.2 *Current directions in agency policy*

The Asian Development Bank

The ADB has relatively recently adopted as its overarching mission 'to help its developing members achieve accelerated and irreversible reductions in poverty'. Social protection is seen as an integral component of this goal. Interestingly, this contribution to poverty reduction is presented in terms of social protection 'making growth more efficient and equitable' (ADBc 1999: 12), through smoothing the functioning of labour markets, facilitating investment in human capital, and providing the poor with the subsistence security which will enable them to take productive risks.

This presentation of the rationale for ADB work in social protection thus resembles that in the World Bank. The follow-through – in terms of identification of country-level influences upon social protection development strategies and elaboration of implications for ADB operations – is pragmatic and flexible. Given the specific challenges of Asia, broad-based demographic structures (a majority of youngsters, new entrants into the labour market), the largest numbers of poor people in the world and a large informal sector, specific attention is given to labour market policies, crop insurance and price supports for agriculture, social assistance and welfare (Ortiz 2000). The one notable and explicit exclusion from its definition of social protection is health insurance, on the grounds that this is best considered in context of other health sector policies relating to the delivery of health care.

Unlike the World Bank's *SPSSP* (see below) there is relatively little attention in the strategy paper to macroeconomic crises such as that which hit east and south-east Asia from mid-1997: the crisis is mentioned as a reason for the development of a cohesive social protection strategy, but most of the strategy relates to more long-term concerns. Other ADB work (such as that presented at the Manila Social Forum in November 1998) has however picked up on these specific themes of state and community responsiveness to national crises (e.g. Knowles *et al* 1999).

Given the quality of the strategy paper; the range of country contexts within Asia (low-, mid- and high-income; market, managed market and transitional economies; institutionally strong and institutionally weak states and societies) and the associated range of perspectives on social protection; and the fact that the Bank is a membership organisation, the ADB has considerable potential to develop and share valuable expertise on a wide range of social protection topics.

BMZ / GTZ

Germany is one of the few bilaterals with a strong claim to expertise in the field of social protection. The conceptualisation of the field is however somewhat narrower than in the work in the multilateral agencies, reflecting an approach which draws heavily upon Germany's own corporatist social security tradition and values. This is seen, for example, in the greater willingness to accept non-targeted instruments. There is an acknowledgement that social security systems may cover individuals or groups which are not part of the target group, but this is seen as acceptable if it guarantees 'a community of solidarity' which will maintain the system and ensure its viability (BMZ 1999: 2).

As with other agencies, BMZ (and its implementing agencies) provide assistance to promote the establishment of mutual insurance schemes and the improvement of state instruments for old age, health and accident insurance. More distinctive aspects of German bilateral co-operation in the broad field of social protection include advice for occupational health and safety and employment-based healthcare.

German co-operation in the field of social protection is also notable for the actors involved and the forms of partnership employed. Considerable emphasis is placed upon the provision of technical training to both governmental and non-governmental staff. German NGOs are for their part involved in social protection through church- or community-based schemes in partner countries. The party-affiliated parastatal 'political foundations' – a distinctive feature of the German aid system – are very active in providing assistance for social security, while the German Development Institute research centre has published several studies on social security issues in the developing world.

The International Labour Office

The ILO approach to social security is, as mentioned above, in the late stages of a period of transition. Traditionally, the ILO has sought to promote the development of statutory social insurance programmes along a model based upon the historical experience of the developed world. While there is some division of responsibility for social protection work between different units within the organisation, it seems fair to say that in the 1990s the emphasis has shifted, with new conceptual work concentrating primarily upon the development of a range of appropriate forms of insurance-based social protection for the informal sector (Gruat 1997; van Ginneken 1999, van Ginneken (ed.) 1999).

The starting point for the current ILO strategy is the observation that only a very small proportion of the population of the developing world enjoys any protection from conventional statutory social security instruments. Pilot studies in India, Tanzania, El Salvador and Benin in the second half of the 1990s have examined the reasons for this poor coverage; drawn out the general patterns (and important variations) in what the social protection priorities of the poor actually are; and identified the possibilities for encompassing those presently excluded, whether by extending statutory systems or developing alternatives to these systems. Analysis of the strengths and weaknesses of innovative schemes in these countries (and later China) has provided insights into the possibilities for extending social insurance to the informal sector (broadly defined).

These themes have been drawn together with a much broader definition of 'work' in the new strategic vision for ILO operations, presented by the new Director-General Somavía under the heading of 'decent work for all' (ILO 1999a, van Ginneken 2000: 4). Incorporating domestic work and the 'care economy', this approach is distinguished by four specific features: an emphasis upon universality of coverage and pervasiveness of concern; the use of the idea of rights; the conceptual location of work conditions within a broad economic, social and political context that stresses

democracy and participation; and the search for global rather than merely international policies (Sen 1999, van Ginneken 2000: 4).

The most operationally-developed elements of the ILO's current social protection approach nonetheless still reflects its focus upon employment issues in its primary focus upon insurance-based mechanisms. Perhaps surprisingly, the new work in the ILO seems to pay relatively little attention to employment generation / public works schemes, which despite their problems remain a popular approach to social protection in many countries. The key strength to the new approaches within the ILO are a participatory stance, which starts with the livelihood strategies, resources and needs of the poor, rather than (as in traditional top-down approaches) starting with the state.

The World Bank

The World Bank is increasingly influential in the development of social protection approaches. The Bank's lending in social protection activities has grown rapidly over the 1990s (increasing to \$3bn, or 13% of total lending, in 1998). The Social Protection Sector was established in 1996, drawing on and, gradually, drawing together various traditions of social protection work within the Bank (e.g. work on the social dimensions of adjustment in Africa, social security reform in transition economies, social funds, and WDR 1995 on the social security implications of ageing populations).

Through 1999 Sector staff in the Bank worked to develop a cohesive conceptual basis for these diverse approaches to social protection. The approach was outlined in Holtzman and Jorgensen (2000). The Social Protection Sector Strategy Paper (SPSSP) was presented to the Board in mid-2000 and has recently been finalised. The strategy paper's framework is based upon the concept of social risk management (SRM). The major part of the theoretical treatment focuses upon how policy can help the poor to manage risk in the interest of human capital development and the prudent risk-taking necessary for long-term, poverty-reducing economic growth.

The *SPSSP* is also clearly influenced by the experiences of reacting to the post-1997 Asian financial crises. The attention paid to the social protection aspects of financial crisis is welcome, although arguably even improved social protection systems would have been overwhelmed by the scale of this crisis, and, as the *SPSSP* itself acknowledges, the main way to *reduce* risks of this kind (*viz* sound macroeconomic management) falls outside the primary remit of the Social Protection Sector. Attempting to build linkages between a broadened definition and rationale for social protection on the one hand and more general principles of economic and social development on the other is however a positive move which serves to bring together concerns traditionally divided between economic and social policy departments.

Other Bank work in the Sector has a more pronounced empirical basis than the *SPSSP*. Morduch (1999), for example, pays more attention to social protection mechanisms which are designed primarily to deal both with more mundane crises *and* with those problems which occur with sufficient frequency (albeit some uncertainty as to precise timing) that it is not even clear that they are best approached through the framework of risk analysis.

The importance of issues of vulnerability and insecurity within Bank analysis and strategy has been reinforced by the findings of Participatory Poverty Assessments. The focus on qualitative and experiential dimensions of poverty is striking in WDR 2000, in which the theme of 'security' is developed as one of three central components required for a sustainable poverty reduction strategy. The draft 'Poverty Reduction Strategy Paper Sourcebook' contains a chapter on social protection which builds on the typology of risk developed in the sector strategy paper.³² This chapter (still in

³² Poverty Reduction Strategy Papers are the key policy statement guiding concessional lending and debt relief in poorer countries – see World Bank 2000a. They are supposed to be generated through a participatory process led by

draft) strengthens the emphasis on linking social protection policies with an over-arching analysis of poverty and vulnerability carried out at the national level. This demonstrates the extent to which this work is becoming mainstreamed in the Bank's operational guidance, and should lead to a stronger integration of social protection concerns into the key processes of national level policy dialogue involving the International Financial Institutions.

The strengths of the Bank's contribution can be seen to lie in its growing experience with different approaches to social protection, the influence it can bring to bear by virtue of the volume of lending activities in this sector, and the considerable volume of conceptual work on risk and risk management produced in the last two years. The conceptual framework of social risk management has already been influential upon other authors in the field of social protection (e.g. Lund and Srinivas 1999).

It should be noted that the increasing involvement of IFIs in the social policy domain is not always welcomed. Some developing countries fear that this involvement will eventually lead to loan conditionality based on inappropriate standards of social policy. Some social policy specialists have also noted that the Bank has often promoted market-oriented approaches based on North American models of social provision (for example cost recovery for health and education services, or a residualist 'safety net' approach to the provision of social protection) to countries in their role of policy advice. These concerns have led some to argue that it would be more appropriate for the social policy organs of the UN to take the lead in the field of social policy rather than the IFIs (Deacon 1998). Given the considerable role played by the Bank in determining the allocation of public expenditures in most poor countries, we would argue that the increasing concern of the Bank over issues of social protection and vulnerability should be welcomed, though it is of course vital that other voices in the field of international organisations (such as the ILO) continue to provide an independent and contrasting perspective.

Other agencies with sector- and country-specific social protection expertise

Other development agencies provide more specialised expertise with regards to specific components of social protection policy. The WHO is supporting the establishment or reform of health insurance schemes in numerous countries. The EU, through its PHARE and TACIS programmes, has developed expertise in the social protection reform issues confronting the transition economies (central and eastern Europe, newly independent states of the former Soviet Union, and Mongolia: BMZ 1999: 8) – although it shares this geographical field of interest with the World Bank, the IMF and certain bilaterals (e.g. Germany). UNICEF has specific interest and expertise in relation to children's issues in social protection – and through application in its policy approaches of the Convention on the Rights of the Child has a solid base for the development of rights-based approaches.

Table 2 Summary of agency approaches to social protection

Agency	Definition of social protection	Conceptual emphasis	Components of operational strategy
ADB	The set of policies and programs designed to promote efficient and effective labour markets, protect individuals from the risks inherent in earning a living either from small-scale agriculture or the labour market, and provide a floor of support to individuals when market-based approaches for supporting themselves fail.	Identification criteria for and suggested menus of suitable instruments for different sectors (agriculture, industry, services) and sub-components of the economy (formal and informal). Recognition that social protection policy must be tailored to country-specific circumstances (economic strength, institutional development, social and political philosophy). Health insurance policies and programmes explicitly excluded from definition of social protection field.	Operational implications of social protection issues are grouped under four contextual headings: developing country strategies; policy lending to provide budget support with social protection conditionalities; project lending for institutional development and capacity building; and 'collateral issues' where social protection is a subsidiary goal.
BMZ / GTZ	Support systems to help manage the risks faced in life and help cushion their consequences. Social security systems are <i>not</i> defined in a broad sense to cover the total scope of economic and social security (e.g. access to social services or job creation).	Community of solidarity (either self-help or as national citizens); subsidiarity (the state should only get involved...where private and individual provisions do suffice to maintain the subsistence level); participation and ownership of design and reform; need for more attention to non-insurance instruments	Establishment of mutual insurance schemes e.g. integrated contingency insurance or decentralised health insurance; advice to governments and state agencies regarding old age, health and accident insurance, labour health and safety and occupational medicine; training for government and NGO staff
ILO	a) the provision of benefits to households and individuals b) through public or collective arrangements c) to protect against low or declining living standards d) arising from a number of basic risks and needs.	Shifting from a state-led focus to emphasis on provision of social protection to the informal sector. Social protection conceived mainly in terms of insurance (particularly social and health insurance); relatively little attention to non-insurance instruments.	Promotion of contributory (i.e. civil society-based) insurance schemes; fostering cost-effective social assistance; extending and reforming statutory social insurance schemes.
World Bank	Human capital oriented public interventions I) to assist individuals, households and communities better manage risk and ii) to provide support to the incapacitated poor.	Risk and social risk management, which frames social protection as both safety net and springboard, as investment in human capital development,	8 'guiding principles' for social protection strategy: holistic approach, balancing risk strategies (with state to focus on risk reduction), building on comparative advantages of actors, tailoring interventions to circumstances; being prepared for big shocks; sharing knowledge; building institutional capacity; and designing and implementing in a participatory way.

Sources: ADB1999; BMZ 1999; van Ginneken (ed.) 1999; Holzman and Jorgensen 2000.

2.6 The handling of social protection responsibilities in government structures

Van Ginneken argues that administrative segmentation has been a major cause of the lack of focus and thrust in social security policy. In India for instance the Ministry of Social Welfare has the general responsibility for social security and social insurance. The Ministry of Labour is concerned with unemployment insurance and with social security legislation for the so-called organised sector. Policy relating to life and general insurance is the responsibility of the Ministry of Finance. On various other aspects of social security, the Ministry of Health and a number of ministries dealing with industries, mines and plantations are involved. Similarly within the states of India, social security policy and administration are fragmented among different departments: General Administration, Labour, Social Welfare, Women's welfare, Health, and so on (van Ginneken 1999: 187).

Given the great breadth of policies which relate to social protection it is not particularly surprising that this institutional fragmentation should occur. In most countries social protection policy – whether broadly or narrowly defined – involves a bewildering range of governmental policy actors and institutions. This clearly creates a major challenge for government structures in terms of policy development.

Without going into this issue in detail the following points can be made:

- An integrated perspective on social protection policy, taking on board dialogue with civil society groups, a coherent view on rights and entitlements, and the range of interests and priorities of the public sector, must come from a country's political leadership. It is unlikely to emerge unaided from technocrats fragmented between large numbers of different parts of government service: and if it did, it would lack the legitimacy necessary in this highly contested field. For social protection policy to be effective requires that political leaders become familiar with a challenging range of highly technical issues.
- An effective information base is very important in order to allow for public policy to engage with the realities of deprivation and vulnerability.
- In most circumstances it is desirable that other units of government than specialist social welfare agencies (such as the ministry of finance, planning commission, Cabinet Office) become centrally involved in the development of public policy in this area. This will be helpful in brokering the considerable range of interests involved, and coming to an appropriate view on the state's role, resources and priorities. This implies that governments need a central location to develop capacity in poverty analysis and monitoring in general, and in the development of social policy more broadly.³³

³³ Many elements of the development of the Poverty Eradication Action Plan and subsequent policy frameworks in Uganda will provide useful guidance for practice in this respect – where the Ministry of Finance, Planning and Economic Development has provided strong leadership in developing national strategies.

3. Reviewing experience and policy approaches

The following section reviews relevant empirical experiences in the field of social protection. It concludes with a proposed taxonomy of approaches. While the conceptual principles of social protection can be reviewed in summary form, many of the relevant operational fields are highly complex, so the following is of necessity an introductory review.

3.1 Poor people's realities: implications for social protection from participatory research

Reviews of exercises which investigate poor people's perspectives on the experience of poverty tend to emphasise highly contextual aspects of deprivation.³⁴ Despite this, some elements emerge with sufficient consistency to be worth highlighting. In relation specifically to the field of social protection we can highlight the following:

- Basic physical well-being underlies the livelihood security of poor people, who rarely have ways of mobilising a living that is not dependent on this. Obviously, food security is critical to this.
- Access to key productive assets (which vary depending on context, but include land, fishing equipment, animals, tools etc.) always features strongly in poor people's own listings of the fundamentals of well-being.
- Isolation from services and from structures of power and authority (experienced as both physical isolation and powerlessness and lack of voice) is seen as exacerbating vulnerability to a range of shocks. Physical isolation is predominantly an issue for rural populations, but isolation from institutions applies equally to the urban poor.
- Lack of access to effective curative healthcare is a recurrent theme in many of the reviews. This lack of access may be due to a multitude of causes – lack of money, physical access constraints, or rude or obstructive staff. The emphasis on ill-health as a primary aspect of vulnerability at the household level is striking.
- Seasonality has multiple effects on the livelihoods of poor people, especially in resource-poor rural environments. Aside from the effects of seasonal food shortages, physical isolation often has seasonal dimensions, with flooding leading to periods of isolation from key services. Other key dimensions of seasonal variation include health and the quantity and quality of water that can be obtained.
- Instability and conflict, which threaten basic physical and livelihood security. Where these exist all other problems are secondary.
- Local networks and institutions (including churches and other religious groups) are the primary sources of support to the poorest in times of distress.

Given the richness and contextual variety of the material which has been assembled in recent years, this is inevitably a partial summary. The picture that emerges of the experience of vulnerability is of an inter-locking series of dimensions of deprivation or 'ill-being' which encompasses

³⁴ See Booth *et al* 1998, Holland 1998, Brocklesby and Holland 1998, Narayan *et al* 1999, World Bank 1996, and Brock 1999.

dimensions of physical, social, material and human development, and to which power is central. The key messages for policy on social protection are:

- It is necessary to be realistic – that is, not to over-estimate – the importance of direct state measures of assistance to the poorest in developing countries. While state policies are critical to ensure a general level of adequacy of resources for communities and local networks, it is largely through these non-state channels that poor people receive direct assistance under conditions of extreme stress. This in turn implies that a high priority for state policy is reducing the risk of widespread crises (in the Bank’s language ‘co-variant risks’), as these may critically undermine the coping capacities of the networks on which the poorest rely.³⁵
- Seasonal fluctuations underpin some of the most significant dimensions of vulnerability for rural populations. These changes are highly predictable and therefore should be relatively less difficult to deal with in terms of policy development than periodic and unpredictable shocks.
- As widespread insecurity (whether acute, as in civil conflict, or chronic, as in unsafe urban environments) produces the most serious impacts on livelihood security, any potential links between social protection and policies which effectively reinforce social cohesion and social solidarity are critical. The development of policy analysis which can reinforce the effectiveness of social protection in this area is important.

3.2 Social protection through institutions outside the state: the historical experience of developed countries

Although this review focuses upon social protection in developing countries, there are some significant lessons to be drawn from the experience of informal mechanisms of social protection in developed countries. This can be seen in the case of the benefit or ‘friendly’ societies of the United Kingdom. These provided a critical role in the transition from traditional, small-scale, predominantly rural mutual insurance associations (which provided for only limited and specific needs, most typically funeral expenses), to a range of forms of associational life which became central to the development of civil society and the private and public sectors. (See Box 7.) Among the modern institutions which owe their origin in full or part to these informal mutual insurance clubs we can include building societies, housing and consumer co-operatives, trade unions, and ‘mutual’ pensions funds. In areas such as health provision the ‘friendlies’ can be argued to have assisted in the development of the public pressure which led to the establishment of systems of public provision.³⁶ The hard lessons which were learned in the process of forming and running the organisations, and establishing an appropriate legal and regulatory framework, provided for much of the basis of the modern structure of civil society, governance and the private sector in the UK.

An obvious question is how these historical insights can be applied in contemporary development policy. What roles can or should external actors – the state, bilateral or multilateral agencies or international NGOs – play when these institutions, indigenous to the poor, appear to have a historical trajectory of their own? How can they be encouraged to emerge if they show no propensity to do so without assistance?

³⁵ Though such networks may be able to provide ‘bridging’ links with institutions in environments outside the scope of the shock, for example churches which have links to international NGOs, local patrons who can mobilise assistance from the central government.

³⁶ While in many European countries (e.g. France and Belgium) similar organisational forms (‘mutuelles’) were incorporated into systems of public provision of health – rather than being replaced by a single public provider funded through taxation.

Box 7 The history of informal social protection in the United Kingdom: The ‘Friendly Societies’

In the United Kingdom benefit or ‘friendly’ societies served a critical role in providing social protection during the transition from an agrarian, rural society to one which was predominantly industrial and urban. Over the course of the nineteenth century benefit societies were to grow and evolve until they came to form the basis for ‘respectable’ working class collectivism. In that the trade union and co-operative movements trace their origins to these institutions of mutual aid – or co-evolved with them – the influence of the benefit societies can be seen to have contributed at a later stage to the emergence of organised political pressure which led to the founding of the welfare state. The principle of mutuality and savings which developed in the benefit societies can also be followed forward in time to explain the emergence of the building societies, which enabled members of ordinary means to afford a mortgage, and so laid the material and ideological foundations for a relatively stable ‘property-owning democracy’.

The origins of the beneficients can be traced back to the mid-eighteenth century. The simplest were funeral associations (or ‘coffin clubs’). In these, members paid a regular contribution towards a common fund which was to be used to provide a member with a decent Christian burial: the stigma attached to burial in a pauper’s grave was immensely important in eighteenth and nineteenth century society, just as it is in much of the poor world today, where funeral associations of a very similar nature are seen even when other forms of collective action for social protection are absent. Over time, friendly societies became larger and more sophisticated, offering members a wider range of policies: unemployment and sickness insurance, free medical treatment from specified doctors in return for a fixed capitation fee, and widows’ and orphans’ pensions. As they grew, the societies faced the difficulties of scaling up from small, locality-based membership organisations with unpaid leaderships, to large organisations with full-time, salaried secretariats – a problematic qualitative transition which is familiar to many Southern NGOs today. In this transition, ‘Failures due to actuarial inexperience were common...Diffused through every part of the country, they were (often heart-breaking) schools of experience’ (E.P. Thompson: 460).

What is notable is how, besides their role in providing social protection, the beneficial societies contributed to the development of a higher-order form of organised working-class collectivism. These traits were present from the start: rules which survive from associations of Manchester weavers in the 1750s show ‘meticulous attention to procedure and to institutional etiquette’ (E.P. Thompson 1963: 457), which covered not merely the contribution and management of funds but ‘Decency and Regularity’ in conduct. Such rules on disciplined behaviour and ‘respectability’, often backed by a well-developed system of fines and other penalties, are entirely representative of the movement as a whole. The combination of the practical functions of social protection (savings to meet funeral, sickness, survivor or unemployment expenses) with the promotion of an ideology of ‘responsible self-help and mutual assistance, mollified by the principles of brotherly charity,’ was central to the character of the Benefit Societies throughout the nineteenth century (Thompson 1988).

As they grew in popularity, so the Beneficial Societies broadened in social composition. Some sources estimate that in the later decades of the century 90% of adult males were members of some form of friendly society. Belonging to a Beneficial Society thus came to define social belonging. *Not* belonging to such a mutual aid institution was an important component of any definition of social exclusion. And as the benefit societies grew in membership, so the ideology of working class respectability and mutual assistance spread, until it provided a common reference point for working-class communities throughout the country: ‘This was the sub-culture out of which the less stable trade unions grew...Union rules, in many cases, were more elaborate versions of the same code of conduct as the sick club’ (E.P. Thompson 1963: 461). Civil society institutions of mutual assistance for social protection, in other words, were instrumental in the construction of social capital in industrial Britain. This common ideology and organisational culture of the poor in turn contributed to the emergence of a political Labour movement, representative government, and, eventually, to a welfare state which took on a broad raft of social protection functions.

There are undoubtedly limits to the ability of outsiders to engineer social movements of this kind. It is clear when examining the historical context in the UK, however, that the actions of the state – especially in terms of the regulatory framework which evolved through the legal system – was critical to the evolution of the friendlies. The interaction between the development of organisational capacity for the working poor and the increasing capacity of the state to respond to the needs of a broad base of society is also clear. This emerges when the friendly societies are seen in political

context. The Roses Act of 1793 first recognised the status of mutual aid societies under law, requiring that any such organisation have a written constitution and obtain the approval of a local magistrate. (Many never did, for a variety of reasons, but survived nonetheless.) A series of other legal instruments were passed in the nineteenth century, until finally, much of the piecemeal law concerning the status and responsibilities of friendly societies was drawn together in the Friendly Societies Consolidation Act of 1875. In other words, the emergence of benefit societies cannot be seen as fully autonomous: the legal-institutional framework provided by the British state seems to have played a significant role in explaining the expansion of these societies to the point at which they were institutionalised throughout the country.

The over-riding lesson for development practice is that the interaction between poor people's organisations and the state is critical to the development of an effective institutional fabric for social protection. It is also worth noting that the operation of relatively ambitious forms of local level insurance against risk can provide a medium and incentive for development of institutional capacity in civil society.

3.3 Developing country experiences with social protection through institutions outside the state

Recent discussions of social protection policy have placed started to place more emphasis upon understanding social protection mechanisms provided by non-state institutions. These institutions include family and kin, 'community', religious bodies, non-governmental organisations, savings and credit groups, and forms of 'traditional' insurance such as burial societies. We know that there are collective arrangements which provide both forms of insurance against various kinds of risk through pooling of resources, and assistance to the long-term poor and people in situations of temporary crisis. However, we do not know enough about the effectiveness and resilience of these institutions, or their policy significance. In particular, there has been a notable failure to translate the large and culturally particularistic sociological literature on coping and survival strategies into adequate general principles for policy makers.

3.3.1 Social protection, patronage and 'community'

The literature on socially-based risk reduction, mitigation and coping strategies is large. Much of it draws upon the concept of the 'moral economy' in traditional societies with small and relatively weak states. This literature on moral economies encompasses several concepts.

The first concept is that the poor – often constituting the majority in a society – live so close to the subsistence threshold that even a small shock will push them into a survival crisis (Scott 1976: 1–7). Household strategies for groups in this situation therefore focus upon minimising risk (Ellis 1993: 82–103). These strategies to minimise the probability of risk generally come with a trade-off. They may make the consequences of crisis more severe when it can't be avoided. Perhaps even more importantly, strategies which serve to reduce risk in the short to medium term may actually make it harder to make the transition to a low risk environment in the long term. There are numerous examples of this 'perverse' trade-off between poverty and security (Mullen 1999: 6, Chambers 1989). Risk minimisation and mitigation strategies are, for example, often achieved through seeking patrons: in this 'lop-sided friendship,' the poor may accept routine exploitation which keeps them in poverty in return for the promise of protection when crisis does strike. Similarly, the risk-minimisation strategies of the poor often entail choosing low return (but dependable) options over potentially high-return (but also high risk) options. The result is that the poor remain trapped in poverty, accepting exploitation and / or settling for low productivity in return for some minimal livelihood security; unable to take risks because any failure would be

disastrous, they are unable to attempt high return activities which would allow them to diversify their livelihood base or acquire assets and savings.

The key implication for policy is that social protection policies in many parts of the world may act not only to reduce vulnerability to material ill-being – but also to prevent social ill-being and powerlessness. The origins of individuals and families being trapped in forms of servility, such as bonded labour, are often to be found in situations of distress where long-term autonomy has had to be sacrificed for short-term survival.

The degree to which the poor have come to manage risk through ‘horizontal’ as opposed to ‘vertical’ social relations varies considerably between different societies. In much of rural Africa values of equality and solidarity are more prevalent. Van Ginneken (1999) describes these situations as characterised by ‘social relations of production in which an element of reciprocal obligation ensures that each member of a clan can, in the last resort, count on an irreducible guarantee of social security.’ Despite intrinsic elements of collaboration and solidarity (which may be stronger in theory than practice) it should not be assumed that indigenous arrangements always function effectively and meet needs adequately.

3.3.2 Social protection, gender relations and the household

More recently, reflecting the efforts of sociologists to deconstruct the household, emphasis has been placed upon the *intra*-household arrangements which in many ways mirror the ‘safety-first’ principles observed in inter-household (‘community’) relationships. In many societies women settle for unequal and exploitative relationships to their husbands (and their husbands’ relatives) because these relationships also entail some reciprocal responsibilities and protection – at least in theory (cultural ideal), if not always in reality (cultural practice)..

A key point to note from the point of view of social protection policy is that the household cannot (as has often been the case in failed policies) be assumed to necessarily distribute resources and responsibilities fairly between members.³⁷ Even between economically active adults, the implications of targeting support to incomes towards men rather than women may be very different in terms of outcomes for other groups in the household (children, older people). Policies designed to provide support to livelihoods need to analyse the intra-household dynamics with care, looking at inter-household transfers between genders, but also between generations as well.

3.3.3 Social protection and common property

It has been noted that access to common property resources (CPRs) is a crucial element of the livelihood strategies of the poor in rural societies.³⁸ Fish from rivers and lakes, timber and non-timber products from forests, and field crops such as frogs, crabs and birds may all be essential to the consumption and income of rural households. Common property resources are particularly important as a fall-back strategy in times of trouble (e.g. crop failure). For this reason, social conventions regarding who does and does not have access to the commons are often fiercely defended. Economic, demographic or legal transformations which infringe upon customary rights to these resources can have seriously regressive effects upon the poor. The consequences of the erosion of common property rights is often gradual and attracts little attention until a crisis, when shocks which were previously serious become catastrophic. The significance of common property resources for poor people is considerably exaggerated in situations of widespread rural landlessness. Under these conditions poor people depend on rural labour markets and forms of

³⁷ See Kabeer 1991 and the special issue of the IDS Bulletin (Vol. 22 No 1 1991) on “Researching the household”.

³⁸ See IDS 1989.

livelihood dependent on common property and whole categories of people may gain the bulk of their living from common property resources.

It is thus worth simply noting from a policy perspective that access to common property is a key area for an integrated policy of social protection, especially in relation to rural areas.³⁹ Under some conditions the access of poor people to CPRs may be contested – and involve negotiations with the state, as in the case of forest reserves, wildlife parks and often with rivers and lakes. If sustainable forms of resource management can be developed which allow the poor legitimate access without harassment, the potential benefits are often very significant. Institutions which promote such sustainable management (e.g. forestry user groups) are important elements of the context for sustainable social protection at the community level.

3.3.4 Religious organisation and social protection

In many societies organised religion provided and in some cases still provides refuge of last resort to the completely destitute. The Buddhist *wat* in many countries will offer shelter and food to (for example) those, particularly women, who lack kin to support them in their old age. The churches in Africa often provide similar welfare functions. In some societies religious conversion can be interpreted as (amongst other things) an effort to escape ascribed social identities (e.g. caste) which confine their members to impoverished, high-risk lives. More directly, changing religion may allow the convert to claim the support of the new church.

In situations of widespread distress religious groups also frequently provide a ‘bridge’ between the local environment and external sources of support (for example, the regular role played by local churches in cushioning the impact of famine and drought in many parts of Africa, frequently by drawing on contacts with northern NGOs). Such structures may of course deliver benefits in an exclusionary fashion – although this is by no means always the case.

3.3.5 Mutual assistance and charity: Community Based Organisations and NGOs

The widespread involvement of various forms of developmental and charitable organisation (local, national and international) is of obvious relevance to the discussion of social protection. As this is an area where development agencies generally have a fairly extensive understanding and policy framework we will not go into detail on issues of organisational form and policy frameworks. Local and international NGOs generally operate with a strong value-based motivation, many concentrating on assistance to the poorest. Pioneering work in areas of assisting the poor to develop the organisational forms to manage their own resources (credit and savings groups) has also of course often been associated with NGOs.⁴⁰ Innovative approaches in working with women, people with disabilities and other marginalised groups has also often emerged from the NGO sector.

Van Ginneken (1999) discusses at some length an aspect of social protection which is not extensively studied in the development literature, namely the inclusion of insurance functions in multi-faceted local level organisations such as cooperative associations and rotating credit societies. Burial societies, for example, accumulate regular contributions paid by their members. The accumulated funds are then used to pay for funerals and other ceremonies at the time of death. This plays a major role in preventing debt and hardship in households which have already been dealt a major blow in the loss of a member. Benin’s *tontines* are considered as both a financial institution and a source of mutual aid: ‘They seem above all to be a way of encouraging saving and can be

³⁹ Though not exclusively – many poor urban populations rely on CPRs for energy (fuelwood), medicines and incomes.

⁴⁰ e.g. BRAC, the Grameen Bank, or SEWA.

perceived as a form of social insurance...combining social solidarity and economic efficiency, without, however, being governed by the profit motive.’ (van Ginneken 1999: 21). This ILO review of experience in four developing countries also found rotating credit societies in Tanzania, and in El Salvador a range of institutions (including the extended family) that provide protection against risks such as disability, old age, death, illness and maternity.

Of these risk-managing institutional arrangements, it is perhaps hardest to generalise about those which attempt to cover members against health expenditure, given the difficulty of predicting the scale of these expenditures. Box 8 goes into more detail on the rationale for using insurance to meet health costs, and describes a common typology of health insurance mechanisms. This typology is useful when identifying appropriate roles for state intervention in health insurance (see 3.3.4 below).

The NGO experience with health insurance as summarised by van Ginneken echoes the lessons explored in section 3.1 on the experience of the Friendly societies in the UK: namely, that collective organisation to pay for a service may improve the bargaining power of the consumers, and thus strengthen their capacity to hold providers of services accountable.

Extrapolating from this we would argue that forms of local organisation which take on the function of pooling resources against risk are likely develop a higher level of capacity – in order to meet demanding functions – as a result. This has implications in terms not only of direct benefits, but also the development of social and organisational capabilities which assist poor people (and specific groups, such as women) effectively to negotiate rights and entitlements from private sector service providers and public authorities.

3.3.6 Summary: the potential and limitations of social protection arrangements in civil society

Given that there are often existing forms of resource transfer and other support rooted in family, kin, community, market and NGO institutions, it is important that state welfare provision does not drive out these institutions, substituting high-cost government services for working arrangements already in existence. On the other hand, local support mechanisms may be less than purely altruistic, and may involve the poor buying protection at a cost (lack of autonomy or dignity, for one). They may also fail to support certain groups amongst the poor: ‘community’ is defined as much by whom it excludes as whom it includes, so it is no surprise that many ‘community’ arrangements support the local poor but exclude the itinerant poor (Magagna 1991). Similarly, depending upon cultural context, social institutions of family or neighbourhood may support elderly widows but not abandoned wives, or provide for assistance to the sick but not to the congenitally disabled. Indeed, exclusion from social support networks may be one of the primary definitions of the very poor and vulnerable. Finally, kinship or community support mechanisms may break down in the face of a generalised crisis (or ‘covariant shock’) which throws very large numbers of household into destitution simultaneously (see Scott 1976).

Many of the same problems apply to more modern forms of social protection rooted in civil society. Many of the first charities established in nineteenth century Britain were highly paternalistic, influenced by often ill-informed middle-class concepts of the causes of destitution: as such they were frequently inefficient, failing to make full use of the resources of poor. Trade unions, similarly, often ossified over time to become ‘labour aristocracies’ which sought to distinguish themselves from – and exclude – the unskilled labouring poor. Some of these criticisms could be applied to some indigenous NGOs and trade unions in the developing world today. There is a need for the civil society institutions which provide social protection to evolve and adapt: state regulation and support may assist in this process.

Box 8 Health insurance: NGO and CBO experience

Van Ginneken (1999: 24) notes that ‘There are basically three reasons why informal sector workers would prefer group schemes to individual spending and financing:

- By regular contributions the problem of indebtedness brought about by high medical bills can be improved
- The financial power of the group may enable administrators to negotiate services of better quality or representing better value for money from private providers
- The group may be willing to spend on preventive and health promotion activities so as to keep down the cost of curative services.’

Analysis of informal sector health insurance schemes draws a basic distinction between Type I (which provides cover against high-cost, low-frequency events e.g. hospitalisation) and Type II (which covers against low-cost, high-frequency services, i.e. primary health care). It is important to note that there is in most countries capacity and willingness amongst most workers – including those under the poverty line – to spend a significant proportion of household expenditure on health services. Most already do so, primarily through point-of-services fees. Collective (i.e. not-for-profit) health insurance schemes are therefore seen in many countries and theoretically viable in others, offering efficiencies to both provider and patient (smoothing revenue for the former, smoothing expenditure for the latter). These schemes typically take the form of ‘micro-insurance’ – small, local, independently-managed schemes (because people are unwilling to trust larger and more anonymous schemes) which are however linked into a confederation of such schemes, which enhances both the insurance function and the support structures required for improved governance. Such local micro-insurance structures enjoy ‘cohesion, direct participation and low administrative costs’ (ibid.).

Most of these schemes provide Type II coverage. For various reasons they are less suited to meeting the most important of health-related social protection needs, that of unpredictable large expenses. Combining coverage against these kinds of health risks in a diverse portfolio of insurance functions may provide a solution. The Indian NGO SEWA (Self Employed Women’s Association), for example, provide hospital cost coverage as part of a scheme that also covers the contingencies of death, disablement and maternity, as well as loss of working tools, house and property (Jain 1999: 55–6).

The development literature as a whole in the 1990s has placed an increasing emphasis on the significance of the organisational capacity, linkages and networks which poor people can mobilise.⁴¹ These can be important not just for maximising the effective use of resources at the local level, but also for providing ‘bridging’ links which enable claims to be made against powerful actors at the meso level. We have argued that the function of insuring against risk holds a ‘developmental’ potential for local social organisation which is illustrated in both the contemporary developing country experience and the historical record of developed countries.

These then are some of the parameters of household- and community-based social risk management and social protection systems: often far from ideal, but a resource nonetheless which should be understood and incorporated when policy-makers attempt to design state instruments of social protection (Friedrich-Ebert-Stiftung 1997: 68; Lipton and Maxwell 1992: 12–14). The integration of civil society and public sector actions in relation to social protection is not simply a one way technocratic process, in which policy makers seek to incorporate certain mechanisms within their

⁴¹ Frequently captured by the term ‘social capital’.

frameworks. Civil society organisations also have vital roles to play in the governance and accountability of a society's social protection system if it is to function coherently and effectively. These include:

- Dialogue with public authorities over the nature of acceptable levels of deprivation and vulnerability within a society; and determining appropriate expectations for state action to meet defined levels of entitlement;
- Assisting powerless and marginalised groups to make claims effectively against these defined levels of entitlement;
- Applying pressure on public sector providers of social assistance and social insurance in order to ensure transparency and accountability in the implementation of schemes.

In summary, effective social protection requires an integrated fabric of institutions linking the public sector, private sector and civil society. In many developing countries the linkages for the purposes of both policy and governance could be significantly developed. This theme will be further explored in the next section.

3.4 Social protection and the state: a review of policy instruments

The basic principles of a functioning social protection system are that it should provide appropriate and effective means of alleviating absolute deprivation and protecting against the risk of a decline in livelihoods. It should start with the poorest, and be achieved through arrangements which are socially and politically acceptable and financially sustainable.

These ends may be achieved through a variety of instruments and institutional arrangements. This chapter analyses the policy responses that are available to the state in developing social protection, and to donors in supporting the development of social protection systems. It should be noted that we have tried in this review to emphasise state actions which either a) complement arrangements that have already evolved through the market or through mutual assistance, or b) encourage the emergence of such forms when they offer cost-effective and equitable solutions to social protection problems. This perspective has been adopted in recognition of the low institutional and financial capacity of the state in most developing countries to engage heavily in direct transfers to the poor. The state's responsibilities must therefore extend beyond direct provision and management of social protection schemes to address regulation and setting a policy framework.

The review of policy options in this chapter starts from one observation, and two general principles. The observation is that the vast majority of the population in low-income countries are not covered by any formal social protection, but rely instead on individual, household or community-level arrangements for the management of risk and protection from absolute destitution.⁴² There are many reasons for low coverage by formal actors.

⁴² Many of the terms used in social protection analysis are assigned different meanings in different institutional publications. In this context, "formal" is used to describe social protection provided by state and market-based actors (through direct provision, statutory insurance, public works, or private insurance firms), while informal covers individual and collective arrangements which fall outside these systems (household income diversification, assistance between kin, mutual aid societies, etc.). To summarise the conclusions of the previous chapter, these informal arrangements typically focus upon mitigating and coping with risk: small-scale, informal social protection arrangements cannot generally generate resources of the scale or diversity necessary to *reduce* risks. Informal social protection arrangements may also buy social protection in the short term at the cost of long-term poverty traps.

- Transactions costs for collecting small sums from many poor people will be very high, while the returns on investing their contributions will be low given the undeveloped financial sectors in many poor countries. The risks to which the poor are exposed are very high relative to the scale of their average incomes, while incomes are highly variable, which makes it difficult for them to afford realistic protection or maintain regular payments. The costs to formal institutions of acquiring information on the risks to which they are exposed will be high, and problems of adverse selection and moral hazard are serious in situations where only those most seriously exposed to risk will afford the premiums.
- The benefits provided by formal sector actors – whether insurance-based or through social assistance – are often not those which are priorities for the poor (see below).
- Those in need of protection are often mobile, migrating to follow work opportunities or moving between urban neighbourhoods. The underdeveloped administrative capacity of state services or private insurers means they find it hard to keep track of these potential clients.
- The poor often do not have confidence in either state or private insurers, and prefer to invest in savings (generally assets) rather than entrust money to formal sector insurance schemes.

The first general principle is that it is essential to remember that ‘the poor’ encompasses a great diversity of groups, each of which has different resources and problems. While there are in many countries significant proportions of the workforce that could benefit from extension of the coverage provided by conventional instruments, there is also a need to develop new instruments and arrangements in order to reach those who have different capacities and needs. The design of social protection policies and programmes needs to be tailored to reflect not only the resources of the poor but also their priorities and preferences. Conventional, formal sector social protection – pensions or unemployment insurance, for example – may be of relatively little interest to those who live and work outside the formal sector. For the informal sector, priorities are generally as follows (van Ginneken 1999: 10):

- improving the cost-effectiveness of health care expenditure. The poor may be able to manage common, low-cost medical expenses, either through household strategies or community arrangements, but find it very hard to absorb the cost of a major health crisis;
- assistance with the cost of a death (funeral societies) and compensation for the loss of income resulting from the death or disability of a breadwinner;
- smoothing expenditure on basic education. Although more predictable and less lumpy than medical expenses, education costs can still exert a stress upon household resources at certain points in the year or family life-cycle;
- the provision of maternity and childcare benefits.

The second general principle concerns the importance of understanding the second- and third-order impacts of different policies and programmes. These should be anticipated, as far as possible, when choosing which instruments to fund from limited social protection budgets, and tracked once policies are implemented. Such impacts include but are not limited to the following:

- the potential for displacement of existing informal mechanisms by higher-cost state insurance;

- the opportunity cost of social protection schemes in terms of other state expenditures (both on social sectors such as health and education and on growth-promoting economic policies) which are foregone;
- the effects of liberating individual, household and community funds from social insurance and assistance functions, which can then be invested in other activities (the flip side of the ‘displacement’ concern⁴³);
- the impact of infrastructure built using public works upon economic growth and access to services;
- the upward pressure exerted on wages by the provision of public works employment;
- the opportunity costs to the budget and risk of market distortions detrimental to long-term growth that may arise if price supports or subsidies become widespread and institutionalised.

The remainder of this chapter reviews policy options with regard to a range of social protection instruments. These instruments are grouped under six main headings: facilitating fuller employment through labour market interventions; insurance-based schemes to help the poor mitigate and cope with risk; targeted, tax-based social assistance to defined groups; price supports or commodity subsidies designed to smooth income or consumption; the provision of appropriate microfinance (savings and loans facilities); and the extension of employment-based entitlements through public works programmes.

3.4.1 Labour market policies and programmes

In the long term, the primary route to individual and household security for the vast majority of the urban poor, and many of the rural poor in developing countries, is through income obtained via wage employment. Labour market policies are intended to facilitate the operation of labour markets in the interests of fuller and more financially rewarding employment. Major components include:

- The adoption of labour standards. These are of two kinds. The so-called ‘core-labour standards’ agenda has become widely accepted as part of the fabric of economic and social rights to which the global community aspires (quoted for example in the World Bank’s *Principles and Good Practice in Social Policy*).⁴⁴ More detailed provisions which protect specific material aspects of working conditions (e.g. minimum wages or maximum hours) can provide workers in the formal sector with good incomes, but may limit the growth and flexibility of formal sector employment, and exacerbate the gaps between the standards which apply in the formal sector, and much worse conditions in the much larger, unregulated informal sector. Legislation which makes it more difficult and costly for employers to shed labour have a particularly negative impact on recruitment. This is one aspect of social protection policy in which global principles are likely to be an important influence. The challenge for policy makers is to engage in an equitable fashion with the realities of employment – and seek to strengthen rights and standards for everyone within the economy, rather than privileging specific groups.

⁴⁴ Income and employment are recognised as central social concerns- “international declarations have focused especially on provisions of full employment and protection of core labour standards – including the elimination of all forms of forced or compulsory labour, harmful child labour, discrimination with respect to employment and occupation, and support for freedom of association and right to collective bargaining”. The paper also notes that most people in the developing world work outside the formal sector, in self-employed, family based or informal forms of labour. For the poor, especially, therefore, the overall pattern of growth and public action in favour of sustainable development are generally more important than specific labour policies.

- Active labour market interventions which smooth supply and demand in labour markets, matching workers with appropriate employers. Labour exchanges help workers to find suitable vacancies; similar schemes can put workers in touch with training programmes to upgrade their skills.
- Packages of interventions to absorb some of the shock of major restructuring (public sector reductions, or the decline of a particular industry or sector). These may include retraining, assistance with placements and contributions towards migration costs.
- Legislation against discriminatory practices which exclude women or particular ethnic groups, or result in low pay for these groups. (It is of course easier to pass such legislation than it is to ensure its enforcement).⁴⁵

Most labour market interventions work best with regard to the formal sectors of the economy, when dealing with private companies which can be registered, taxed, monitored and regulated. They are less relevant to and harder to apply in subsistence-oriented agriculture or family- and home-based small enterprises.

3.4.2 Insurance programmes

In the rich world, much of the statutory social protection machinery takes the form of social insurance, that is, social security financed by contributions from the beneficiaries and based upon the insurance principle. A large number of individuals or households which have roughly equal social protection needs combine to mitigate risks, pooling their contributions in a common fund which can then provide pre-defined benefits to members in the event of specified occurrences. Under many statutory schemes the contribution from the employee is matched by an obligatory contribution from the employer and / or the state. The risks covered can be related to a fall in income (broadly defined) or to an unexpected rise in expenditure (in the case of a serious illness). Social insurance and crop insurance fall under the former grouping, while health insurance is the main example of the latter.

The extent to which statutory social insurance operates as a genuine insurance fund varies. In the UK, for example, national insurance is simply part of general taxation, and benefits are paid out of general taxation rather than from a separate 'fund'. In many poor countries strapped for cash, social insurance schemes have been either raided to pay for general public expenditures, or have been obliged to invest in low yielding investments in for example nationalised industries, or poorly remunerated state borrowing. The nature of the implicit insurance 'contract' can also be problematic. If the government is free to influence the terms of what is provided, or if poor investment policies are combined with domestic inflation, the insurance actually provided can be of very limited value.

Social insurance

Employment-based social insurance schemes typically provide coverage against unemployment, inability to work due to injury or ill health, and, ultimately, old age (in the form of pensions). Contributions assure a continued income stream in the event of not being able to work. Particularly with regard to pensions, this replacement income may be fixed (to ensure a minimum pension) or earnings-related.

⁴⁵ In some formulations of social protection, labour market policies might also encompass suitable education policies (starting with primary education) required to produce a skilled and adaptable workforce. As stated in the introduction, however, the definition of social protection policies used in this paper concentrates upon protectionist rather than promotional aspects of policy.

The problem is that in most low-income countries the majority of the workforce is not involved in permanent wage labour in the formal sector. Workers in the informal sector (e.g. subsistence-oriented own-account farmers or employed in micro-enterprises⁴⁶) are not effectively involved in statutory social insurance schemes, for several reasons.

- Firstly, premiums are beyond the financial reach of most of the poor. The problem is not only that total contribution requirements are too high, but that they do not take account of the variable income patterns of the poor. Contributory insurance schemes are generally premised upon the principle of a pre-defined benefit in the event of a specified crisis, regardless of the length of time over which contributions have been made (after a minimum period) or the total individual contribution that has accumulated. Eligibility through continuous, regular contributions is most effectively ensured by deducting social insurance contributions from wages at source. The employer's contribution is collected in the same way. Workers in the informal sector, particularly casual labourers who work for short periods with many different employers, often in many different places, find it hard to maintain a consistent record of contribution.
- Most social insurance is based upon the principle of a 'replacement wage', with benefits paid at a set proportion (perhaps 75%) of the income lost due to inability to work. It is hard to define what the replacement wage should be for informal sector workers, particularly casual labourers, given the great variability in wages from one week or month to the next. The valuation of non-monetary income – food produced for on-farm consumption, or wages paid in kind – also make it hard to determine what constitutes a replacement wage.
- Informal sector employers are generally outside the web of routine state surveillance and regulation. They are generally not registered, have few capital assets, employ workers at below the legal minimum wage without written contracts, do not keep precise accounts, and do not pay taxes. It can be very hard to obtain a fixed, regular employer's contribution from such enterprises, or even to arrange for them to collect employees' contributions through the payroll.

There are several ways in which states might attempt to extend social insurance to the informal-sector majority who currently enjoy little if any such protection. The coverage of existing social insurance schemes can be extended somewhat by removing legal restrictions upon scheme membership, and by streamlining administrative structures and procedures (simplifying claims and benefit payments processes, improving record-keeping and accounting or actuarial analysis, and disseminating information about the scheme to both current and potential members). Pension schemes may benefit from re-appraising the balance between the risks and opportunities associated with pay-as-you-go (PAYG) financing (in which benefits are linked to the performance of labour markets) as compared to 'funded' financing (in which benefits are linked to the capital markets and the return on stocks and bonds). The ILO recommends that 'pay as you go' is more appropriate for mandatory systems providing minimum and some earnings-related pensions, while the 'funded' approach is better suited for voluntary and some mandatory schemes providing earnings-related pensions (van Ginneken 1999: 14–17).

More ambitiously, states could complement conventional schemes (which provide invariable benefits contingent upon regular contributions) with schemes which provide either i) benefits proportionate to the contributions that have been made or ii) fixed benefits once a set amount has

⁴⁶ The ILO definition of a micro-enterprise is one in which: i) the owner is personally liable for gains and losses (i.e. the enterprise is unincorporated); ii) there is an absence of full and written accounts; and iii) the enterprise has less than ten employees at any one time (ILO 1994, reproduced in van Ginneken 1999: 6).

been contributed. Such systems are more suited to the irregular earning patterns of the informal sector: workers make contributions to their social insurance as and when they are able to, rather than providing a contribution of a set amount (or set proportion of a variable amount) on a regular basis. These approaches, however, depend on building trust in government institutions.

In many poor countries, then, the main method by which to extend social insurance coverage in the medium term is through the promotion of voluntary insurance associations.⁴⁷ Within these associations, groups of informal sector workers pool contributions of an agreed size according to an appropriate schedule; agree the mechanism for collection and administration of funds; and define the size and conditions of benefit payouts. These associations often evolve from the traditional locality- or workplace-based credit and insurance practices described in the previous section.⁴⁸ These arrangements are dependent on the development of financial institutions which are conveniently located and able to offer sufficient returns to protect from inflation.

As these arrangements grow and become formalised into organisations with defined memberships, rules and administrative committees, they may benefit from legislation and administrative support provided by the state. The emergence of Beneficial or Friendly societies in Britain between the late eighteenth and late nineteenth centuries is a relevant case in point (see Box 7). Analysis of such schemes in the contemporary developing world has confirmed the importance of the two fundamental requirements for success, namely i) the existence of an association based on trust and ii) an administration which is capable of collecting contributions and paying benefits (van Ginneken 1999: 20). Size is also crucial: the wider the membership, the better the scheme is placed to absorb the impact of covariant shocks and a glut of claims.⁴⁹

Crop insurance

Crop insurance can provide the same risk-mitigation function for self-employed farmers that social insurance pays for wage labourers. A payment of a regular contribution protects against harvest losses due to flood, drought, fire or pests (ADB 1999c: 9). In doing so, it can encourage small-scale farmers to experiment with innovative crops or techniques, and so contribute to economic growth and diversification. The existence of crop insurance can also be a factor in persuading lenders to extend credit to farmers lacking conventional collateral (Mishra 1994).

However, like all insurance schemes, it is better suited to the ‘modern’ sector as opposed to the ‘traditional’ sector. In small-scale agriculture, this distinction between formal and informal is more than usually blurred, but hinges upon the capacity and willingness of the farmer to pay regular insurance contributions. Marginal, subsistence-oriented small farmers typically lack the discretionary income to contribute to conventional crop insurance schemes. For their part, private sector financial institutions are often wary of insuring crops, on the grounds that the possibility of widespread crop failure results in unacceptable exposure to covariant shocks. Experience to date has not been promising: one review concluded that ‘crop insurance programmes have been a disaster nearly everywhere,’ but noted that organisational innovations borrowed from microfinance

⁴⁷ such mutual insurance mechanisms may alternatively be described as “contributory” or “self-financed” insurance schemes.

⁴⁸ As noted previously, these traditional social institutions are often largely invisible to policy makers, being hard for outsiders to perceive or understand. The most effective traditional community institutions are often inter-connected sets of practices rather than clear organisational forms. Over time, elements of these local networks are formalised while other functions fall into disuse. Examples of social insurance associations include burial societies (perhaps the commonest form of indigenous social protection institution) and rotating credit societies, which combine the social protection functions of savings, insurance and mutual assistance. Examples include the *tontines* of west Africa, or the UPATU and the more modern and formalised Savings and Credit Cooperatives (SACCOs) of Tanzania (van Ginneken 1999: 22).

⁴⁹ It is expected that this point will be drawn out in WDR 2000.

institutions might offer a means to realise the theoretical potential of such schemes (Morduch 1999: 11, citing Yaron, Benjamin and Piprek 1997).

Health insurance

The costs of medical services constitute one of the most serious threats to the economic security of poor (and not so poor) individuals and households. Medical crises are a particularly common component of auto-correlated risk: if they strike an economically active member of the household, the unexpected rise in expenditure on treatment coincides with a drop in income. These problems were exacerbated as growing economic crisis in many low income countries in the 1970s and 1980s resulted in an inability to sustain free services. Charges were introduced either *de facto* (as high informal charges and corruption) or *de jure* (as user fees). As with social insurance for unemployment and old age, both statutory and formal private health insurance schemes are almost always beyond the reach of the poor.⁵⁰

In the absence of effective statutory health insurance cover, groups in many countries pool resources in local health insurance schemes (see 3.3.4 above). Unfortunately these arrangements work best for Type II health insurance, covering primary and some secondary services, and are less well suited to provide Type I coverage against infrequent but large medical expenses. Such schemes, often hospital based, have been attempted, but suffer from cost escalation due to adverse selection (people only tend to enrol for these higher premium schemes when they know they are likely to need treatment, which pushes premiums higher still) and from over-prescription and over-provision of services. They also prove to be a more expensive way of covering against the more routine primary and secondary services. Thus while the costs of insurance against primary and secondary health expenditure should be promoted through private-sector or community arrangements, there may be a need for the state to take a larger role in provisioning for coverage against major illnesses or injuries. Relatively complex hybridised systems may be required in order to ensure adequate coverage (see Box 9).

Box 9 Health insurance financing in China

In China, pay-as-you-go premiums for statutory urban health insurance schemes have now reached the relatively high level of 8–9% of the total payroll. As an experiment in making these funds more effective, two cities have introduced a system in which the workers' half of the contributions is paid into individual savings accounts, while the employers' half is paid into a pooled fund. When an employee falls ill, his or her medical expenses are paid firstly from their individual account, and from savings. However, should expenses in any given year exceed the amount in the individual account plus 5% of the employee's total wage, the excess is paid mainly by the common (employer-financed) fund. If medical costs then exceed a further ceiling (e.g. five times the employee's annual wage), they are covered by a separate supplementary medical insurance.

While seemingly complex, this system would appear to have heightened employers' and employees' awareness of the costs of medical services, and to have prompted hospitals to rationalise diagnosis and treatment procedures. The system is now to be extended to another 57 cities.

(Source: Xiaoyi *et al.* 1999: 71–74; van Ginneken 1999: 18–19.)

One of the strongest arguments for health insurance schemes may be that they help to improve the accountability of providers (public or private) to patients. Professional medical care is an aspect of household expenditure which atomistic individuals and households are poorly placed to negotiate.

⁵⁰ In many low-income countries the debilitating effects of medical expenditure on household security has also been intensified by the impact of the HIV / AIDS epidemic: as a covariant risk (i.e. one which affects many households simultaneously), expenditure on care for those affected is particularly hard to meet through insurance, regardless of whether this insurance function is met by kin, community or state mechanisms.

By combining finances in collective schemes, however, people are better placed to leverage improvements in quality and reductions in cost.

Summary: institutional roles

As in other aspects of social protection policy, the best role for the state in insurance may be through facilitating and regulating provision in partnership with other actors, rather than necessarily providing services directly. If private insurance markets exist and work relatively well, the state can promote the extension of insurance coverage by subsidising or underwriting insurance policies which meet the needs of the poor and which would not otherwise be provided by private insurers. The state should concentrate upon the provision, directly or indirectly, of insurance against covariant risks – that is, hard-to-predict risks of shocks which impact upon a large number of households at one time – as these are the risks that private providers are least able or willing to cover unaided. When insurance markets are *not* effective, the state should also become more actively involved in the provision of cover against more commonplace, household-level or idiosyncratic risk, although it is likely that limited funds will make this hard.

3.4.3 Social assistance

Social assistance covers tax-financed benefits, in cash or kind, which are funded out of the state budget (national or local), without the requirement for prior contribution from the recipient. Instead, eligibility is generally (though not always) determined by some means test. Assistance is provided to certain *categories* considered in need of social protection – the disabled, pregnant women or families with young children, for example – who cannot be reached through labour or other market instruments, and who have been unable to purchase insurance, or for whom insurance benefits will not be sufficient. More than other social protection instruments, then, social assistance instruments are associated with explicit targeting mechanisms.⁵¹

The actual benefits delivered as social assistance, however, may vary considerably. Social assistance is most commonly associated with material benefits, in cash or kind, distributed by the state. An effective system of cash benefits requires a capable and accountable administrative system of considerable complexity. As such, such systems are associated primarily with high and middle-income countries (particularly economies in transition), and are very rare in the low income countries.⁵² Social assistance in the form of subsidies towards or exemptions from fees for state services may be more common channels of social assistance in low-income countries, as are programmes which target cash or in-kind benefits to children in school (e.g. the Bangladesh Food-For-Education or the Brazilian Bola Escola programmes). The effective application of exemption from user fees on the basis of poverty criteria is, like other forms of social assistance, a major administrative challenge – and the experience in the health field in poor countries is not encouraging (Unicef 1995).

⁵¹ It is worth noting in passing that some low-income states *have* managed universal (i.e. un-targeted) social assistance on a large scale, even if these have subsequently become very hard to sustain. The distribution of free rice in Sri Lanka is one example. The universal pension in South Africa has had multiple effects: empowering older people (but making them occasionally targets of abuse), enhancing resource flows into poor rural areas which lack employment.

⁵² The World Bank estimates that the cash social assistance programmes which operate in a few Asian countries account for no more than 1% of GDP: in Latin America and Asia such transfers are “negligible”: Subbarao *et al* 1997.

3.4.4 Price support and commodity subsidies

Price support

In many low-income countries a large proportion of the workforce is dependent upon the sale of a small number of products, particularly certain crops. In the event of a decline in the price for these products, large numbers can be threatened with declining incomes and the need to take on debt or sell assets in order to survive. Supporting the price of the products, then, can be effective instrument of social protection. In these schemes, a support price is set below the long-run clearing price. When prices fall below this level, the government buys; when the price rises above a ceiling price, the government sells from its stocks.

Unfortunately, there is a ‘tendency for policies designed initially as a temporary means of smoothing fluctuations to become permanent price support mechanisms’ (ADB 1999c: 9). This will not be financially sustainable for the governments of low-income countries, yet it can occur inadvertently if there is a secular downward trend in the market price. In such circumstances it is essential that price support is combined with efforts to encourage diversification. In other cases the beneficiaries of price support may exert political pressure for temporary price supports to be maintained, or the floor price raised, so that state subsidy to unprofitable production becomes institutionalised. Such pressure needs to be resisted, as the social protection obtained for the producers involved may be achieved at the cost of distortions which slow economic growth and exert a financial squeeze on other areas of underfunded social expenditure, such as health and education services.

Commodity subsidies

Rather than smooth income by supporting the price of goods produced by the poor, the state may opt to reduce or smooth expenditure by subsidising the prices of goods and services consumed by the poor. Staple foods are an obvious example. The difficulty is in targeting these subsidies so that that the benefit is concentrated upon the poor (and therefore more easily affordable) rather than spread indiscriminately across society. This targeting can be achieved by subsidising the prices of the staples of the poor as opposed to the rich (hard-to-prepare foodstuffs, or less expensive varieties of rice, for example); or through distribution of subsidised foods through ‘fair-price’ shops located in poor neighbourhoods.

As with price support, there is a danger that commodity subsidies can distort markets with detrimental net impacts on economic growth and social protection in the long term, particularly when they grow insidiously. The role of the state in price smoothing of agricultural crops can have pronounced negative effects on the development of private trade in agricultural outputs, especially if the rules governing state intervention are not transparent. By holding stocks which can be released onto the market, the government raises the risk faced by private traders, while reducing the returns to be earned from arbitrage between low and high price areas. The losses resulting from the failure to develop a dense network of traders need to be offset against the effectiveness of the price smoothing role.

When considering the use of either price supports or commodity subsidies, it is essential to remember that the various poor and vulnerable groups in need of social protection have different needs and interests. In an agricultural economy, where both landless labourers and small-holding farmers may require support, supporting the price of food crops can be expected to benefit the farmers, and actually disadvantage the landless labourers, who must buy their food. To hold food prices down, by contrast, will smooth the consumption of labourers at the expense of farmers. In reality the situation is often much more complex than this. Small-scale farmers may actually not sell any of their crop, producing less than they require for household consumption and, like labourers, buy food for at least part of the year. Conversely, some labourers are involved in less-

than-fully-monetised labour relations, receiving some or all of their wage in kind, that is, in food. As such they may be better insulated from food prices than those who receive all their wages in cash. Careful research is required in order to establish which groups will benefit and which will lose from relative price movements. Such research is an essential precursor to any attempt to intervene in prices.

3.4.5 Access to microfinance

Microfinance covers the provision of savings and loans services to the poor. It could also be used to more broadly encompass privately-based insurance schemes. One of the notable features of many of the ‘informal’ (non-state, non-market) social protection mechanisms outlined in the previous chapter is that they frequently merge the functions of savings, loans, and insurance. Attempts to provide the poor with financial services in the interests of social protection and poverty reduction should learn from these multi-functional institutional arrangements.

Credit programmes

The provision of loans can play an important social protection role, in one of two main ways:

- Originally, and in many credit schemes still, it is intended that loans are extended in order to enable poor households to invest in an income-raising or income-smoothing activity: the social protection effect is indirect, achieved through promotion of better livelihoods.
- Alternatively, loans may be given in order to enable poor households to meet critical consumption needs without needing to make recourse to coping strategies (e.g. selling or mortgaging productive assets, taking out usurious informal sector loans, withdrawing children from school to earn income, or engaging in activities with a high probability of death or disability) which entail a high risk and constrain the long-term prospects of escaping poverty.

Many microcredit programmes perceive loans for consumption smoothing as inherently bad, as they will not be repaid and will thus threaten the financial viability of the scheme. It is thus concluded that microcredit is a suitable instrument for assisting the poor but not the poorest (Hulme and Mosely 1996). This may be justifiable, but experience suggests a number of design aspects which can improve the repayment rate, whether or not the money is used for consumption or for investment (which is often quite risky and may itself not provide a return which allows for loan repayment).⁵³ Consumption lending may actually have a high financial rate of return, by reducing future debt liability to informal sector creditors, by enabling the household to maintain its investment in ‘human capital’ through the health and education of its children, or by avoiding the need to sell income-earning assets.

Savings programmes

It is a mistake to restrict discussion of microfinance to microcredit alone. The facility to make savings may help households to protect their accumulated wealth (when savings in a bank are more secure than assets which may be damaged or stolen, or which depreciate rapidly in the face of covariant shocks which result in widespread ‘fire sales’). Savings available on instant access or short notice terms may also provide a more convenient (liquid) source of funds to meet unexpected expenditure needs. The value of savings facilities obviously depends heavily upon macroeconomic

⁵³ These design features include: i) a group structure (such as that of the Grameen bank) which exerts peer pressure upon the borrower to repay; ii) a sliding scale of maximum loan size, so that larger loans are contingent upon first repaying small loans (this limits the exposure of the programme to non-repayment, and provides an incentive to repay); iii) collection of repayments in weekly or monthly instalments, rather than as a lump sum at the end of the loan term; and iv) enforcing a break between repayment of one loan and receipt of the next (Sean Conlin, personal communication; EC 1999; Marcus *et al*1997).

performance. In an inflationary environment, the poor are better sticking with conventional means of storing wealth (livestock, land, gold or other assets). However, in a relatively stable economy, interest-bearing, quick-access saving accounts can provide a valuable contribution to individual-, household- and community-based social protection.

Savings and credit need not necessarily be provided by the state: community-based grassroots organisations, workplace-based rotating credit groups, or NGOs may all provide appropriate and low-cost financial services. However, larger programmes may offer economies of scale, the capacity to offer a wider range of complementary financial services (savings, loans and insurance) suitable for different groups, and potential for the diversification of exposure (and thus reduction of institutional risk). This depends heavily on the convenient location of banks: teachers in Uganda have reported taking a week in time and a quarter of their salary to reach the nearest bank branch.

Even if the state finances savings and credit provision, it should certainly *not* be directly involved in provision. The direct involvement of governments in banking institutions has been almost universally disastrous, and suggests the need to provide effective insulation from political interference for the providers of savings and credit services. State support to existing institutions should support institutional development and not subsidise interest rates to below market levels.

3.4.6 Employment support

Given that many poor people depend to a substantial extent on meeting consumption needs through wage employment, one way of protecting their livelihoods is through targeted employment on state projects. Some countries (notably India) have for centuries used public works as a tool of social protection, particularly when there is a threat of famine. The modern form of social protection through public works owes much to the New Deal policies of the Roosevelt administration, which aimed to use public employment not only to protect living standards but, by raising incomes, to stimulate demand. The main technical issue is the appropriate level at which to set the wage. Logic and convention suggest that wages on public works should be low (often lower than the legal minimum wage) to ensure that they are self-targeting, that is, that they are only attractive to the poor. At a certain level, however, wages may be too low to make a significant difference to the livelihoods of the recipients. (See Box 10 on the Maharashtra Employment Guarantee Scheme.)

It is important to note that public works schemes have two goals: to provide benefits (cash or food) to the poor, while simultaneously developing infrastructure which will promote economic and social development. As with all policies which are oriented towards multiple goals, policy-makers need to be explicit in their recognition that it is impossible to optimise both goals simultaneously. Wages as a proportion of total costs typically fall in the range of 30–60%: towards the low end of this scale, public works programmes may not be the most efficient way of targeting income to the poor. From another perspective, public works have been criticised for creating low-quality infrastructure which does not last long.⁵⁴ Policy-makers therefore need to decide which is the primary goal, and which is subsidiary, and balance the cost of this approach against its advantages (low targeting costs, creation of infrastructure, and the acceptability to non-poor groups that results from the general economic benefits arising from the construction of infrastructure).

⁵⁴ The lack of sustainability of public assets created through employment-generation schemes is, however, arguably not inherent in the public works approach, but a function of the poor integration of these schemes with routine government operations and maintenance, or the failure to secure community commitment to the upkeep of these facilities..

Box 10 The Maharashtra Employment Generation Scheme

The Maharashtra Employment Guarantee Scheme (EGS) has attracted particular attention for its scale (providing some 148 million person-days of work to some 500,000 people in 1993), longevity (twenty-seven years), and rights-based approach to social protection (since being placed on a statutory basis in 1977, the EGS has provided a legally-based *guarantee* of employment to anyone aged over eighteen who applies). As such, it provides an interesting model for other governments seeking a sustainable public works-based approach to social protection.

It is important to see the EGS as one part of a package of social protection and poverty reduction instruments. While it has not brought many of the poor over the poverty line, it has reduced the *depth* of poverty, raising and stabilising incomes of households whose income falls below this line. Women have benefited, as have low-caste groups. It also appears relatively cost-efficient: as with most public works programmes, the wage rate is set low so that the scheme is self-targeting, attractive only to those without other opportunities. This seems to work, with only 10% of beneficiaries classified as non-poor. However, as an employment-based scheme the EGS is *not* able to provide social protection to some groups amongst the poor. Other measures are needed to reach the elderly, the ill, the disabled and, an occasional peculiarity of Indian society, the high-caste poor who are socially or culturally constrained in their ability to make use of EGS employment opportunities.

Second-order effects are complex but seem to have had a net positive impact. The guarantee of EGS wages has exerted an upward pressure on agricultural wage rates, although the size of this effect varies considerably between localities. The assets created by the EGS seem to benefit both rich and poor (although the sustainability of the infrastructure is an issue, as in many public works schemes). This construction of rural roads improve the poor's access to markets and services, while 'drought-proofing' irrigation and soil conservation measures benefit land-owning farmers directly but also (through second-order impacts on demand for labour and agricultural wage rates) indirectly benefit the landless poor.

One obvious question concerns how Maharashtra managed to build the political consensus in support of the scheme, when half the costs of this rural programme are paid for by urban groups. The rural rich feel that they benefit from the public assets created; it is argued that the urban rich and middle classes see expenditure on the EGS as a reasonable price to pay for containing rural-urban migration and the urban overcrowding that results (Dev 1996: 229–232). Once institutionalised, the scheme has become part of the political landscape: representatives of all political parties and bureaucrats all wish to be associated with the impact of the EGS in their constituencies.

In disaster prone areas, it is helpful to establish a capacity to fund employment schemes for building infrastructure which can 'simmer', operating at a base level during normal times, providing relief to the chronic poor, while building assets with reasonably high economic returns. During difficult times, the scheme can be rapidly expanded, and the balance changes, with a less demanding requirement for an economic return on the investment but increased emphasis on the safety net role. The 1994 Zambia participatory poverty assessment reported favourably on the role of the roads schemes which had been rapidly expanded to help cope with the 1992/3 drought.

3.4.7 Providing ownership of or security of access to key assets for secure livelihoods

For the formal sector, livelihood is primarily determined by income secured through wage employment, and social protection mechanisms accordingly focus upon ensuring employment and providing wage-based mechanisms by which workers can insure themselves against future interruptions to their wage income. For the majority of the population in most developing countries

- engaged in small-scale agriculture and informal sector, family-based manufacturing and services
- the critical issue for livelihood security is reliable access to assets which provide for self-employment and a store of wealth to buffer the household against a rise in expenditure.

Policy instruments which promote ownership or secure access to assets can therefore be seen as part of social protection policy (although they would generally fall outside definitions of social protection which establish it as a separate ‘sector’ of activities, bearing as they do on fundamental aspects of policy in productive sectors such as agriculture and small-scale enterprise development). Such policies include:

- Asset redistribution. In earlier decades land redistribution was considered an effective method of assisting poor households to meet their basic needs in the long term.⁵⁵ The record has been mixed, but arguably played a significant part in laying the foundations for broad-based, poverty-reducing economic growth in some countries (e.g. Vietnam, South Korea, Taiwan). It was probably easier to achieve when pursued by newly independent states (sometimes but not always socialist) which enjoyed a high level of legitimacy and could depict such programmes as a corrective to the social inequalities perpetuated under colonial regimes. It is clearly politically difficult but is potentially high-impact where feasible. Conferring property rights plays an important role in enabling the poor to access loans (using their property as collateral).
- Tenancy reform legislation, effectively enforced (e.g. Operation Barga in West Bengal) which provides rights to registered tenant farmers. In an urban context, the strengthening of tenancy rights and the removal of petty bureaucratic restrictions (e.g. on the right of tenants to use their homes as places of business) may be a valuable benefit to the poor (Moser 1996).
- A legal or regulatory framework which ensures that the poor have access to common property resources. As discussed above, in much of the world the rural poor depend upon the commons (rivers, ponds and lakes, forests or scrub land) to meet many of their subsistence needs, or to obtain materials for sale. When their rights to these resources are curtailed through privatisation (*de jure* or *de facto*), this can have a seriously detrimental impact upon their well-being.⁵⁶ Enforceable laws which guarantee access to these resources can play an important social protection function.
- Extension systems tailored to the needs of poor producers. The main function of extension services is the transfer of knowledge and skills required for higher and more diversified (risk-reducing and risk-mitigating) production. However, extension systems may also (as in the Malawi Starter Pack Scheme) channel material resources – seed, tools, livestock, farm machinery, or irrigation pumps – to poor households. There is as yet relatively little systematic evidence as to the effectiveness of such distributions, or the comparative advantages of the distribution of one form of asset relative to another.

3.4.8 Summary

At present, well over half the world’s population is excluded from any form of statutory social security. In most low-income countries, no more than 10–25% of the workforce and their dependants are covered by formal social insurance.⁵⁷ The challenge then is to devise ways to

⁵⁵ see Herring 1999 for a thorough discussion of the concept in a south Asian context.

⁵⁶ There are historical parallels with the enclosure of the commons in England, or the denial of forest foraging rights in Napoleonic France.

⁵⁷ van Ginneken (1999: 1). There are however marked regional differences within the developing world. In low-income sub-Saharan Africa and south Asia, the proportion of the workforce not covered by state social security

provide for poor people's priority social protection needs, in a way that makes use of individual, household, social and state resources.

The ILO differentiates the policies that are required for different groups of the population.

- Progressive extension and reform of the statutory social insurance system could incorporate the remainder of the regular waged workers and some of the casual workers who are currently unprotected.
- Other policies – tax-financed social assistance, improved access to better quality social services, and the judicious use of price support or subsidies – are needed to provide protection to the non-working poor who have not been able to invest in insurance and do not have support from kin or community.
- These measures, plus employment generation, access to microfinance (savings as well as loans) and improved access to assets, are suitable for the informal sector working poor who cannot afford to contribute to social insurance.
- There is left a final group, falling between the formal sector which will benefit from extended statutory system and the informal sector poor who are best reached through non-insurance mechanisms. This group often contains the bulk of the working population, which falls above the poverty line but is not eligible for or interested in statutory social insurance. This group does however have the capacity to contribute and an interest in doing so, if presented with insurance programmes that meet their priorities and win their trust.

Not all of these ILO suggestions are uncontroversial, as previously discussed. The main message of this paper is the need to undertake careful analysis of the many trade-offs and indirect effects of social protection interventions. The extension of social protection to groups currently excluded can only be achieved progressively. The role of policy advice is to identify gaps in the existing pattern of social protection coverage, identify priorities and unmet potential, and evaluate where the comparative advantage of the state lies. Social protection reform should aim to build partnerships between statutory systems and private sector and household- or community-based insurance and assistance mechanisms, paying as much attention to regulation and facilitation as to direct provision. Finally, states and the donors that seek to assist them are advised to work where possible to reform existing institutions in preference to creating new ones (Ortiz 2000).

4. Conclusion: future directions and strategic priorities

Social protection is a field of challenging scope. This paper has tried as far as possible to do justice to the huge relevant experience and literature. In policy terms there are many areas to address. We will conclude by highlighting a few which we feel merit more consideration, either because of evolving trends on a global scale or because they have to date been neglected in the theoretical and practical literature.

4.1 Global redistribution, global governance and globalisation of social policy

The social policy principles debate which was initiated by the Development Committee of the World Bank-IMF has focused on national-level guidelines of good practice in various fields, including social protection (Norton 2000). The international community should continue to meet the challenges posed by growing levels of insecurity and inequality in the following ways:

- Combat growing global inequality, by reversing the decline in development assistance flows to poor countries observed over the 1990s – and through other policy instruments relating to issues such as on trade and debt;
- Continue to mobilise global civil and political pressure for sustainable poverty reduction, establishing links with related movements (e.g. that for ethical standards in global business and trade);
- Establish global and regional mechanisms which can come to the assistance of countries in temporary crisis, helping to support basic livelihoods and ensure that long term investments in the human and social capabilities of the countries concerned are not compromised;
- Continue to develop a global consensus on the needs, instruments and standards of social protection policy;
- Analyse the risks associated with globalisation processes that are likely to continue to grow (e.g. volatility of investment flows, diminishing revenue base for poorer countries); and take action to reduce the harmful effects of globalisation and prevent further shocks and deterioration;
- Seek to strengthen mechanisms of global social governance within the United Nations system, so that the sense of global entitlement for the poor embodied in commitments such as the International Development Targets can be reinforced through enhanced accountability.

4.2 Governance and social protection

The literature on social protection has a largely technocratic character. Discussions focus on forms of deprivation (described and elaborated in ever-growing detail), and the array of technical policy instruments which can be deployed to achieve objectives. On the whole there is a lack of consideration of the ways in which those objectives are set by the societies concerned. Yet it is clear from developed countries that this objective-setting is a highly contested process, in which great political skill is needed to facilitate consensus on the level to which the public at large is willing to see tax-funded resources spent protecting the poor, older people, children or other groups. While civil society groups (e.g. pressure groups and the media) play highly significant roles in these debate, the literature on social protection generally analyses the role of civil society in

social protection merely as delivery mechanisms for policy goals determined by technocrats. It is clear that these groups also function to demand accountability from providers, and press public bodies to develop effective policy approaches and allocate resources. Technical assistance from development agencies needs to be related to an improved capacity to analyse social protection within a holistic treatment of issues of governance and public policy.

4.3 Social protection, the development process and poverty reduction

Figure 1 (p 17) represents the role of effective social protection policy in promoting development. The primary linkages are between social protection policy and the strengthening of social cohesion, human development and livelihoods. Through these channels social protection can help to ensure broad based, equitable growth. This in turn strengthens effective, accountable governance (through enhanced legitimacy, revenue and capacity), without which, in turn social protection policy is not likely to be effective.

The following are a list of the strategic policy priorities which underlie the development of effective social protection policy:

- Policy development should start from the needs, realities and priorities of the groups intended to benefit from social protection. There are a range of factors which contribute to the creation of policy and programme systems responsive to the needs of the poor. Critical to these are issues of governance, transparency and information. Core priorities for government are:
 - establishing an information base on issues of poverty and deprivation, including qualitative approaches which illustrate poor people's realities and perspectives, and disseminating this information to inform public debate;
 - engaging in negotiation with different institutions and groups of citizens in order to strengthen consensus about the rights and entitlements in the field of social protection which citizens can expect, and the role of government in fulfilling them.
- Policy development in developing countries needs to take account of the rich variety of institutions outside the public sector which are performing social protection functions, and engage with informal, traditional and private systems to ensure that public policy makes best use of their potential. Priorities for governments include:
 - ensuring that policy-makers have an adequate understanding of the various non-state forms of social protection operating to provide insurance and assistance to poor people;
 - support through appropriate regulation and programmes the development of local groups which enhance the livelihood security of poor people, with particular attention to the variations in needs by gender, social status and age. Such institutional arrangements may include savings and credit groups, informal mutual aid and insurance groups, user groups for managing common property resources etc.
- Public policy for social protection needs to include a balance between measures designed to *prevent* shocks which will have a negative impact on the poor (through appropriate trade and macro policy, protection against floods, primary health care to prevent epidemics etc.); those *ex ante* measures which *reduce* the impact of such shocks when they happen (for example, by promoting diversified income sources for the poor); and, finally, those *post facto* policies which help those affected *cope* once shocks have happened. As argued by the World Bank, in many

cases public policy needs to strengthen the content of interventions for prevention and reduction of shocks rather than merely rely upon policies to assist people to cope afterwards.

- Measures to strengthen the capacity of public policy to help the poorest (those who suffer from persistent rather than transitory deprivation) are a priority in many developing countries. This is a challenging area as it requires sophisticated institutional capacity to deal with both identification of groups needing special assistance, and the development of complex and differentiated policy responses. In order to help the poorest, the state must:
 - improve the capacity of publicly-led assistance to effectively identify the poorest and most vulnerable;
 - improve the capacity of state structures to respond to the needs of those who are in the weakest position to voice demands, needs, rights and concerns;
 - strengthen the capacity of civil society groups representing the poorest to hold providers of social assistance accountable;
 - greatly increase institutional capacity, and transparency in public service, to increase the chances of transfers reaching the intended groups.

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Annex 1: Social funds and social protection

Social funds have become an increasingly popular form of donor-supported development activity in much of Latin America and Africa. The model is currently being promoted in Asia too, particularly in countries affected by the financial crisis that broke in 1997 (Tendler and Serrano 1999: 6; ADBc 1999: 10). Social funds were conceived in the first instance to provide temporary low-wage employment on small-scale social infrastructure and economic infrastructure projects (e.g. schools and clinics, or roads and irrigation canals) under conditions of structural adjustment. The original focus of the social fund approach was thus essentially that of a public works programme, but one in which the participants – the ‘community’ – got to choose which works they would do, on the basis of local priorities. It is in these employment-generation goals that social funds are most clearly regarded as instruments of social protection.

Subsequently, social funds have also been used to support investment in (collective) productive goods (e.g. community-owned tractors or fully-stocked agricultural input stores) and, more recently, microfinance operations. These goals, however, could also be seen as fulfilling a social protection function according to a holistic definition of social protection, such as that used in the Bank’s Sector Strategy Paper. Indeed, according to this broad definition, almost all social-fund supported projects count (or should count) as social protection, in that they enable households to better manage risk.

Although different funds employ different techniques, the following aspects can be regarded as central to the social fund approach:

- they are seen as ‘demand-driven’, making grants available to communities to implement small-scale projects chosen from a menu of options;
- the project agency is typically outside the established administrative structure of line ministries (often attached to the President’s office), and is given freedom from normal government regulations (on salaries, hiring and firing, and procurement), all of which are seen to give them the power to attract resourceful individuals from the private sector, and to disburse more rapidly;
- they are decentralised, and partially privatised, in that design and implementation are delegated to local actors (community associations, private firms, NGOs and local governments, or combinations of these); and
- local communities are to ‘own’ the project, making a contribution (of labour, materials or cash) to implementation, and a commitment to subsequent operations and maintenance. This, it is hoped, will ensure greater sustainability.

To date, no evaluations have focused specifically upon this social protection role. However, it is possible to draw some general conclusions about the efficacy of social funds as an instrument of social protection based upon a review of the evaluation literature. These conclusions can be structured according to the normal criteria by which social protection strategies are judged:

- are they effectively targeted, reaching those most in need of social protection;
- are they effective in providing this protection (whether through the provision of income, or through the development of human capital);

- and are they affordable and otherwise sustainable

Targeting

Cornia found targeting in social funds to be often less effective than in other social protection programmes or policies, with over-high wage rates and leakage to vocal but not particularly poor groups such as retrenched civil servants (Cornia 1999: 30). In Brazil, it appears that there has been an important geographical aspect to the targeting of social funds (Tendler and Serrano 1999), in which poorer areas would seem to have benefited less from social funds. Various possible explanations may be put forward.

Firstly, with the emphasis upon demand-led processes, poorer communities (which are typically more isolated, less educated and literate, less well-connected politically and often less cohesive) are poorly placed to receive and absorb the information required to make an informed choice of project (or indeed to know that they *have* a choice). They are also often less able to organise themselves, compared to better-off communities. As such, poorer communities are less likely to be able to submit proposals, less likely to be able to develop these proposals to the quality required for them to be accepted, and less likely to be able to exert pressure (by turning up at agency offices in person, or by leveraging political patrons) that may be required in order for their proposal to be accepted. When poor or isolated communities do submit proposals, these are often initiated by an outsider (a private firm, a local politician or a government agency) who will suggest a certain type of project on the basis of what they can provide, what they see to be most feasible and thus most likely to result in political capital for themselves, or what they genuinely believe is right for the community in question. Even if the community in question understands that they do in theory have the right to choose from a menu of project options, they will often assume (maybe correctly) that to choose to go along with a project that is favoured by outsiders is more likely to result in project approval.

The second reason why remote communities are less likely to be social fund beneficiaries is precisely because of the key role played by project design companies in initiating and developing project proposals. These companies understandably prefer to minimise costs by concentrating their efforts in the areas surrounding their offices, which are located in provincial or district towns.

Job creation and incomes

Regarding the original rationale for social funds – as employment generation programmes in which communities chose the public works to be undertaken – social funds have had mixed success. Reviews of donor evaluations have estimated that only 30% of expenditure is accounted for by labour costs, and conclude that social funds have ‘created relatively few jobs: in Latin America, it is thought they reached at best only 1% of the workforce (or between 2.5% and 7% of the unemployed: Lustig 1997, Cisneros 1996 and Moncada 1996, cited in Tendler and Serrano 1999: 11 and ff). ‘Jobs provided by the SFs were temporary, of low quality, and provided no training’ (Tendler and Serrano 1999: 11). As such, social funds emerge as little more effective, and sometimes less effective, than traditional, ‘supply-driven’ employment creation schemes.

Sustainability

The degree to which social funds are now funded by national governments varies, but is lower than might have been hoped. An IDB review of social funds noted that most Latin American governments have financed less than 20% of their social fund costs and that, ten years after they were started, most social funds are still dependent upon donor funding.

At a more micro level, it seems that a high proportion of social fund-supported projects are not particularly sustainable. The assumption that community choice of project guaranteed ownership

(and thus a commitment to meet recurrent costs) should have been tested, or additional measures taken to reinforce this. Part of the problem is that the ‘choice’ available to communities has in some cases been severely circumscribed.

Summary

To a certain extent, social funds can be seen as representing no special instrument for social protection. The projects they support tend to be fairly conventional: the construction of small-scale economic or social infrastructure (local irrigation schemes, wells, clinics or schools, for example) using low-wage labour, or, to a lesser extent, microfinance or investment in collective productive assets. The means by which the beneficiaries obtain social protection under social funds are therefore not that novel.

It is in the way that delivery of benefits is organised above the project level and in the way that funding is channelled that social funds deserve special attention. According to theory, social funds should achieve their social protection functions (and others) in ways that are more appropriate (because they are demand-led) and more cost-efficient (because they combine a streamlined social fund administration, operating outside the normal bureaucracy, with competitive private sector firms and local community contributions). In terms of the economic or social infrastructure or productive assets that are achieved as a result of social fund grants – outcomes which will all contribute to social protection through raised private incomes or reduced costs to access state services – the achievements of social funds should also be more sustainable than those of conventional government programmes, because they are more appropriate (see above) and, linked to this, because they elicit greater community ownership. Given that the appropriateness and affordability of benefit delivery is a major part of the debate on what constitutes good social protection policy, it is on these criteria that examination of the success of social funds in providing social protection should be judged.

These macro- and meso-level issues have been reviewed by several researchers. Their findings suggest a need for caution in advocating social funds as an institutionalised response to social protection needs. Tandler and Serrano 1999 conclude that, for a variety of reasons, the projects implemented through social funds may be no less supply-driven than normal government projects. Rural markets are often too thin to support genuine competitive pressures which might force down the price of services delivered by firms. In the Brazilian states studied by Tandler and Cerrano, a small number of firms provided the project design services: each enjoyed an effective local monopoly in the areas in which they operated. To maximise profit, they preferred to keep time in the rural constituency to a minimum, and to specialise in a certain type of project, which was the only intervention offered to the community. The firms then standardised this project design as far as possible. The importance of information or the lack of it is affirmed in a World Bank review of the role of beneficiary assessments in social funds which stressed the need to ‘improve information flows directly to beneficiaries’ (Owen and van Domelen 1998: 33).⁵⁸

In conclusion, social funds may work well, particularly when designed (as in the original Latin American model) as a short-term programme intended primarily to extend social protection during

⁵⁸ Informed choice might be approached through a public information campaign: in Brazil, however, Tandler and Serrano found that in practice the company that designed and ran this campaign was chosen on the basis of political criteria. The authors suggest that this was not just a question of patronage (getting specific benefits out of assigning the contract to a favoured PR company) but of a need for control: it is argued that politicians had a stake in ensuring public information which offered only limited choice. Whereas in conventional government programmes a politician can always cite technical criteria or the “public interest” when a community complains that a project or service fails to benefit its members, the demand-led rhetoric of the social funds brings bureaucrats and politicians face to face with “excess demand” (see also Lim 1999: 5 on the Philippines). One way of managing this is to limit the range of options presented to the communities.

an economic crisis.⁵⁹ Institutionalised as a permanent feature of state poverty reduction policy, however, they may not after all be able to offer a significantly better level of public service than the normal bureaucratic structures. Cornia notes that effective social protection in the context of national crises (including structural adjustment) requires a raft of measures, both *ex ante* and *ex post*, and that placing too much emphasis upon social funds risks distracting attention from the need for these other measures (Cornia 1999: 32). To resolve some of the problems observed in social funds, evaluators have recommended that they pay more attention to disseminating information and facilitating choice; extend operations into more remote areas and take a more active role in vetting projects for feasibility and pro-poor content; engage in more active monitoring in order to ensure transparency and efficiency at the project level; and make efforts to integrate social fund assets and activities into normal government structures and budgets in order to provide for sustainability. All of these will require more staff and slower disbursement – reducing the comparative advantage social funds were supposed to enjoy over ‘bureaucratic’ line ministries. The point is, however, that social funds are now part of the institutional landscape in many low-income countries: realistically, policy advice will therefore need to concentrate upon ways to improve the performance of social funds as well as exploring the alternatives.

⁵⁹ They may also be considered attractive as fast-disbursing poverty reduction / economic development strategies in newly-integrated post-conflict regions: see Lim 1999 on the intended role of the SZOPAD social fund in peace-building in Mindanao.