

**Social Development Department**

**Social Protection:  
New Directions of Donor Agencies**

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# Contents

<b>Acronyms</b>	<b>i</b>
<b>Introduction: The role of social protection in poverty reduction</b>	<b>1</b>
<b>Chapter 1: Social protection concepts and approaches - implications for policy and practice in international development</b>	<b>5</b>
1 <i>Background</i>	5
2 <i>Definitions and conceptual framework</i>	5
3 <i>Principles for Policy Development in Social Protection</i>	7
4 <i>Policy Context</i>	8
5 <i>Lessons from experience</i>	11
6 <i>Implications for Development Agencies</i>	16
7 <i>Future Directions in Social Protection</i>	17
8 <i>Conclusion: Social Protection, the Development Process and Poverty Reduction</i>	18
<b>Chapter 2: Emerging Directions for a Social Protection Sector Strategy - From Safety Net to Spring Board</b>	<b>21</b>
1 <i>Background</i>	21
2 <i>Concepts</i>	22
3 <i>Implications and strategy</i>	24
4 <i>Strategic directions and conclusion</i>	29
<b>Chapter 3: The extension of social protection - ILO's aim for the years to come</b>	<b>33</b>
1 <i>Globalisation, adjustment and social protection coverage</i>	33
2 <i>Social protection: concept and linkages</i>	35
3 <i>The ILO policy approach</i>	37
4 <i>ILO action: research, technical assistance and standard setting</i>	40
5. <i>Towards a global social floor</i>	43
6. <i>Conclusions</i>	46
<i>References</i>	48
<b>Chapter 4: ADB's Social Protection Framework</b>	<b>49</b>
1 <i>Introduction</i>	49
2 <i>A definition of Social Protection</i>	51
3 <i>The five pillars of ADB's Social Protection Strategy</i>	53
4. <i>Social Protection and ADB's Long-Term Strategic Framework</i>	58
5 <i>Operational Implications for the Asian Development Bank</i>	59
6 <i>Conclusions</i>	61
<b>Chapter 5: Synthesis report from the workshop</b>	<b>64</b>
1. <i>Workshop structure</i>	64
2 <i>Reactions to papers presented at the workshop</i>	64
3. <i>Emerging issues: results from discussion groups</i>	77
4 <i>Concluding discussion</i>	83

## Acronyms

ADB / AsDB	Asian Development Bank
CAPE	Centre for Aid and Public Expenditure (ODI)
CDF	Comprehensive Development Framework
CG	Consultative Group
DFID	(UK) Department for International Development
DHS	Demographic and Health Survey
DMC	Developing Member Country (ADB)
EC	European Commission (manages the European Community Aid Programme)
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
GDP	Gross Domestic Product
GTZ	Gesellschaft für Technische Zusammenarbeit (Agency for Technical Cooperation, Germany)
HDI	Human Development Index
HDR	Human Development Report
HIPC	Highly Indebted Poor Countries
HIV / AIDS	Human Immuno-Deficiency Virus / Acquired Immune Deficiency Syndrome
IDS	Institute for Development Studies (University of Sussex)
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
ODA	Overseas Development Assistance
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department (World Bank)
PA	Poverty Assessments
PPA	Participatory Poverty Assessments
PRA	Participatory Rural Appraisal
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SAF	Structural Adjustment Facility
SEWA	Self-Employed Women's Association (India)
SF	Social Fund
SP	Social Protection
SRM	(World Bank) Social Risk Management framework
STEP	(ILO) Strategies and Tools against Social exclusion and Poverty
TA	Technical Assistance
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRISD	United Nations Research Institute for Social Development
WDR	(World Bank) World Development Report
WFO	World Food Organisation
WHO	World Health Organisation

## **Introduction: The role of social protection in poverty reduction**

Arjan de Haan, DFID

The renewed focus on poverty elimination as the overarching goal of international development activities forces us to reconsider the public policies that contribute to this goal. There is now consensus about the importance of the appropriate policy environment for economic growth, as well as for aid flows to be effective in reducing poverty. There is also evidence that equality is important, for two reasons. First, the International Development Targets are more likely to be achieved with lower levels of inequality. Second, lower inequality, including more equally distributed access to land and other assets, contributes to sustainable economic growth. Social policies - the public interventions that address access to services, support livelihoods, and foster social integration - are thus essential to achieve equitable economic growth.

The papers presented here focus on social protection, as a specific set of social policies. As the papers show, various international development agencies have slightly different understandings of what social protection is. But two issues are common. First, it emphasises *risk and vulnerability*. This recognises the dynamic nature of poverty, and - not least as a result of recent crises like in East Asia - focuses our attention on the need to be prepared for crises. This should help us towards a proactive social policy agenda, one which - as put forward in the World Bank framework - emphasises the need to assist individuals, households and communities to manage risk and increase security.

Second, a social protection framework emphasises the need to provide *support to the poorest*. The framework focuses on protection of those who fall into poverty rather than promotion of well-being in general. However, the needs, vulnerabilities and capabilities of the poor are central in the agencies' approaches. The ILO emphasises the need to extend social protection to over half the world's population that is currently excluded from statutory social security protection. The World Bank social risk management framework emphasises that poor people are excessively exposed to risk and have little ability to manage risk effectively. This makes them risk averse, and the mechanisms of self-protection are expensive and may reduce their human capital.

There are various reasons why social protection is receiving renewed attention. As indicated above, it is partly because poverty has become the overarching goal for development agencies. It is linked to the broadening of the understanding of poverty, as reflected in the forthcoming WDR 2000, and better insights into poverty dynamics and vulnerability. As described in the paper by the Asian Development Bank, recent events of economic crises and transition have underscored the need for greater attention to social protection. Finally, debates about globalisation have shown that this provides opportunities, but also challenges: world-wide, and within many countries, inequality has been rising; with opening markets, risk and volatility have increased; and as argued in particular in the ILO paper, more open economies call for more pro-active governments and higher social protection expenditure.

The scope of social protection is diverse, and it is important to explore its potential in a wide range of policies and sector. The World Bank paper usefully distinguishes between:

- *risk reduction*, for example in policies to make labour markets more equitable and inclusive, enhancing skills, and eliminating harmful child labour;
- *risk mitigation*, in areas of old age income security and appropriate unemployment benefits;
- and *risk coping*, involving safety nets and policies to assist poor people cope while reducing future risks (e.g. enabling them to keep children in school during crises).

This distinction helps to re-focus social protection policies, moving beyond a residualist welfare agenda dealing with the negative social consequences of economic changes and transitions, towards holistic approaches that inform the wide range of policies that affect the well-being of the poor.

Social protection policies can range from regulatory functions in setting labour standards for example, via publicly provided schemes and activities to enhance skills, to mutual funds for smaller groups. The ILO paper emphasises the need to employ a broad concept of social protection, to reflect the variety of needs of particular groups in particular countries. The paper by the ADB argues for the inclusion of agricultural

insurance among social protection policies. Therefore, also, a broad range of actors and partnerships needs to be explored. Social protection measures need to take account of the capabilities as well as vulnerabilities of poor people, aiming to crowd-in rather than crowd-out informal support networks. It recognises that the state may lack the ability to provide security for the entire population, particularly when the majority lives in absolute poverty. A variety of state, private sector and civil society groups have a role to play in providing social protection. Development agencies can help identify good practice in partnerships among such actors.

For this social protection agenda to be effective, it is essential that international agencies collaborate, as in the joint work between ILO and World Bank for example. Within donor agencies, new expertise may be required to deal with often technical issues. Social protection work will be a combination of sector-focused work and cross-cutting policy advice, to inform for example rural strategies about risks and ways to increase security.

It is crucial that this work is developed in a way that enables governments to take ownership over national development agendas. International agencies need to support national governments to implement social protection policies in a way that allows for specific priorities and national traditions of social policy. They also need to support an integrated approach to public policy and budgets. The Comprehensive Development Framework, Poverty Reduction Strategy Papers, and UN Common Country Assessments form the frameworks in which support to social protection needs to be embedded.

International development agencies need to see this agenda as part of attempts to strengthen the architecture of global policy, in which financial, economic and social policies are discussed in an integrated way. Rights to elements of social protection are contained in the Universal Declaration of Human Rights. The ILO paper argues for extending the 'social floor of the global economy', a term used at the 1995 Social Summit, to include entitlements relating to social protection. Development agencies need to work with governments and other actors to convert international declarations and agreements into entitlements, and into agreed national standards concerning

unacceptable risks and deprivation and consensus about the role of the state in reducing insecurity.

This report and the workshop on which it is based was commissioned to promote dialogue between international development agencies, including World Bank, regional development banks, ILO, UNDP, UNICEF and bilateral agencies, to promote co-ordination and consistency in global donor policy on social protection issues. We are grateful to representatives from these agencies for attending the workshop, and presenting the papers. We are also grateful to the Centre for Aid and Public Expenditure at the Overseas Development Institute (CAPE-ODI), for the organisation of the workshop, and preparation of a background paper as well as this report.

This report presents short versions of papers discussed at the workshop, as well as a summary of the discussions in Chapter 5. Chapter 1 presents the main findings of the CAPE-ODI review of the main issues in the global debate on social protection, emphasising the need for policies to start from the poor's priorities, strengthening capacity of public policy to help the poorest, and take account of the variety of institutions involved. Chapter 2 describes the new directions of the social protection strategy within the World Bank, reflecting the move during the 1990s from a safety net strategy towards a holistic and pro-active ('spring board') approach to social protection. Chapter 3 presents the ILO's new social protection approach, promoting micro-insurance, cost-effective social assistance, and statutory social insurance, to extend the social security that has remained restricted to a small proportion of the population in the South. Chapter 4 outlines the new framework for social protection work in the Asian Development Bank, where this has become a major concern since the mid 1990s. It emphasises policies to smooth income fluctuations, improve labour market incomes, and provide protection against market failures, balancing equity and sustainability objectives.

For DFID, where security has been identified as one of the key requirements for sustainable poverty reduction, the workshop has provided an opportunity to engage in this dialogue on social protection. We hope it will help inform the development of our policies, in collaboration with leading agencies.

# **Chapter 1: Social protection concepts and approaches: implications for policy and practice in international development. An issues paper for DFID.**

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## **1 Background**

This paper was commissioned by the UK Department for International Development, to provide a strategic overview of the issue of social protection. The central objective is the thematic development of the concept, including guidance on how DFID and other agencies might operationalise it more effectively in their own policy and programme work. We were asked to focus on poorer developing countries, and on social protection in non-emergency situations.

## **2 Definitions and conceptual framework**

For the purposes of this paper we 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 the absolute deprivation and vulnerabilities of the poorest, and also with the need for security in the face of shocks, and the particular needs of the life-cycle, of the non-poor. The public character of this response may be governmental or non-governmental – or may involve a combination of institutions from each field. It may take the form of: strengthening collective, membership based forms of response to risk; statutory instruments which enhance security; interventions which enhance access to employment and secure tenure of assets; direct interventions to ensure minimum acceptable standards of livelihood for those with insufficient assets to secure a livelihood.

Within the field of social protection, two general kinds of action can be distinguished. *Social assistance* encompasses all forms of public action (governmental or non-

governmental) which are designed to transfer resources to groups deemed eligible due to deprivation, or in exceptional cases some other form of entitlement with a moral justification (e.g. war veterans). Deprivation may be seen in terms of income poverty, or in terms of other dimensions such as social or nutritional status. *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 protection against uncertain risk of loss for the individual or household by combining to pool resources with a larger number of similarly exposed individuals or households.

### ***Overlap***

There are overlaps between social protection as a field of policy and action, and various other forms of programmatic approach which seek to deliver assistance to the poorest (food security, targeted anti-poverty programmes, emergency feeding) or deal with strengthening the livelihoods of poor producers and reducing vulnerability. 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, rather than the *promotion* of a general standard of opportunity and livelihood for all citizens. While the definition remains broad, it can thus be distinguished from general areas of 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 which people wish to insure against is the costs of medical care – and also the dangers of children dropping out of school. So funding systems for social services are intimately bound in with social protection.

### ***Rationale***

The literature we have reviewed outlines various rationales for the development of social protection as a field of policy. Various, 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
- 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.

In summary of the above points, an overall rationale for pursuing social protection in the context of international development, can be proposed: *to promote dynamic, cohesive stable societies through increased equity and security.*

### **3 Principles for Policy Development in Social Protection**

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).

## 4 Policy Context

### *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 90s (in Mexico, the Former Soviet Union, and especially East Asia). These are often seen as associated with processes of globalisation (especially the growing integration of trade systems and capital markets). The analysis of the nature of current processes of global change 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 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 (trade tariffs, labour taxes);
- a global demographic transition is underway which implies growth in numbers and proportions of older people and a worldwide transition from high birth and death rates to low fertility and mortality.

In short, processes of international economic integration are steadily 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. Accelerated integration of global societies and economies - which has 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. The 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***

The last decade has seen an increasing emphasis on donor agencies 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 over-arching 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 the dimensions of governance and rights seem underdeveloped.<sup>1</sup> They are 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.
- 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

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<sup>1</sup> 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.

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 which emphasises that inclusion in a collectivity which provides for mutual assistance is central to the definition of social life. 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 require increasingly that the international community sets parameters for these issues at a global level. Arguably, initiative such as the International Development Targets, the social policy Principles and related processes in UN Conferences and Conventions such as the World Summit for Social Development form a part of a growing 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 the following areas: vulnerability and risk; social exclusion and social cohesion; issues of political economy and governance. The main significant lessons for social protection policy are the following:

- 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 increase the “voice” of the poor and vulnerable are essential. 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.

## **5 Lessons from experience**

### ***Social protection outside the state***

Evidence suggests that the poorest households in poor countries rely very heavily on transfers from a range of non-state sources for survival (kin, community, religious organisations etc.) – but scarcely ever benefit from direct state support. 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 particularly 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, including trade unions, mutual pensions, insurance and financial institutions, and consumer and housing co-operatives. In their role in providing health insurance they also contributed to the development of civil society pressure for public provision in health. The insurance principle can be a powerful mechanism for developing the organisational capabilities of civil society – which has long term benefits for enhancing accountability and governance as well as welfare provision. Several sources highlight the similarity between this experience and many forms of informal insurance operating in the informal sector in developing societies today. The widespread existence of burial societies, for example, highlights the fact that saving and pooling resources for funerals was a primary function of ‘friendly’ societies.

### ***Elements of State Social Protection***

State social protection instruments are varied, and 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 are *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. Banks fail to provide savings and loan services to the poor because of the transaction and information costs involved in managing these small, high risk transactions. 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 on 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 the empirical evidence 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, but are hard pressed to provide cover against low-frequency, high cost health expenditure (e.g. hospitalisation). Hospital-based schemes are also equally problematic. The state should seek to facilitate effective associations in providing cover for low unit cost while developing suitable partnerships to deliver cover for high cost events. These arrangements may require complex systems for the sharing of contributions and costs.

*Social assistance* covers non-contributory, tax-financed benefits, in cash or kind, provided to certain categories assumed to be vulnerable. Social assistance is thus generally associated with some form of targeting. State-provided social assistance is

typically of minor importance in low-income countries, although subsidies towards or exemptions from state services are used and provide a similar function. 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.

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

State intervention to *support the prices* of goods produced by the poor or the commodities they require for subsistence (e.g. food staples) can smooth income and consumption. The problem is that 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. Propping up the farm-gate price of a food staple, for example, may protect the incomes of marginal farmers selling this crop, but increase the expenditure of the landless poor. Subsidising food prices will reverse this distribution of benefits.

*Microfinance* services may contribute to social protection, enabling the poor to save (creating a buffer against 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, recently as a component of social funds in Africa and Latin America. It seems attractive in that it

appears to offer a way to combine two goals, 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, as labour costs only account for between 30 and 60% of total costs. However, such an approach does have the advantage of political acceptability (the rural rich benefit from the infrastructure that is created), and the administrative machinery, once established, is relatively flexible. Public works can be kept “simmering” during normal times, with the emphasis upon the creation of economic infrastructure; when a crisis occurs and levels of poverty rise the programme can be rapidly expanded, with the emphasis switched to social protection.

Finally, poor people not only have low incomes, but they also lack assets, which fulfil a dual role as productive capital and as a store of wealth which can be mobilised to meet unexpected expenditure. 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 to such assets (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).

### ***Need for integrated approaches and policies***

Social protection policies within developing country government structures are 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. Improving overall co-ordination of social policy is a major priority under most conditions. This requires:

- 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 from fragmented parts of government service. Legitimacy is crucial to the success of policies in this contested field, which means

that political leaders must become familiar with a challenging range of highly technical issues.

- An effective information base is important in order to allow for public policy to engage with the realities of deprivation and vulnerability.
- Central engagement of a strong ministry of finance in the development of public policy in this area will be helpful in most conditions 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 ministries of finance need to develop capacity in poverty analysis and monitoring in general – and social policy more broadly.<sup>2</sup>

## **6 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. There are clear 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

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<sup>2</sup> 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.

strongly regional character (the issues in Eastern Europe, for example, being dramatically and systemically different from those in Africa) the international community may wish to review this as an appropriate area for the Regional Development Banks, and other regionally based organisation to develop capacity.

## **7 Future Directions in Social Protection**

Social protection is a field of challenging scope. In policy terms there are many areas to highlight. We will conclude by highlighting a few 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.

### ***Global redistribution, global governance and globalisation of social policy***

The social policy principles initiative which was initiated by the Development Committee of the World Bank/IMF, and is to be taken forward by the UN within the process of follow up to the World Summit for Social Development, focused on national level guidelines of good practice in various fields, including social protection. 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 through reversing the decline in the 1990s in development assistance flows to poor countries – and other instruments such as policy on trade and debt;
- 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;
- continue, through the social policy principles and similar initiatives, to develop a global consensus on the needs, instruments and standards of social protection policy;

- 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;
- 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 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. Discussions focus on forms of deprivation, 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 – yet they also function to demand accountability from providers, and press public bodies to develop effective policy approaches and allocate resources.

## **8 Conclusion: Social Protection, the Development Process and Poverty Reduction**

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

1. 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 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 – disseminating the results of this to inform public debate;
- engaging with processes of negotiation with different institutions and groups of citizens 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.

2. Policy development in developing countries needs to take account of the rich variety of institutions engaged in social protection outside the public sector, and engage with informal, traditional and private systems so that public policy makes best use of their potential for social protection. Priorities for governments include:

- ensuring an adequate understanding for policy of the various non-state forms of social protection operating for insurance and assistance to poor people;
- support through appropriate regulation and programmes the development of local level groups which enhance the security of livelihoods of poor people (with particular attention to the needs of different groups, by gender, social status and age – these may include savings and credit groups, informal mutual aid and insurance groups, user groups for managing common property resources etc.

3. 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 (appropriate trade and macro policy, protection against floods, primary health care to prevent epidemics etc.); *reduce* the impact of such shocks when they happen (for example promoting diversified income sources for the poor) and; help those affected *cope* once shocks have happened. Public policy needs to strengthen policies to prevent and reduce shocks, not just assist people to cope afterwards.

4. 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. Among the challenges to be overcome:

- improving the capacity of publicly led assistance to the poorest to effectively identify the poorest and most vulnerable;
- 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;
- increasing institutional capacity, and transparency in public service, to give a better chance of transfers reaching the intended groups.

## **Chapter 2: Emerging Directions for a Social Protection Sector Strategy: From Safety Net to Spring Board**

Steen Jorgensen & Robert Holzmann, Social Protection Sector, The World Bank

### **1 Background**

The social protection sector in the World Bank, which assumed its current configuration in 1996 with the establishment of the Human Development Network, will soon present its first Sector Strategy Paper to The World Bank's Board of Executive Directors. Its preparation offered an opportunity for the sector to take stock of its experience, develop the strategic emphasis of its future work and rethink the concept of social protection, embedding program analysis, design, and implementation in an integrated approach to poverty reduction based on the social risk management framework. This led the sector to expand the definition of social protection to encompass any public intervention that assists individuals, households and communities manage risk or that provides support to the critically poor.

The World Bank's involvement in social protection began with labour markets and later expanded to other areas, including structural adjustment programs. Rising concern with poverty during the eighties set the stage for the 1990 World Development Report, which recognised the importance of safety nets. In the nineties, the inclusion of new member countries in Central and Eastern Europe, repeated crises and a rising population share of elderly in developing countries stimulated an expanded view on social protection, as reflected, for example, in the 1995 World Development Report on labour issues and a seminal book on ageing and pension reform in 1994, *Averting the Old-Age Crisis*. Since then, the World Bank's program support for labour market and pension reform has expanded substantially and increased in complexity.

Social protection programs moved to the forefront of the World Bank's work with the collapse of communism in Central and Eastern Europe and the former Soviet Union in the early 1990s and recent financial crises. The fiscal impact of the "cradle to grave" social security schemes in the former communist countries was unsustainable, and the World Bank's approach entailed reducing expenditure and targeting transfers to cushion the effects of transition on the most vulnerable. The global financial crisis that

hit East Asia and then Russia and Brazil in 1997-98 resulted in the implementation of large-scale social protection measures with World Bank assistance. The crises and the downturn in the East Asian “miracle” countries demonstrated that growth and sound macroeconomic policies, while necessary, are insufficient for sustained poverty reduction and that countries should be prepared to alleviate the negative effects of crises. Shock-resistant risk management programs, including safety nets, income support systems for the elderly, and well-functioning labour markets with social safeguards are essential to reduce poverty over the long term and protect previous gains.

The World Bank’s portfolio in social protection reflects the institution’s growing involvement in the sector in response to world conditions – lending in the social protection area has increased more than six-fold since 1994. The lending volume in FY99 was \$3.76 billion, 13 percent of the World Bank total. While the response to the global financial crisis has driven much of the recent increase, annual lending levels for investment operations and non-crisis reform are about three-quarters of a billion and one billion, respectively.

In fiscal year 1999, the social protection portfolio consisted of 92 purely social protection loans, with commitments of \$6 billion. Another 183 loans contained significant social protection components, adding \$8.9 billion (making an overall portfolio of \$14.9 billion). The limited evidence on the quality and effectiveness of the portfolio is generally positive, but there are some early indicators of potential problems.

## **2 Concepts**

At the beginning of the new century, it has become clear that, while individual social protection programs can improve poor people’s welfare, a more holistic approach is required to make significant advances in poverty reduction in the developing world. This note reflects this understanding and uses social risk management as its conceptual framework, which is consistent with the World Bank’s upcoming World Development Report, Comprehensive Development Framework (and the Poverty Reduction

Strategy Papers involved in its implementation), and the notion of Community-Driven Development.

The concept of social risk management asserts that all individuals, households and communities are vulnerable to multiple risks from different sources, whether they are natural ones (such as earthquakes, floods and illness) or man-made ones (such as unemployment, environmental degradation and war). Poor people are typically more exposed to risk and have less access to effective risk management instruments in comparison to people with greater assets and endowments. This vulnerability makes individuals risk averse and unwilling or unable to engage in high risk/return activities. Under these circumstances, poor people have developed elaborate mechanisms of “self-protection” such as asset accumulation in good times, diversification of income sources and creation of informal family and community “risk pooling” arrangements. However, these arrangements are often relatively expensive and inefficient, and the coping strategies available once a shock occurs often reduce their human capital. This gives rise to the need for public interventions.

Several key concepts are important to an understanding of social risk management. Dealing with risks involves recognising their sources and economic characteristics, for example, whether they affect individuals in an unrelated manner or simultaneously. The most appropriate combination of risk management strategies (prevention, mitigation and coping) and arrangements (informal, market-based and publicly provided or mandated) in any given situation depends on the type of risk and on the direct and opportunity costs and effectiveness of the available instruments. Furthermore, there are many different suppliers of risk management instruments (such as families, communities, non-governmental organisations, market institutions and government agencies), and different groups (for example, formal sector workers and the lifetime poor) have different demands for them.

By mapping available instruments onto a matrix that combines strategies and arrangements, it is possible to clearly assess a risk management system for any population (see Table 1). At the country level, this exercise shows the social risk management system in its entirety and reveals its strengths and weaknesses. For instance, informal sector workers often have access only to informal mechanisms and

some public support for coping, while better-off formal sector workers have more extensive access to market-based instruments as well as public coping and mitigation instruments.

**Table 1: Strategies and Arrangements of Social Risk Management – Examples**

<b>Arrangements/ Strategies</b>	<b>Informal</b>	<b>Market-based</b>	<b>Public</b>
<b>Risk Reduction</b>			
	Less risky production Migration Proper feeding and weaning practices Engaging in hygiene and other disease preventing activities	In-service training Financial market literacy Company-based and market-driven labour standards	Public Labour standards Pre-service training Labour market policies Child labour reduction interventions Disability policies Good macroeconomic policies AIDS and other disease prevention
<b>Risk Mitigation</b>			
<b>Portfolio</b>	Multiple jobs Investment in human, physical and real assets Investment in social capital (rituals, reciprocal gift-giving)	Investment in multiple financial assets Microfinance	Multi-pillar pension systems Asset transfers Protection of poverty rights (especially for women) Support for extending financial markets to the poor
<b>Insurance</b>	Marriage/family Community arrangements Share tenancy Tied Labour	Old-age annuities Disability, accident and other personal insurance Crop, fire and other damage insurance	Mandated/provided insurance for unemployment, old age, disability, survivorship, sickness, etc.
<b>Risk Coping</b>			
	Selling of real assets Migration Borrowing from neighbours Intra-community transfers/charity Sending children to work Dis-saving in human capital	Selling of financial assets Borrowing from banks	Transfers/Social assistance Subsidies Public works

### **3 Implications and strategy**

Based on the social risk management framework, the social protection sector proposes to work with (i) internal and external partners to support governments in implementing specific social protection instruments, and (ii) other sectors and thematic areas to improve their programs' effects on risk management. This support will be demand-driven and characterised by joint learning and piloting in many areas where global

knowledge is still limited. In other areas the sector has well-tested products (for example, in pensions reform and support for community-driven development). For another set of interventions, the World Bank will build on others' experience, using its comparative advantage in linking up with the overall macropolicies and its ability to finance the scaling-up of other agencies' pilot efforts. The sector will also continue its practice of complementing the efforts of its partners when they possess the comparative advantage (for example, in child labour).

The social risk management framework applies to many areas of the World Bank's work outside the social protection sector. These include national shocks (resulting from macroeconomic policy, disasters and civil strife), the financial sector and microfinance, rural development, the informal sector, infrastructure investments, health, population and nutrition. If appropriate policies are in place in these areas, then households are much less vulnerable and can smooth much of their consumption with personal instruments. This indicates a need to build greater awareness of the significance of risk reduction for the development process. Furthermore, social risk management can serve as an analytical tool to assess interventions in the various sectors. The social protection sector will engage other sectors in terms of support for analytical work and product development regarding the management of risk (Table 2). Currently, collaboration is most advanced with the rural development and disaster management groups.

**Table 2: Strategic Directions for the Social Protection Sector in Other Areas of World Bank Work**

Work Areas	Strategic Directions for the Social Protection Sector Resulting from the Social Risk Management Approach
National Shocks (economic crises, natural disasters, civil conflicts)	<ul style="list-style-type: none"> <li>• Encourage governments to adopt preventive policies including low inflation</li> <li>• Share operational knowledge with disaster management and rural development sectors</li> <li>• Support other sectors in developing / piloting appropriate insurance products</li> </ul>
Financial Sector	<ul style="list-style-type: none"> <li>• Promote inclusion of risk management elements in the design of financial sector interventions</li> </ul>
Rural Development	<ul style="list-style-type: none"> <li>• Work with rural development to analyse, pilot, and monitor innovative ways to manage rural risk</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>• Assist relevant sectors to include risk management in analysis of investments</li> </ul>
Health, Nutrition, Population and Education	<ul style="list-style-type: none"> <li>• Support development of an integrated human development strategy emphasising risk management and human capital development</li> <li>• Pursue joint work in areas such as health savings/insurance mechanisms, risk reduction through nutrition programs, early childhood development, multi-sectoral HIV management</li> </ul>

Within the social protection sector itself, the risk management framework poses challenges in terms of rethinking existing public programs and expanding the range of interventions to include public support for informal and market-based activities. The framework provides a starting point to understand programs and their interaction in an overall risk management system.

As regards the traditional areas of public social protection, reassessment of *risk reduction* measures (mainly in the area of labour markets) will involve, *inter alia*:

- *Enhancing pre- and in-service skills building*, which will entail adapting the World Bank’s approach to reflect the increased importance of market-driven training and the shift from skills to knowledge; piloting new training approaches; and reworking existing projects to fit the new framework through the quality assurance program. This will be done in partnership with the education sector and international organisations.
- *Eliminating harmful child labour*. Removing children from school in favour of work is a common coping mechanism for poor households, but it endangers the

long term potential of the children. Some areas of child labour are so clearly harmful that a major global effort should focus on their eradication. The World Bank will build on its existing approach in this area, continuing to follow the lead of the United Nations Children’s Fund (UNICEF) and the International Labour Organisation (ILO).

- *Assisting governments to make labour markets more equitable and inclusive.* Since labour is often poor people’s main or only asset, equitable access to safe and well-paid work (“decent work” according to the ILO) is one of the most important aspects of risk reduction. The formalisation of this right is reflected in basic labour standards, including the prohibition of forced labour and discrimination in employment and pay. A promising complement to public labour standards is private or market-based standards established by stakeholders (such as consumers, employers, workers and non-governmental organisations). These standards range from corporate benchmarking and codes of conduct to voluntary enforcement of industry standards.

In terms of *risk mitigation* the new strategic directions will include:

- *Improving old age income security.* In the area of pension systems for the formal sector, the World Bank has become an established leader in conceptual and operational aspects of reform. This began with its development of a flexible strategy to old age income security focusing on a “multi-pillar” system as a benchmark and not a blueprint, which many countries throughout the world are successfully applying. While maintaining this approach, the main challenge will be to ensure old age income for the informal sector and lifetime poor.
- *Providing appropriate unemployment benefits.* Many developing countries are rightly questioning the standard insurance approach for mitigating the risk of unemployment. The World Bank proposes to carefully assess the experience of alternative instruments and pilot them where there is sufficient interest.

Revisiting *risk coping* mainly involves safety nets, and promising avenues relate to interventions that help the poor cope while reducing or mitigating future risks (for example, transfers that keep children in school). Key strategic questions include:

- *How can the social protection sector sustain its support for safety net design and implementation?* The sector will focus strongly on impact while being as responsive as possible in its lending (especially in crisis situations).
- *What is the appropriate balance in supporting different types safety net programs?* Since each has drawbacks and advantages, the sector will systematically collect and analyse information on program experience to provide the best possible advice to client countries.
- *How much is enough?* While the global financial crisis has emphasised the need for coping programs, care must be taken that they remain appropriately sized and do not hamper other forms of risk management. Such issues must enter the World Bank's dialogue with the International Monetary Fund in crisis situations.
- *How can coping interventions help with risk mitigation and reduction?* From the perspective of the social risk management framework, this relates to how governments can provide assistance in ways that not only increase current levels of consumption for poor people but also enable them to better manage risk and climb out of poverty.

As the sector increases its support for government efforts to improve and expand informal risk management mechanisms, it proposes to build on existing experiences within the World Bank:

- *Rethinking social funds.* Social funds have been relatively successful in supporting local-level development in more than 50 countries. Considering their increased emphasis on community-driven development, social funds will focus on (i) expanding the menu of eligible projects, (ii) targeting vulnerability in addition to poverty, and (iii) further enhancing the flow of services from installed infrastructure.
- *Encouraging expansion of support for legal reform efforts* to ensure that they include measures to protect poor people's (and especially poor women's) property rights to assets, which would include the review of inheritance laws.
- *Supporting community-based coping related to orphans and AIDS victims*, at first by building on existing activities in the parts of sub-Saharan Africa where the traditional coping mechanisms have been put under unbearable strain.

The World Bank has ample experience in supporting market-based reforms. It will attempt to incorporate risk management aspects into these reforms without distorting the important moves towards fiscal and financial sustainability. Two areas stand out as potentially promising:

- *Rethinking microfinance within social protection programs.* While the track record is poor, recent trends in microfinance (towards instruments such as microsavings and microinsurance) and the combination of community-based and market-based arrangements (reinsurance) should help develop new models that may meet both financial and social sustainability criteria.
- *Building financial literacy.* Since safe financial assets are key to poor people's ability to mitigate risk, there is a potential role for social protection interventions in bridging the gap between formal financial sector reforms and traditional social protection programs (for example, through the promotion of financial sector literacy).

#### **4 Strategic directions and conclusion**

As the sector evolves further, it will need to investigate what is already being done, draw on existing knowledge, leave new areas to others if appropriate products are already available and work together with internal and external partners to develop necessary products based on comparative advantage and synergies. In this regard, the sector will examine partnerships on three parameters: content (knowledge management, training and institution building, and operational work), level of cooperation (information exchange, coordinated activities and collaborative activities), and type of partner (international organisation, bilateral donor, non-governmental organisation, etc.). In line with the focus on country operations, implementation of the Comprehensive Development Framework and improvement of World Bank products and processes (social sector reviews, country assistance strategies, advisory and analytical activities, project implementation, etc.), the World Bank will continuously review and adjust its interaction with international partners. This will entail carefully measuring the costs and benefits of each partnership to allow prioritisation and ensure the selection of those with the highest potential impact on poor people relative to their cost.

The social protection strategy will outline a reorientation in regional work program priorities and countries of emphasis. The priorities of the different regions depend on their starting points in the risk management matrix, but all regions are proposing to adopt a more holistic approach to risk management (see Table 3).

**Table 3: Shifts in Regional Work Program Priorities**

<b>Region</b>	<b>Strategic Directions</b>
<b>AFR</b>	Social protection to work with other human development sectors to mainstream work on orphans and AIDS/HIV management; other sectors to mainstream community-driven development. Pensions and labour work needs to be more fully integrated with rest of social protection.
<b>EAP</b>	Help clients to establish sustainable public safety nets, improve functioning of and access to market-based arrangements, and review and support working of informal safety net arrangements.
<b>ECA</b>	Push strongly on second-generation reforms, better integrate social protection sub-sectors and establish more community-based activities as complement to public interventions.
<b>LAC</b>	Integrate social risk management into country dialogue, with country papers helping to identify gaps and need for reform of risk management instruments.
<b>MNA</b>	Improve the functioning of public provisions, the quality of services and the synergy between governments and civil society in providing social risk management instruments.
<b>SAR</b>	Establish social risk management as an important element of poverty reduction; focus on microfinance, microinsurance and pension reform in terms of operations.

Within regional work programs there will be country priorities. An initial determination of countries of emphasis relies on two dimensions: (i) the importance of a country’s risk management issues from a global perspective, and (ii) the opportunity for World Bank involvement. Of special interest in this context are “engagement” countries, which have great global importance but little interest in World Bank involvement; “high intensity” countries, which are of global significance and possess great interest; and, “regional priority” countries, which are of less global importance but which maintain high interest. The categorisation of countries is dynamic and will be updated as situations change.

In promoting the social risk management approach, the social protection sector proposes to undertake the following actions (see Table 4 for summary):

- Encourage inclusion of risk management as a theme in the overall discussion of poverty reduction and implement tools such as the social protection poverty

reduction strategy sourcebook to ensure the incorporation of social protection instruments into country strategies where appropriate.

- Move to more comprehensive and action-oriented sector analyses and help improve dynamic vulnerability aspects of poverty assessments.
- Manage portfolio and quality enhancement efforts that maintain the sector's portfolio in a quality leadership position while dealing with the explosive growth in lending and reworking existing operations against the new risk management benchmark.
- Focus knowledge management activities on (i) expanding and maintaining reform primers, which compile current analytical thinking, operational lessons and case studies into an accessible handbook format, and (ii) exploring new dissemination technologies.
- Prepare for changes in lending. Although lending volume will likely fall in the long term due to the reduced need for large-scale first generation reforms and crisis support, the number of smaller projects will rise because of piloting. The preparation of loans will become more complex due to the adaptation of adjustment operations to the peculiarities of countries still in need of reform, the initiation of second generation reforms and the scaling-up of social funds.
- Concentrate information dissemination and communication on the implementation of the World Development Report 2000/1, especially regarding the issue of "security," and the promotion of the new risk management and social protection approach through the World Bank Institute.
- Expand evaluation efforts based on the framework and sector strategy, which will entail working with the research groups and the Operations Evaluations Department to refine evaluation criteria and benchmarks, adjust household surveys to better reflect vulnerability indicators and assess the appropriateness of different risk management instruments.

The new social protection strategy will help the World Bank to be a credible partner in worldwide social policy development. The next stage of the strategy, which involves developing partnerships with other agencies and a combined approach to social policy within a global vision of poverty reduction, will be the true test of whether there will

ever be a day when the World Bank’s mission statement becomes a reality: “*Our dream is a world free of poverty.*”

**Table 4: Changes in World Bank Products**

<b>Product</b>	<b>Shifts in Strategy Required by New Approach</b>
Country strategy work	promote risk management as a theme in the overall discussion of poverty reduction use tools such as the social protection poverty reduction strategy sourcebook to encourage the incorporation of social protection instruments into country strategies
Analytical and advisory services	move to more comprehensive and action-oriented sector analyses improve dynamic vulnerability aspects of poverty assessments
Knowledge management	expand and maintain reform “primers” explore new dissemination technologies
Portfolio management and quality enhancement	maintain the sector’s portfolio in a quality leadership position evaluate the explosive growth in lending and rework existing operations against the new risk management benchmark
Lending	undertake more piloting employ adjustment operations in countries still in need of first generation sector reform and initiate second generation reforms scale-up community-driven development based on social funds
Information and communication	support dissemination of the new risk management and social protection approach, including through the World Development Report 2000/1
Evaluation	refine evaluation criteria and benchmarks adjust household surveys to better reflect vulnerability indicators

### **Chapter 3: The extension of social protection: ILO's aim for the years to come**

Wouter van Ginneken, ILO

One of the key global problems facing social protection today is the fact that more than half of the world's population (workers and their dependants) are excluded from any type of statutory social security protection. They are covered neither by a contribution-based social insurance scheme nor by tax-financed social assistance. In sub-Saharan Africa and South Asia, statutory social security coverage is estimated at 5 to 10 per cent of the working population and decreasing. In India for example, not more than 10 per cent of workers were in the formal sector in the mid-1990s, compared to more than 13 per cent in the mid-1980s. In Latin America, coverage lies roughly between 10 and 80 per cent, and is mainly stagnating. In South-East and East Asia, coverage can vary between 10 and 100 per cent, and is generally increasing. In most transition countries of Europe, coverage varies between 50 and 80 per cent, while most developed countries have reached practically 100 per cent.

In its standard-setting and most of its technical co-operation activities on social protection, the ILO had traditionally expected that all workers would sooner or later end up in secure formal sector employment. However, experience in developing countries - and more recently in the transition and developed countries - has shown quite the contrary, and this situation is unlikely to change in the foreseeable future. Even in countries with high economic growth, increasing numbers of workers are in less secure employment, such as the self-employed, casual labour and homeworkers.

#### **1 Globalisation, adjustment and social protection coverage**

Globalisation, either alone or in combination with technological change, often exposes societies to greater income insecurity. A cross-section analysis (Rodrik, 1997) investigated the relationship between social protection expenditure (averaged over the period 1985-89) and two explanatory variables: the openness of the national economy (measured by the ratio of trade to Gross Domestic Product) and the level of external risks a country faces (measured by the variability of its terms of trade, i.e. the relative

prices of its imports and exports, from 1971 to 1990). These results suggest that income transfers tend to be largest in economies that are simultaneously very open and subject to substantial price risk in world markets. The best correlations are found for OECD countries, but inclusion of low-income countries - with annual income of less than US\$4,500 - produce much lower estimated coefficients and levels of statistical significance.

More recently, other observers (Shin, 2000) claim that governments are increasingly having to compete against each other, in order to promote competitiveness and attract foreign direct investment. This competition influences in turn the social policy formation towards a “business-friendly social policy”, possibly leading to reduced taxation on capital incomes, lower shares of employers’ contributions in social protection revenues, more limited income security programmes, and an increased allocation of resources for active labour market programmes.

Together with globalisation, the structural adjustment policies pursued consistently in most developing countries have contributed to a decline in the small percentage of the working population in the formal sector. The successive waves of structural adjustment programmes have also led to wage cuts in the public and private sectors, thereby eroding the financial base of statutory social insurance schemes. Simultaneously, many such schemes in developing countries have suffered from bad management, partly because of too much government interference, which has often strongly reduced the trust of members in the scheme. In addition, structural adjustment programmes have often resulted in severe cuts in social budgets. In Benin for example, health expenditure’s share in the total government budget dropped from 8.8 to 3.3 per cent between 1987 and 1992. As most governments can no longer guarantee access to free health and education, there is greater demand for group arrangements to finance and organise these social services. It is often more efficient to be part of a group insurance scheme than to have to face health and education expenditures individually.

Structural adjustment, socio-economic changes and the generally low level of economic development have also produced large vulnerable groups that cannot contribute to social insurance schemes and cannot be reached by other social policies.

The most vulnerable groups outside the labour force are the disabled and old people who cannot count on family support, and who have not been able to make provisions for their own pensions. Some countries, such as China and India, have taken specific social assistance measures to meet the needs of these groups.

The fundamental reason for exclusion from coverage is that many workers outside the formal sector are unable or unwilling to contribute a relatively high percentage of their incomes to financing social security benefits that do not meet their priority needs. In general, they prioritise more immediate needs, such as health and education, in particular because structural adjustment measures have reduced or eliminated access to free health care and primary education. Within the range of pension benefits, they seek protection in case of death and disability, rather than for old age. In addition, they may not be familiar with, and/or distrust, the way the statutory social security scheme is managed. As a result, various groups of workers outside the formal sector have set up schemes that better meet their priority needs and contributory capacity. Moreover, there are also a host of factors that restrict access to the statutory social security schemes, such as legal restrictions, administrative bottlenecks and problems with compliance.

## **2 Social protection: concept and linkages**

The ILO's research on the informal sector has demonstrated that a wider concept of social security is needed in order to understand the realities faced by informal sector workers, who constitute the majority of the world labour force. The traditional concept of social security is included in various ILO standards. According to the Income Security Recommendation, 1944 (No. 67), income security schemes should relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by reason of inability to work (including old age) or to obtain remunerative work, or by reason of the death of the breadwinner. Income security should be organised as far as possible on the basis of compulsory social insurance, and provision for needs not covered by compulsory social insurance should be made by social assistance. In the same vein, the Medical Care Recommendation, 1944, (No. 64), suggests that medical care should be provided either through a social insurance

medical care service with supplementary provision by way of social assistance, or through a public medical service. The Social Security (Minimum Standards) Convention, 1952 (No. 102), identifies nine areas for social insurance, i.e. medical care as well as benefits in case of sickness, unemployment, old age, employment injury, family circumstances, maternity, invalidity and widowhood.

Various authors have considered that this definition is too narrow for the problems faced by developing countries. Guhan (1994) claims that social protection in poor countries will have to be viewed as part of and fully integrated with anti-poverty policies, such as employment guarantees and food security. Drèze and Sen (1991) as well as Burgess and Stern (1991) distinguish two aspects of social security, which they define as the use of social means to prevent deprivation (promote living standards) and vulnerability to deprivation (protect against falling living standards). The definition provided by Eurostat (1996) also includes housing and rent subsidies in the definition of social protection. The Eurostat statistical definition of social protection - which is increasingly accepted internationally - makes a distinction between social protection in cash and in kind.

Social protection can therefore be defined as “entitlement to benefits that society provides to individuals and households - through public and collective measures - to protect against low or declining living standards arising out of a number of basic risks and needs”. Table 1 lists the basic needs as well as the basic risks related to employment capacity and family cohesion. It also lists the various social protection (in cash and in kind) and promotional policies that can have an impact on these contingencies.

**Table 1: Linkages between social protection and promotional policies**

Contingencies	Social protection		Promotional policies
	In cash	In kind	
<i>Risks related to employment capacity and family cohesion</i>			
Un(der)-employment	Unemployment insurance	Employment guarantee; training & placement	Regulatory & other labour market policies; micro-finance
Sickness, injury, disability & death	Social insurance benefits	Home help; care and rehabilitation	Safety & health at work; labour market integration.
Old age	Social insurance pensions	Old people's homes; home help	Savings
Family cohesion	Maternity, child & family benefits	Crèches; parental leave	Labour market integration
<i>Satisfaction of basic needs</i>			
Subsistence	Social assistance	Social work	Anti-poverty policies
Food	Food stamps and subsidies	Food aid	Food production
Health care	Health insurance	National health service	Other preventive, promotional and curative services
Housing	Rent & energy subsidies	Shelter for the homeless	Construction; savings
Education	Fee waivers	School meals and books	Schools; teachers, etc.

These social protection and promotional policies can interact with each other through substitution and complementarity. For example, among social protection policies social assistance may - for certain groups or in certain circumstances - be a more effective mechanism to extend social protection than an employment guarantee or food subsidy scheme. On the other hand, unemployment insurance and employment guarantee schemes are generally complementary, because they target different groups in the labour force. It is therefore important to assess what are the main linkages between and among social protection and promotional policies, since they can have a significant impact on the effectiveness of efforts to extend social protection.

### **3 The ILO policy approach**

In his first report to the International Labour Conference, the new ILO Director-General Mr. Somavía introduced the “decent work for all” strategy, which established as the primary goal of the ILO “to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity (ILO, 1999a)”. Amartya Sen (1999) identified four specific features of this approach: (i) the universality of coverage and pervasiveness of concern; (ii) the use

of the idea of rights; (iii) the situating of conditions of work and employment within a broad economic, political and social framework that includes democracy and participation; (iv) the search for global instead of international policies.

The decent work strategy adopts a broad perspective on work in that it deals with not only (paid) employment, but also work at home and possibly voluntary work. The concept of “decency” is not yet defined well. It obviously goes beyond minimum standards, and can be applied in countries of different economic levels, since it refers to absolute (above-minimum) and relative standards of living and work. One of the key functions of social protection is to provide income security which is not just a matter of human rights, but also a contributing factor to productivity. Decent social protection can also play an important role in achieving gender equality, if all people - working men and women (for pay or not), as well as children and elderly - can have independent access to social protection. Finally, given the global dimension of the decent work approach, global redistributive mechanisms are needed to secure the financing of decent social protection for all.

In most low-income developing countries, not more than 10-25 per cent of the working population and their dependants are covered by statutory social insurance, mainly for pensions and sometimes for health care-costs. Extension and reform of the statutory social insurance system could reach about another 5-10 per cent of the working population, i.e., most of the so far non-covered regular workers and some casual wage-workers in the formal sector. At the other end of the income scale are the 30 per cent of poor households who can probably only be helped by tax-financed social assistance, social services and poverty alleviation measures. In between these two groups are the bulk of the working population (about 40-60 per cent) - above the poverty line but not eligible for or not interested in statutory social insurance - who have some contributory power and are interested in contributing to micro-insurance programmes that are tailored to their needs (van Ginneken, 1999a).

The first challenge of a comprehensive social protection policy is to reach the majority of the aforementioned working population, with micro-insurance schemes that are specially designed for them and often managed with their participation (Dror and

Jacquier, 1999). Such schemes are generally effective in protecting against poverty, while at the same time promoting productivity and employment. Workers are willing to contribute to special insurance if they feel that they will get value for money, if the benefits correspond to their priority needs and if the system that administers the benefits is trustworthy.

The second challenge is the promotion of cost-effective social assistance aimed at certain groups within the 30 per cent of households that live in poverty. The effectiveness of social assistance schemes depends to a large extent on their design, and - in a general sense - also on the overall willingness of society to show solidarity to those who in most cases have left the labour market, such as old-age pensioners, widows, orphans and disabled people.

The third challenge is the reform of statutory social insurance schemes and their extension to larger groups of regular and casual workers.

Finally, the collaboration of all social actors is necessary to design and carry out a comprehensive social protection policy. The partners involved are, of course, first of all the working people and their families themselves, sometimes represented by trade unions, co-operatives and NGOs. Employers play an essential role where waged workers are concerned. Insurance companies and social security agencies are a third group of partners. The Government also needs to be involved and committed at all levels, to provide sustainability and consistency to the whole structure of social protection.

In sum, the ILO Social Security Department is currently implementing an integrated strategy to extend social protection, along three complementary lines (ILO, 2000):

- (i) Strengthening and improving statutory social security schemes, including the extension of social insurance, and the development of basic social protection for the poor.
- (ii) Promoting and supporting the development of micro-insurance schemes that respond to the needs and contributory capacity of rural and informal sector workers.

- (iii) Establishing linkages between statutory social security schemes and micro-insurance schemes.

#### **4 ILO action: research, technical assistance and standard setting**

The ILO Social Security Department is active in three areas: (i) the development of ILO's knowledge base; (ii) the provision of technical assistance; and (iii) standard setting. Within the Department, the STEP global programme (Strategies and Tools against Social exclusion and Poverty) provides technical assistance to micro-insurance schemes. The ILO will reinforce its knowledge base on the ways and means to extend social protection, and promote policies that have been found to be effective and participatory. It will have a policy-oriented approach, and will benefit from a mutually reinforcing process including research, standard setting and technical co-operation. This process is taking place within the Department, in collaboration with ILO's field structure and with outside partners.

##### ***Research and policy development***

This component (ILO, 1999b) will reinforce ILO's knowledge base on the ways and means to extend social protection, and promote policies that have been found to be effective and participatory. It aims at (i) understanding the process of exclusion; (ii) identifying and developing effective social protection mechanisms; and (iii) developing an ILO policy framework.

##### ***(i) Understanding the process of exclusion***

- Statistical trends on coverage and social expenditure - documents the extent of exclusion in the world, and investigates the feasibility of a social protection observatory.
- The household income and expenditure situation of non-covered groups - examines the need for social protection and the contributory capacity at the household and local level.

- The factors contributing to exclusion from coverage - documents and explains the processes whereby the majority of the world's working population has been excluded.

*(ii) Identifying and developing effective social protection mechanisms*

- The effectiveness of efforts to extend social protection - focuses on statutory social security, micro-insurance and the linkages between them.
- The role of social actors - formulates the conditions under which social actors can work together to extend social protection.
- Options for design and financing - develops new design and reinsurance options, and quantifies the implications for (national and international) government financing.
- A coherent response for social protection in crisis situations
- The feasibility of ILO standards on the extension of basic social protection - reviews ILO's social security standards, and formulates new options for standard setting.

*(iii) Developing an ILO policy framework*

- The ILO policy framework - presents the ILO view on strategies to extend social protection to all.
- An evaluation methodology for projects to extend social protection

***Technical assistance***

The first aim of ILO technical assistance is to strengthen the capacity of governments, social security agencies, social partners, NGOs and insurance companies to design and

implement micro-insurance schemes. This capacity is strengthened by experimenting with pilot activities, in particular with area-based schemes. In comparison with sector- or occupation-based schemes, area-based schemes have the advantage that administration costs are low and that local participation and control can be included in the design of the project. And, most importantly, coverage could be extended to other areas in relatively short periods, because governments would be able to replicate the schemes on the same conditions (van Ginneken, 1998 and 1999b). The ILO provides assistance with carrying out feasibility studies, with the aim of assessing how and under what conditions these pilot activities could be successfully implemented and replicated. On the basis of experience gained with these activities, the ILO - and in particular STEP - is developing practical tools and training material for the various social actors to help them to formulate their own policies and activities with regard to micro-insurance. STEP is also providing network services for social and labour groups involved in micro-insurance.

A second field of action is to assist Governments and social actors with the formulation of a comprehensive social protection policy. With regard to social assistance, the ILO assists with the formulation of a minimum package of social assistance that is affordable and coherent with other anti-poverty policies, as well as with the administration of such schemes. In the field of statutory social insurance, the ILO provides extensive technical assistance to the administration of social security in areas such as organisation, co-ordination and legislation. With regard to the extension of social protection, advice concentrates on the design and implementation of benefit programmes that correspond to the priority needs for basic protection (health, injury, disability and death). The ILO is also giving advice on education and public awareness campaigns as well as ways to improve the participation of all the social actors in policies to extend social protection coverage.

### ***Standard setting***

Most social security Conventions of the ILO focus on wage-earners in the formal sector. However, since the beginning of the 1990s some instruments have begun to formulate standards on social protection for workers outside the formal sector. For example, the Home Work Convention, 1995, (No. 177), stipulates that national laws

and regulations in the field of maternity protection should apply to homeworkers. In addition, it proposes that social security protection can be achieved for homeworkers through extension and adaptation of existing social security schemes and/or through the development of special schemes or funds. The Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189), proposes to review labour and social legislation to determine whether it meets the special needs of such workers and can be extended to them, and whether there is a need for supplementary measures, such as voluntary schemes and co-operative initiatives.

Since these standards cover only specific groups of workers, it is desirable to generalise their applicability to all workers, and in principle to the population as a whole. The ILO could therefore consider formulating new standards on the extension of social protection. Such standards could: reaffirm the right to social security as included in the UN International Covenant on Economic, Social and Cultural Rights; seek commitment from Governments and their social partners to elaborate and carry out strategies for extending basic social protection; and adopt statistical indicators for measuring progress towards universal coverage. In addition, standards could provide recommendations on guidelines to design, manage and administer social protection schemes and to develop national and international policies and strategies.

The adoption of such standards would galvanise Governments, social actors and the population at large into action, so as to achieve basic social protection for all.

## **5 Towards a global social floor**

The Social Summit in 1995 used the term “social floor of the global economy” for the first time. The floor was defined to consist of the seven basic ILO Conventions dealing with questions of equality, freedom of association as well as the elimination of forced labour and child labour. In 1998 these seven Conventions were included in the “ILO Declaration on Fundamental Principles and Rights at Work” and adopted by the ILO Labour Conference. After that they were also included in the global social policy principles.

The concept of a global social floor can be extended to include the guarantee of some basic entitlements with regard to education, health and social protection. With regard to education and health, these entitlements have been formulated as aims by the Copenhagen Summit, i.e. the achievement of universal primary education and an under-5 mortality rate below 45 per 1,000 by the year 2015. There are no corresponding quantitative objectives and time frames in the field of employment and social protection, but it would be possible to define them in the field of training as well as in that of coverage of social protection. In a more general way, the social floor could be defined as “basic social entitlements” or “having the capacity and opportunity to earn a decent living”. What would be the steps to achieve such a social floor?

The first step would be to improve the quality of social policy making and the efficiency of social investments, such as on social protection, health and education. Governments in most, and particularly in poor, developing countries have little leeway to conduct their own economic and social policy making. They are severely hemmed in by conditionalities imposed by the IMF and the World Bank. In addition, they are often dependent on the sometimes (rapidly) changing donor priorities. There is also a great need to improve democratic and transparent structures in developing countries, so that governments are more closely monitored by their own population. The emergence of new civil society movements can help governments to become more accountable. From the international side, social policy monitoring should focus on a limited number of internationally accepted social objectives, such as the achievement of universal primary education by the year 2015. International financial support for the achievement of these objectives should be provided within the context of a well-designed multilateral monitoring and evaluation system.

Secondly, there is the need for a more sustained and predictable basis for financing social investments. It is estimated that access to basic social services for all the world's people could be ensured by an additional \$30-40 billion per year over the next 10-15 years. Part of this could be (and is already) financed by better targeted donor contributions, debt relief and restructuring of national government budgets. However, there is also a structural need for a better taxation of capital incomes at the global level. Since capital incomes and internet trade are so elusive, the process of

globalisation favours taxes where the location of the tax base is readily identifiable, such as consumption, immovable property or labour income. The result of recent tax reforms has therefore been that labour income is taxed more heavily (including social security contributions) than capital, with negative consequences for employment creation. The co-ordination of taxation policies is a sensitive national issue, as exemplified by the recent UK/EC rift on a possible European withholding tax on bond interest payments. Perhaps the best way forward is to set in motion a multilateral process, either in a new World Tax Authority or within the context of the World Trade Organisation that already has considerable experience with multilateral treaties.

A third step would be the conclusion of a new global social contract between governments, civil society and the private sector, which would be based on mutual interests. Some of the groundrules of such a contract already exist in the UN Covenant on social and economic rights, supplemented by other rights such as laid down in the ILO Declaration on fundamental workers' rights. Another part of the contract would consist of a promise of the international community to co-finance the achievement of some specific social objectives mentioned before. The achievement of these objectives would contribute to stronger social cohesion between people and nations, and would lay the foundation for greater global prosperity. This would be of obvious interest to the private sector who would also play an important part in this world-wide contract. It would promise to abide by these groundrules and provide constructive help in the realisation of an efficient and equitable international tax system. Groups from civil society, such as trade unions, would guarantee that the contract would be monitored democratically, and they would ensure that all people would benefit and participate in the process of global social and economic development. To give the contract more teeth, it could stipulate, for example, that families who - for financial reasons - cannot send their children to primary school, can claim financial assistance from an international fund.

At the dawn of the new millennium, it is time to think long-term. There are great opportunities for making a quantum jump in social and economic development. We have the knowledge and the means to do it. One of the next opportunities for

discussing the outline of a global social contract would be the follow-up Conference of the Social Summit, which will take place in Geneva at the end of June.

## **6 Conclusions**

More than half of the world's workforce is excluded from coverage by statutory social security, and the proportion is often much higher in developing countries. The deficiency is greatest in sub-Saharan Africa and South Asia, where fewer than 10 per cent of workers are covered. In other parts of the developing world the coverage is typically between 10 and 50 per cent of the workforce.

There is a need to widen the concept of social protection to respond to the needs and contributory capacity of workers outside the formal sector. This means that social protection should not be limited to the nine traditional contingencies of social security, but also include the entitlement to benefits in areas of basic needs, such as social assistance, health, education, housing and food security. Moreover, social protection policies should be conceived and carried out in harmony with other socio-economic promotional policies.

Extension of social protection will be one of ILO's principal objectives in the years to come. This is in keeping with the decent work strategy that the ILO has now adopted and which aims at promoting "opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity." The principal characteristics of this strategy are: the universality of coverage, the idea of rights, and the search for global policies.

The main challenge for the ILO is to reach the "excluded majority", i.e. those who can be reached with micro-insurance schemes and those below the poverty line, who will often have to be covered with tax-financed social protection. Micro-insurance organised by and for informal sector workers is generally based on a comprehensive concept of development and social security. Organisations such as NGOs and co-operatives have a good understanding of the particular needs and priorities of workers in the informal economy, and have developed institutions and policies with them that

are quite different from those the governments have been used to. Cost-effective social assistance requires a sophisticated administration to determine who really meets the relevant criteria, and to make sure that the benefits reach the target population effectively. Thus, the costs of administering the benefits are often high, and if the administration is not well organised, it can lead to leakages and corruption. There is also ample scope for extending the coverage of statutory social insurance, in particular if benefits are redesigned so as to suit the needs and contributory capacity of non-covered workers.

In order to respond to these challenges the ILO has started a research and policy development programme that aims at: (i) understanding the process of exclusion; (ii) identifying and developing effective social protection mechanisms; and (iii) developing an ILO policy framework. It has also strengthened its technical assistance capacity and is considering the development of standards to promote the extension of basic social protection.

In line with the global mission of the decent work strategy, the paper also develops some ideas on a global social floor. The basic foundation of this floor are the seven ILO Conventions included in the ILO Declaration of Fundamental Principles and Rights at Work. An additional layer could consist of social entitlements in the areas of basic social protection as well as primary health and education. This floor will only be properly founded with fresh international financing sources, which - in addition to redirected national expenditure, debt relief and targeted donor contributions - would also come from better collected taxes on capital income. A new global contract is needed to achieve all this. The follow-up Conference to the Social Summit, to be held in Geneva at the end of June, could make an important, first step into this direction.

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## Chapter 4: ADB's Social Protection Framework

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### 1 Introduction

Social protection is a family of programs and policies designed to smooth fluctuations in incomes from economic activities, improve labour market outcomes and provide a degree of protection from market failures to reduce individual and household disparities. When implemented properly, these policies and programs can make a major contribution to the Bank's overarching mission of reducing poverty.

Recent events underscore the need for greater attention to social protection issues in this region.

- Countries now in transition from command economies to market economies are discovering that the comprehensive social protection systems they traditionally maintained have become too expensive to sustain, are poorly designed for a market economy, and create barriers to further economic development.
- The crisis countries have discovered that inadequate and under-developed social protection systems have exposed their working populations to excessive risk, increased the incidence of poverty, reduced social welfare and threatened to undermine longer-term human capital investment efforts.
- The current economic crisis has depressed markets for basic commodities and globalisation has introduced greater volatility in both agricultural markets and agricultural incomes, while economic problems in urban areas have increased the pressure on rural sectors to support former urban migrants.
- Many countries in the region that escaped the worst of the crisis have learned from the experience of their neighbours that improvements in social protection are important elements in furthering economic and social development, as urbanisation

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<sup>3</sup> This paper is based on the Asian Development Bank's *Framework for Operations on Social Protection*, written in 1999 by I. Ortiz, L. Thompson, D. Lindeman and J. Blomquist. Dr. I. Ortiz, Economist (Poverty Reduction) is responsible for developing a social protection framework, to become the social protection strategy of the ADB. Comments may be sent to Isabel Ortiz, Strategy and Policy Department, Asian Development Bank, Manila, Philippines, tel (632) 632.4444 fax (632) 636.2444, email: [iortiz@adb.org](mailto:iortiz@adb.org).

and industrialisation gradually undermine the effectiveness of traditional and informal protection systems.

Different kinds of reforms are needed in different places. Where social protection systems have become too expensive and are no longer appropriate for the economies they serve, they need to be streamlined and restructured. Where these systems are inadequate to deal with the uncertainties facing both rural and urban populations, social protection needs to be extended and expanded.

Social protection issues have become a major concern of the Bank only in the second half of the 1990s. The first projects consisted of technical assistance for administrative reform and improvement of the Mongolian welfare system and safety nets after the transition from a centrally planned to a market economy. The first loan addressing a major social protection issue involved pension reform in Kazakhstan, where assistance was needed for retrenchment and restructuring of an over-extended social protection system. Subsequently, Social Sector Program Loans negotiated with Thailand and Indonesia provided resources for strengthening institutions that had been weakened by the economic crisis, stop-gap measures to alleviate some of the longer-term harm that might have otherwise occurred in health and education, and assistance in creating new approaches to provide social protection. As these issues took on a new urgency at the Bank, the need for more effective co-ordination strategies became clear. A first step in achieving this objective is a common vocabulary for discussing social protection issues and a common understanding of their scope.

This paper presents an abbreviated discussion of the increasing importance of social protection in the work of the Asian Development Bank. It begins by describing what is meant by social protection and the five pillars of the ADB's social protection strategy, followed by a discussion of the relationship between social protection and the ADB's long-term objectives. Finally, the paper presents some of the operational implications for the ADB and closes with a summary conclusion.

## **2 A definition of Social Protection**

Social protection is defined as 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.

The policies and procedures included in social protection can be thought of as involving five major kinds of activities:

- labour market policies and programs designed to facilitate labour adjustments and promote the smooth operation of labour markets,
- social insurance programs to cushion the risks associated unemployment, disability, work injury, and old age,
- social assistance and welfare service programs to provide a floor for those with no other means of adequate support,
- agricultural insurance to cushion the risk to agricultural incomes from crop failure or temporary disruptions, and
- community-based social funds and other temporary employment generation programs designed to offer a temporary source of earned income while enhancing the social infrastructure.

This definition recognises that social protection encompasses activities that span those in both the formal and informal sectors and regardless of whether households derive their incomes from industry, services or agriculture. Households in the formal sector will be reached by labour market interventions and structured social insurance, crop insurance and social assistance. Those in the informal sector are more likely to be reached by less structured social assistance, microinsurance, social funds and other temporary employment programs, as well as price subsidies for food and energy or price supports to farmers.

**Table I: Potential Social Protection Approaches by Economic Sector**

	<b>Formal Sectors</b>	<b>Informal Sectors</b>
Agriculture	Formal Social Assistance Welfare Services Commodity Subsidies Social Insurance Price Supports Crop Insurance Employment Generation	Informal Social Assistance Welfare Services Commodity Subsidies Price Supports Employment Generation Social Funds Microinsurance
Commerce & Industry	Formal Social Assistance Welfare Services Commodity Subsidies Social Insurance Employment Generation Labour Market	Informal Social Assistance Welfare Services Commodity Subsidies Employment Generation Social Funds Microinsurance
Services	Formal Social Assistance Welfare Services Commodity Subsidies Social Insurance Employment Generation Labour Market	Informal Social Assistance Welfare Services Commodity Subsidies Employment Generation Social Funds Microinsurance

Of the five pillars, the three first (labour markets, social insurance and social assistance) are normally included in any social protection strategy. Given that most of the Asian poor are rural and part of the informal sector, the ADB must take a fresh look at new instruments such as integrated insurance, rural programs and social funds. Agricultural insurance provides the same sort of social protection to small-scale agriculture that the more traditional social insurance programs supply to the urban labour force. Two areas of critical importance emerge: first, exploring options for simplified integrated insurance programs for rural areas, combining some health, old age and life insurance to sustain livelihoods; second, assessing the trade off between disaster mitigation operations and the possible economic gains from developing comprehensive protection mechanisms in Asia.

### 3 The five pillars of ADB's Social Protection Strategy

(i) Labour market improvements to enhance social protection might include the following:

- Appropriate labour standards that provide adequate worker protection without creating barriers to labour mobility and economic development. Appropriate standards might address minimum ages, maximum hours and the special protections appropriate for new mothers. Standards need to avoid excessive barriers to labour adjustments and other provisions that might discourage expansion of enterprises and productivity improvements.
- Labour exchanges and active labour market interventions to facilitate mobility and enhance skill training; labour exchanges (mechanisms for matching workers searching for employment with job vacancies) help workers find the most productive employment for their skills and can match those who would profit from upgrading their skills to any specialised training programs available.
- Specific interventions designed to cushion the effects of restructuring particular enterprises or particular classes of enterprises. Where massive disruptions are a necessary by-product of structural reform, it is appropriate to give particular emphasis to skill training, migration assistance, job location assistance, and other steps to smooth the transition for the affected workers.
- Anti-discrimination activities to protect women and minority populations.

Labour standards and active labour market policies can encourage investment in human capital by discouraging child labour (and encouraging continued schooling) and by encouraging both employers and workers to invest in upgrading of worker skills. They help assure that worker skills are put to their most productive uses. These programs are particularly valuable where enterprise restructuring requires reductions in employment and enhancing the skills of those that remain.

(ii) Social insurance: Participating in labour markets exposes workers to several kinds of risks. Social insurance programs mitigate these risks, reducing the threat of falling into poverty among those participating in labour markets. Reducing these risks allows workers who have lost one job to search for a good alternative, removes barriers that

might otherwise discourage workers from acquiring education and training for themselves and helps assure that the health and education of their children are not sacrificed in an economic downturn. Some risks affect workers individually, such as the risk that the worker's labour income will be interrupted due to his or her own illness or temporary unemployment. Other risks affect large groups of workers or a country's entire workforce simultaneously, such as the risk of massive job losses due to enterprise or economic restructuring, a cyclical downturn, or an international financial crisis.

As countries develop, some form of government intervention is needed to deal effectively with these risks. Family resources, even those of an extended family, are no longer sufficient to deal with the individual risks. Traditionally, private insurance companies have had difficulty providing products that protect effectively against the individual labour market risks (such as frictional unemployment or sickness) because of problems of adverse selection and moral hazard. The risks that affect an entire population simultaneously are even more difficult to address through private insurance, owing to the inability to calculate the probability of their occurring and the high correlation of individual losses.

A wide variety of approaches are available for structuring and operating social insurance programs. They may be contributory, in that eligibility is based on the payment of premiums each year or on having made a minimum number of contributions in prior years. Less often, countries create programs that are available to all or a substantial segment of the population (such as family allowances). Also, the actual operation of the program may be handled either by public sector or private sector institutions. Where managed by the private sector, however, government retains a major role in overseeing and regulating their operation.

The design of a particular social insurance intervention involves selecting the approach that seems most appropriate, considering the country's stage of development and its own unique social and political traditions. It is also important to strike the proper balance between the social gains from improved protection and the economic losses than can occur if a system becomes too generous.

In the context of this social protection framework, the traditional social insurance programs of greatest interest are those that provide income support in the event of illness, disability, work injury, unemployment and old age.

(iii) Social assistance and welfare services provide an alternative to social or other forms of insurance and as well as a floor of protection to those who fail to qualify for insurance payments or would otherwise receive inadequate benefits. Social assistance programs can include cash assistance, vouchers and/or subsidies to facilitate the purchase of specific items, or the distribution of basic commodities directly. Welfare services can include service programs targeted on street children, substance abusers, or battered women, or institutions housing orphans, the mentally ill, and the frail elderly. Social assistance programs are designed primarily to enhance social welfare by reducing poverty directly. Programs targeted on younger persons can also promote longer-term growth and development, however, by encouraging greater investment in human capital.

Assistance and welfare service programs are usually set up to target benefits on those with fewest alternative resources. In contrast, social insurance programs tend to offer benefits to persons who have paid premiums or made past contributions or are members of a general demographic group, more or less without regard to their other resources.

A variety of mechanisms are used to target assistance programs. At one extreme are formal tests based on examination of each individual's income and assets. Common, less-formal approaches involve entitling all members of a particular demographic group (single mothers, the disabled, etc.) on the assumption that most members are needy. On a temporary basis, it is possible simply to give discretion to local public officials or to a local non-governmental organisation (NGO). Sometimes the targeting is achieved simply by making the program unattractive to those who have viable alternatives by paying very low wages (in an employment generation program), requiring queuing, or providing lower quality services.

Assistance and welfare service programs provide a mechanism for delivering services to vulnerable populations with no close link to the labour market, such as abandoned children and the very old.

(iv) Agricultural insurance: Given that most of the Asian poor are rural and part of the informal sector, ADB must take a fresh look at new instruments such as integrated insurance and rural programs to sustain rural livelihoods. Agricultural insurance provides the same sort of social protection to small-scale agriculture that the more traditional social insurance programs supply to the urban labour force. Together with well-designed, temporary price support mechanisms, they can provide income smoothing to rural populations similar to the income smoothing that unemployment and sickness insurance provide to urban wage-earners. Such programs can help offset some of the volatility that is inherent in agricultural markets.

As with labour market risk, the private sector has difficulty providing insurance for all but the most limited kinds of risks because of the difficulty of forecasting large losses from widespread drought, disease, fire or other major sources of crop failure. Government intervention to assure the availability of crop insurance can take the form of providing a mechanism for reinsurance of large losses among private firms, offering subsidies to private insurance companies, or operating the insurance programs directly. Programs can also be either voluntary or mandatory, depending on social preferences and the general economic environment. There have been repeated attempts in Asia to establish agricultural insurance programs – Thailand, Sri Lanka, Mongolia, Viet Nam. All of them required a degree of government subsidy. In most of the countries, the governments terminated the programs because of difficulties in the collection of premiums, in favour of direct transfers and emergency support in case of disasters.

Temporary price support programs can provide a mechanism for income smoothing in the face of volatile agricultural markets. In principle, a support price is set below the long-run market clearing price, with the government buying excess supplies when the market price falls below the support price and selling from its stock when the market price rises above a second, predetermined level. The great risk in adopting this approach, however, is the tendency for policies designed initially as a temporary means

of smoothing fluctuations to become permanent price support mechanisms. This can occur inadvertently in the presence of a secular downward trend in market prices or intentionally when the support price is raised to artificial levels. In this case, the social protection gain may be outweighed by the social loss from the resulting price distortions.

Two areas of critical importance emerge: first, exploring options for simplified integrated insurance programs for rural areas, combining some health, old age and life insurance to sustain livelihoods; second, assessing the trade off between disaster mitigation operations and the possible economic gains from developing comprehensive protection mechanisms in Asia.

(v) Community-based social funds have evolved recently in other parts of the world as mechanisms to channel public resources to particularly pressing social needs. They are typically managed at the local level, empowering communities, NGOs and local governments, and offer flexibility to tailor project selection and project design to particular local conditions.

Social funds derive their resources either from mandatory local levies on employers and/or employees or from regular central government grants. They are generally used to finance infrastructure projects that have temporary employment creation as one of their goals. They provide direct poverty relief and encourage skill development while contributing to a community's social capital. Common examples of projects funded in this way include constructing or rehabilitating schools, hospitals, clinics, roads, etc.

Social funds have not yet evolved much in Asia, but the region has seen the creation of a number of other temporary employment generation programs. These are projects with the explicit goal of offering temporary employment to those who have lost their jobs as a result of restructuring in general or the economic crisis in particular. The programs in this region have been more ad hoc and less institutionalised than the social fund approach followed elsewhere, and they tend to be intermingled with other forms of social assistance rather than associated with independent, identifiable funding

streams. In the future, these programs may become more structured and evolve into social funds.

#### **4 Social Protection and ADB's Long-Term Strategic Framework**

The overarching mission of the ADB is to help its developing member countries (DMCs) achieve accelerated and irreversible reductions in poverty. Social protection, as an analytic concept and lending activity, is an integral component of that mission by making growth more equitable.

By focusing on labour markets, social protection is the link between private sector led economic growth and poverty reduction. Effective social protection policies can contribute to economic growth by encouraging farmers and workers to take entrepreneurial risks, helping labour markets to allocate workers to their most productive uses, and facilitating investment in human capital. They also increase social welfare by providing a dependable income security base. Social protection, however, is not a substitute for basic measures that promote economic development and adequate living standards, including core investments in public goods and the development of efficient and transparent markets.

Social protection should therefore be seen as one of several measures that work together to promote socially inclusive human development. Other kinds programs and projects contributing to socially inclusive human development include programs designed specifically to improve education and health, promote gender equity, encourage enterprise, and improve agriculture.

There is a need to balance the potential gains from greater social protection with the potential losses from market distortions. This will involve careful review of the conditions under which benefits are provided and the ways in which subsidies are constructed, the relationship between the value of the assistance offered and prevailing wages or prices, the incentives established in the program for delaying taking benefits and/or returning to work as quickly as possible, and the balance between costs and benefits of new regulations.

Social protection strategies will vary from one country to another as a result of differences in traditions, institutions, and environments. These include differences in countries' pre-existing institutions and traditions for dealing with social risks, their stage of development, and their cultures, philosophies and customs. There is no prescription or preferred social protection model. An obvious place to begin is with the ability of the program or proposal to achieve its stated purpose of supplying effective social protection. Such an assessment needs to focus on considerations such as: (i) the sustainability of the program (except, perhaps for certain temporary interventions motivated by an economic crisis), (ii) its likely actual coverage, and (iii) the adequacy and predictability of the support it offers. Investments in program design and development may not be worthwhile where sustainability is open to question, coverage is likely to be limited, and benefits are likely either to be too low or to be unreliable. The ADB is researching ways to assess how to expand coverage in its DMCs while maintaining a proper balance between the social gains from improved protection and sustainability of the social protection systems.

## **5 Operational Implications for the Asian Development Bank**

Within ADB's operations, social protection issues arise in four contexts: (i) developing country strategies, (ii) policy lending to provide broad budget support with social protection conditionalities; (iii) project lending for specific investment components and capacity building in social protection; and (iv) collateral issues associated with lending where social protection is not the central objective.

In the context of country strategies and policy loan conditions around social protection, the key topics will be a country's labour market standards and rigidities, the coverage and sustainability of existing or emerging social insurance (wage replacement) programs, and the cost and effectiveness of its overall safety nets.

An ideal relationship with a client country for social protection reform is one in which policy and project lending takes place in a country strategy that advances reforms (e.g., liberalising labour markets or expanding coverage) that the government has taken on in partnership with the ADB, civil society and the IMF, World Bank, and other donors.

Well-developed social protection systems are large and complex undertakings that can become an integral part of the fabric of a society and have important implications for both social and economic development. To be effective, social protection strategies should be articulated in an integrated manner and discussed with all relevant social players as reforms are an opportunity to rethink the country's social contract. This, however, is often not the case, and reforms are precipitated by crises that have exposed or exacerbated flaws in pre-existing policies (e.g., the withdrawal from centrally planned economies, the Asian financial crisis). Especially in the latter context, experience suggests that governments should not be asked to pursue policies that will require a consensus over time or “time consistency” that has not yet formed within the society (e.g., structural pension reform usually demands an “all-party” consensus). A social protection agenda should be framed taking into account DMCs national policies and priorities within the ADB’s overarching goal of reducing poverty, assuring that social protection is integrated with other development activities and into ongoing country dialogue.

Social protection project lending is usually designed to enhance the capacity of government institutions to provide social protection benefits or services directly or to regulate interventions mandated through the private sector. Investment projects may include components such as active labour market programs, social/rural funds, and social safety net programs. Common functions in need of strengthening institutional capacity include collection, data processing and service delivery mechanisms needed to operate formal wage replacement programs and labour exchanges, capacity to enforce labour market standards, development of locally-based social assistance agencies and community institutions for those needing permanent or temporary care, and improved ability to develop and enforce sound regulation of financial market institutions and their investment policies.

Social protection issues also emerge as important collateral issues in other lending where social protection policy or capacity building is not the direct object of the loan. Typical examples are loans dealing with shifts toward market determined pricing of energy, water, telecommunications, and housing. Ideally these measures should take place after appropriate regulatory institutions have been created and safety nets

established. Often, however, interim measures may have to be adopted to ease the effects on households (e.g., tiered pricing of utilities).

Addressing these social protection issues in a systematic way involves at least two new challenges for the ADB. First, a recognition that social protection involves complex analytical and technical issues, many of which represent new areas of concern for the ADB and its developing member countries' governments. The ADB will need to invest in its own human capital to acquire the necessary new skills and work capacities. Second, social protection policies and programs must often strike a balance among multiple social and economic objectives, equity and sustainability concerns. The various multiple objectives have traditionally been the focus of different units within the ADB. To assure proper balance among the various objectives, the ADB will need to develop new procedures for managing work and coordinating efforts among its various units.

## **6 Conclusions**

Social protection is a set of policies and programs designed to promote efficient labour markets, protect individuals from the risks inherent in earning a living from small-scale agriculture or formal/informal employment, and provide a floor of support to individuals when market-based approaches for supporting themselves fail. Social Protection includes a series of measures and policy interventions in: (i) social insurance (unemployment, disability, old-age pensions), (ii) social assistance programs (social transfers and/or service programs targeting vulnerable groups - e.g. street children, orphans, the mentally ill, disabled elderly), (iii) labour policies employment promotion, labour exchanges and information systems, labour standards), (iv) agricultural insurance (crop, cattle, combined with some simplified health, old age and life insurance to maintain rural livelihoods), and (v) social funds and emergency poverty programs (economic crisis, post conflict societies). When implemented properly, these policies and programs can make a major contribution to poverty reduction. They also play an important role in achieving several other ADB objectives, including promoting economic development, improving the treatment of women and encouraging human development.

Recent events underscore the need for greater attention to social protection issues in this region. The crisis countries have discovered that inadequate and under-developed social protection systems have exposed their working populations to excessive risk, increased the incidence of poverty, reduced social welfare and threatened to undermine longer-term human capital investment efforts. Further, many countries in the region that escaped the worst of the crisis have learned from the experience of their neighbours that improvements in social protection are important elements in furthering economic and social development, as urbanisation and industrialisation gradually undermine the effectiveness of traditional and informal protection systems. Globalisation, while increasing the opportunities for growth, will also increase the risks of future macroeconomic shocks. As unemployment and poverty result from economic downturns, issues regarding the adequacy of social protection and social safety nets to maintain progress made to date, and assure future progress in social development are being brought to the forefront in many Asian countries.

Social protection is an evolving concept in the Asian Development Bank. Though the ADB's past work has touched on both the policy and project aspects of social protection, changing circumstances among the ADB's developing members has highlighted the need for the ADB to define social protection as both an analytic concept and coherent set of lending activities. Yet social protection is by no means the entirety of social development activities. The boundaries between social protection and related activities is somewhat arbitrary and has to take account of regional characteristics and practical links to distinct and well established disciplines such as education, health and agriculture.

Addressing social protection issues in Asia involves five new challenges. First, Asia's needs maybe different from other regions; for instance, agricultural insurance is an unorthodox pillar in a social protection strategy introduced because most of the Asian poor are rural and belong to the informal sector. Second, to develop skills in new areas such as microinsurance, which will require co-ordinating agricultural and financial backgrounds. Third, social protection policies and programs must often strike a balance among multiple social and economic objectives; in particular, expanding coverage in a sustainable manner is a major challenge in Asia. Fourth, to be effective,

social protection strategies should be designed in a participatory manner as social protection systems constitute the fundamentals of social architecture; this requires a substantial amount of resources, and in-country and external donor co-ordination. Fifth, a wide variety of approaches are available for re-structuring and improving social protection programs but there is no single prescribed model or solution given the variety of systems and needs in the area. Social protection systems are complex undertakings that require complex analyses to balance needs, constraints, and options for system delivery. Future social protection systems in Asia may likely differ from country to country given the multitude of factors involved.

## **Chapter 5: Synthesis report from the workshop**

Tim Conway, ODI

### **1 Workshop structure**

The workshop was structured around plenary presentations that discussed the papers (presented in summary form above), and two break-out sessions. Apart from the review of the spectrum of social protection approaches, the reviews of social protection approaches by World Bank, ILO and Asian Development Bank, Stephen Devereux (IDS) discussed conceptual and operational issues in targeted programmes. The last paper is omitted as it dealt with specific design aspects. The focus of the papers included here is to lay out the broad conceptual and strategic issues involved in the definition of social protection and the approaches that donors take towards this field of activities. The break-out sessions discussed three themes:

- clarifying concepts, a taxonomy for social protection, and implications for operational follow-up;
- roles and partnerships at country level, the roles of, and relations between, governments, donors, private sector and civil society in the implementation of social protection policy and programmes;
- global standards and global governance, frameworks of human rights and targets, relation of global institutions to domestic interests and policy, and the accountability of global actors.

This chapter first discusses the reactions to the papers, then summarises the main issues that arose in small-group discussion and the concluding session.

### **2 Reactions to papers presented at the workshop**

#### ***ODI paper “Social protection and poverty reduction: a review of current concepts and themes”***

A summary of this paper’s arguments and conclusions was presented by Andy Norton and Tim Conway. The paper was broadly welcomed as providing an appropriate overview of the issues to guide discussion. The following points were raised:

### *Citizenship, social difference and exclusion*

One set of questions related to the definition of social protection as the provision of protection to provide for the minimum standards “acceptable in a given polity or society”. Whilst useful, this was felt to be potentially problematic, in that it did not provide guidance regarding culturally-embedded practices which exclude certain groups (e.g. women and girls) from social protection. It was acknowledged that this requires more work: for example, by addressing the gendered nature of citizenship.

### *Clarification of the social protection lexicon*

With regard to the client perspective – starting with the needs and capacities (individual, household and collective) of the poor – it was felt that there might be room for clarification of terms. Some agencies are using the term “ultra-poor” while other talk of the “critically poor”, or use “chronic poor” rather than “persistent poor”: are these equivalent? If it was possible to achieve consensus, and reduce the number of terms in circulation, then this might reduce the potential for confusion, particularly in dialogue with partners.

### *Poverty dynamics*

Related to this is a concern about whether the terms reflect reality. New insights into the volatility of poverty status – for example, findings from Ethiopia that 60% move in and out of poverty in any given year (and similar findings from Pakistan) – have had a major impact on thinking about the dynamics of poverty. Findings such as these pose questions about the usefulness of, e.g., the conceptual distinction between social protection strategies for the incapacitated poor and those for the working poor; or between the poor and the ultra-poor / poorest of the poor.

### *Social policy contexts and constraints*

Another, broader distinction that was felt to be of use was that between a commodified approach to social protection (in which social protection is provided to customers or consumers) compared to a non- or de-commodified approach (in which social protection is provided to citizens). A focus upon those countries that have made transitions – from commodified to non-commodified, or from tariff-funded to tax-funded social protection – might provide a good source of insights.

The question how to manage trade-offs and sequencing under resource constraints was seen as critical. This is particularly true if a rights framework is adopted, where the promise of universal rights is generally compromised by resource limitations. In this situation it is important that the rights framework provides a guide to the prioritisation of government actions. In particular, a rights-based approach can help to establish the point that there is an obligation upon government to provide (as far as they can within fiscal constraints) a suitable environment for social protection, i.e. that this should not wait upon the prior achievement of economic growth. Or, to put it another way, that the government needs to consider marginal groups (rather than concentrate exclusively upon rates of return) in the present, and not defer it to the future.

More attention needed to be paid to the private sector as an actor in social protection, including attention to the privatisation of state systems. Some groups can be brought under the umbrella of market-based social protection, providing that these instruments are appropriate.

In examining the relationship between market, state and socialised social protection arrangements, it is important to recognise the dangers of “crowding out” (replacing) efficient kin or community arrangements with high cost-per-benefit state provisions. On the other hand, there is sometimes a case for supplying state protection precisely in order to replace socially-embedded arrangements, when these existing arrangements achieve social protection in the immediate term at the expense of increasing long-term exposure to other risks. An obvious example of risk coping through household behaviour is the tendency to pull children (particularly girls) out of school to help earn money in times of crisis. This mitigates the immediate problem, but reduces future earning potential, and so increases the tendency that the family will remain trapped in low income employment. State provisions for social protection which “crowd out” such behaviour is thus desirable. There are of course also occasions when state action can “crowd in” other actors, facilitating the establishment of market-based or community arrangement where none previously existed (e.g. through the provision of property rights).

### *Policy conclusions*

It was felt that the conclusions were, perhaps of necessity, rather general, given the range of different circumstances faced by different groups in different states. More differentiated conclusions might be possible with more reference to microeconomic theory, such as adverse selection and moral hazard.

### *Addressing social difference*

Child protection was seen as a particular aspect of social protection, with special considerations and specialised instruments and approaches. It was acknowledged that the paper's treatment of the needs of different social categories and groups (whether defined by livelihood groups, gender, age, social class, caste etc.) could be strengthened.

### *Social protection and economic incentives*

From an economic perspective it was felt that it was necessary to address the possibility that state action in the provision of social protection affected individual incentives and behaviour – specifically the possibility that poorly-planned, publicly-provided social protection might affect growth rates and the potential for growth-mediated poverty reduction. Others acknowledged the importance of incentives, but noted that they could be affected in a positive way by suitably-designed social protection instruments, so that social protection increases rather than retards economic growth. The argument that social protection be conceived as a way to enable people to take sensible, potentially rewarding economic risks, is indeed one of the central messages of the World Bank's Sector Strategy Paper. It is important to recognise that the nature of the poverty trap is very different in rich societies (where it traps a welfare-dependent minority of the population outside the economy) compared to poor countries (where it traps an unprotected population, generally the majority, which is for the most part economically active but is unable to escape from low-productivity activities for fear of the consequences of failure).

### *Lessons from transitional countries*

Though the paper focused on low-income countries, it was pointed out that they the middle-income transitional economies provided an interesting light on social

protection. Most of the dialogue in the ODI paper was felt to assume a variation on the post-1980s “small” state. In countries where the state is still a major actor in production it may have different (direct, employment-based) opportunities for the provision of social protection, rather than simply through tax-funded mechanisms. It may also have other means of raising revenue apart from taxation (i.e. direct involvement in production).

*Social protection – sector or cross-cutting theme?*

Is social protection best seen as a sector or as a theme running through the work of other sectors and initiatives? In the World Bank, opinion appears to be in favour of the latter. The Africa Department, for example, found that the broader definition of social protection was more useful, as in these countries social protection was provided by everything *but* the traditional instruments of state social protection. Here, the first requirement for improving social protection was to get the basics right – starting with boosting sluggish economic growth and expanding basic social spending. However, it made sense for there to be clearly-designated institutional responsibility for the development of social protection work in order for this work to retain its importance and coherence within broader debates. Sometimes, as in the World Bank, this might result in social protection being defined as a sector when it is more appropriately conceived as a perspective or theme. It is important that, in working primarily by bringing a social protection perspective to the work of diverse sectors, social protection specialists do not operate as a “social protection police”, vetting projects for social protection content.

There are advantages to pursuing social protection through the work of other sectors. Financial sector institutions, in both partner governments and the international aid system, often embrace social protection as an arena in which their skills and efforts can make a useful contribution to the new priority of poverty reduction.

The ILO, by contrast, sees a sectoral approach to be capable of dealing with the full range of social protection needs. From this perspective, there is a danger that by addressing social protection through the framework of Social Risk Management – one aspect of which is addressing it as a theme rather than a sector - the burden of

managing risk and responding to crisis is placed on households and communities, without a clear state institution to take responsibility for social protection.

### ***The World Bank's Draft Social Protection Sector Strategy Paper***

Two papers were tabled by the World Bank. The first was the discussion paper *Social Risk Management: A new conceptual framework for Social Protection, and beyond* (Holzmann and Jorgensen). In his presentation Steen Jorgensen concentrated on the anticipated outline content of the Bank's draft Sector Strategy Paper. This is currently at the consultation draft stage. The group acknowledged the pioneering work being carried out by the social protection group in the Bank, and the stimulus this has provided to thinking in other development agencies on the topic. Comments were as follows:

#### *Enough attention to social assistance for the poorest?*

The basic bifurcation of social protection issues, between those concerned with risk management (i.e. insurance based) and those concerned with assistance to the very poor (i.e. social assistance funded out of general resources) runs through the Bank approach too. Several commentators saw that these two aspects required fundamentally different types of institutional response, and that the Bank sector paper, with its focus upon social risk management, underplays this need for a two-track strategy. There was some disagreement over this point, at least as far as it implied that different approaches (risk management or social assistance) could be clearly assigned to distinct groups. The Bank would take the position that the poor require risk management tools as well as assistance, i.e. that risk management should not be seen as relevant only to the middle-poor and middle income groups. The vulnerability of the poor to shocks (not so much in that a shock was more likely to hit them, but in the sense that if hit they were unlikely to be able to cope) means that they more than any others could benefit from risk management. Social risk management by and for the very poor is complex, but can be attempted. Historically, in some countries the poor led the development of mutual insurance and were most strongly served by this, while trade unions tended to be associated first and most strongly with a labour aristocracy (as with diamond workers' unionisation in Holland).

Other commentators believed that the SP Strategy Paper ran the risk of homogenising the poor, and assuming that the poor are uniformly entrepreneurial. An alternative typology of the poor as related to social protection needs and capacities might distinguish: chronic poor, low productivity poor, dependent poor, and those vulnerable to shock and falling into poverty.

### *Conceptualising risk*

One distinction that did not emerge clearly in the presentation of the conceptual frame was the distinction between uncertainty (based on a lack of knowledge, and hence an inability to quantify the probability of occurrence) and risk (which implies an ability to calculate a level of contribution and payout for insurance purposes). Particularly when it relates to relatively common occurrences (e.g. poor harvests, an illness in the family), these can perhaps better be described simply as “bad things that happen”, implying a level of inevitability, but uncertainty as to the timing or magnitude of the problem.

### *The role of microfinance*

Considerable attention was paid to the potential role of microfinance as a social protection instrument.<sup>4</sup> On its own, it is hard to justify microfinance as a form of social protection in the direct sense: it is more promotional than protectional, affording protection over the long term by contributing to the asset base and, ultimately, income of the household concerned. The stronger case for microfinance is that when microfinance institutions take root (particularly when they develop without external support) they may subsequently develop additional microinsurance or mutual aid functions which are more readily classified as social protection functions. This was drawn out in the ODI paper, and seen in the range of co-ops, trade unions, and mutual societies identified in ILO studies. The decision of SEWA to add microinsurance to its credit activities is a case in point.

There are ways in which the state can assist non-state, non-market institutions develop these functions, and boost the benefits that may be obtained. In India, for example,

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<sup>4</sup> One participant argued that microcredit could be used synonymously with microfinance, on the grounds that it is now well understood that credit simply cannot work when not linked to savings. For the purpose of this paper “microfinance” will be used in preference to “microcredit”.

laws have been changed so that the expanding membership of SEWA does not result in it losing its classification as an NGO, which would make it liable to meet (unaffordable) demands for formal sector regulation. Microinsurance (life or other policies) can be encouraged as a form of collateral which qualifies the policy holder for receipt of microcredit. And deposit insurance can help to engender the confidence that the poor need before they will commit their savings to savings or insurance schemes.

#### *Matching policies to different needs and groups*

It was felt that the matrix in the Bank presentation could be taken a stage further by mapping different instruments to different benefit groups. Certain specific groups enjoy coverage by several instruments, with most others enjoying at best one form of non-household social protection.

#### *Social protection within the World Bank*

On the internal issues of social protection work within the Bank, it was felt that some of the changes the SP Sector favoured could be implemented fairly rapidly, while others would have to be seen as long term goals. The Bank framework has been useful, for example, in bringing together economic and social concerns in Zimbabwe in order to explore common themes. More generally, it is anticipated that the Bank approach to social protection will be transmitted primarily through follow-through on WDR 2000/1 and its emphasis upon security, rather than through dissemination of the SP Strategy Paper itself.

#### ***Comments on “The extension of social protection: ILO’s aim for the years ahead”***

The major paper tabled by the ILO was titled “Extension of Social Protection: Research and Policy Development”. This followed from a major theme in recent ILO work – how to extend social protection instruments effectively to the informal sector. A presentation based on this was given by Wouter van Ginneken. Major comments were as follows:

#### *Role of micro-insurance*

There were doubts about the viability of microinsurance as a means of realising health care in poor societies. It was felt that these were a poor substitute for good state-

provided primary health care (and to a lesser extent primary education), free for the poor. Informal mechanisms cannot adequately replace these forms of provisioning – as seen with the reforms of state health insurance in Latin America. In response, the ILO position was defined as follows: that microinsurance-based health care was indeed a second-best, but that in circumstances of extreme state resource constraints it was the best option available. Such schemes did at least offer the possibility of collective bargaining on quality and cost of services, and the ability to smooth consumption, spreading major health expenditure events by means of insurance or savings. Conceptually, schemes providing cover against relatively common, relatively minor health expenditures are actually more properly classified as social financing rather than social insurance. Despite the limitations of these schemes, they are likely to be the priority in poor countries where the government cannot even provide basic health services. Schemes that cover major expenditure such as hospitalisation are more challenging and potentially more rewarding but require that a basic framework of health provision actually exists.

#### *Standard-setting and ILO conventions on social protection*

All agencies are somewhat constrained by the legacy of their structures and past activities. In the case of the ILO, the legacy is the founding commitment to the universal, global realisation of social protection as developed in the western, high-income mixed economies. Such aspirations are now seen as unrealistic as a frame in which to structure advocacy, policy and programme work in low-income countries. Indeed, the North American / Western European structures upon which current ILO conventions were based have themselves been scaled back over recent decades. In the 1990s the ILO started setting standards for social protection for informal sector workers, such as the Convention on Home Workers and the Recommendation on Small and Medium-sized Enterprises. Reforms will concentrate upon reforming the original conventions (for example, incorporating provisions for gender equality), and recasting them as targets, with more realistic interim targets suitable for low-income countries. This is made difficult because trade unions, which occupy an important place within the tripartite membership of the ILO, are reluctant to give up any standards for fear of employers using this as the thin end of a wedge.

### *Links to macro policies and economic reform*

It was felt that there was inadequate attention to shocks caused by policies, in particular economic policies related to structural adjustment. There thus need to be particular social protection provisions designed for reform situations, e.g. well thought-through exemptions when introducing user fees. In theory mainstream social protection should be designed to deal with or adapt to these as well as other shocks: but in practice structural adjustment is often introduced in countries without effective social protection measures. At the same time, the balance can easily shift too far in the opposite direction, focusing too much on short-term requirements of protection during structural adjustment or other crises, to the neglect of work on long-term solutions.

### *The political economy of social protection*

Attention was drawn to the importance of the political process, and of “voice”, which can determine who does and does not receive effective social protection. Single mothers, for example, are often treated less well than pensioners. Probably the only way to handle this in a situation of resource scarcity is through the gradual, progressive extension of coverage to partially or fully excluded groups. This process mirrors, for example, the spread of a patchwork quilt of coverage in the history of many European countries through the growth in numbers and size of trade unions and mutual/friendly societies. Political leadership can play a part, by emphasising the collective national interest in inclusive coverage, including arguments based on citizenship, social solidarity, reduction of inequality, prevention of crime, and the greater efficiency and durability of insurance-based schemes which have a large and diversified membership.

Despite differences in definition (e.g., the inclusion of promotional instruments in the World Bank approach but not in that of the ILO), there was agreement on most of the practical implications for social protection policy. It was seen as important that considerations of political economy were built into social protection analysis – particularly in circumstances of economic reform. SIn Latin America, social protection arrangements are both cause of economic reform and an essential aspect of its outcome. Safety nets which, either in a unified scheme or in a raft of tailored schemes, should provide coverage and a social floor in both good times (e.g., life or medical

insurance in an expanding economy) and bad times (sharp increases in unemployment following macroeconomic shock and economic recession. It was also seen as necessary to think about the role of social protection in the transition from emergency through rehabilitation to long-term development (see Box).

***Box: Sequencing social protection in Kosovo***

Following up on comments made during the presentation, participants asked about the ILO's experience of assisting social protection in Kosovo. Initially, the need was for emergency social assistance benefits. The Mother Teresa Fund had a large and long-established presence which afforded them intimate social knowledge of the population, such that they could identify street-by-street who did and did not require food aid. WFO worked with the Mother Teresa Fund to target this food aid. But a more permanent solution was required, especially given the fact that the MTF was withdrawing. To replace it, the ILO has been working to establish social assistance and microinsurance-based health schemes. Beyond this, it would be necessary to create a more permanent large-scale pension scheme. A long term solution was hard given the low contributory capacity following the devastation of the conflict: including the fact that decades of Kosovar contributions to the Yugoslav pension scheme had been lost to Yugoslavia following the secession of Kosovo.

***Comments on “The Asian Development Bank’s social protection policy”***

Isabel Ortiz presented a paper based on ongoing work within the AsDB to develop a social protection policy. The paper was seen as innovative in concentrating the definition of social protection to a large degree upon facilitating access to employment. One set of questions concern the suitable locus for employment-focussed social protection, and the possible link between decentralisation and social protection.

***Social funds***

Several participants noted reservations regarding the effectiveness of employment generation through social funds, which are often the instrument most strongly associated with decentralised approaches. If social funds are to be used, it is felt that they should be seen from the outset as a long-term commitment (rather than nominally short term but then indefinitely extended) and community-based rather than dependent upon multilateral funds.<sup>5</sup> However, SFs are part of the scenery in many countries, and it is necessary to accept their existence and consider ways to make them work better.

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<sup>5</sup> The Bank acknowledged some of the problems with social funds, but also noted that Tendler's influential critique may have been misleading, and that there is considerable diversity amongst social funds. While Bolivia was intended as a compensatory social protection programme during reform, other SFs (e.g. in Africa) are conceived as community development rather than specifically social

### *Perspectives from the member countries of the AsDB*

The response of member countries and international capital to the AsDB was seen as an interesting area for consideration. Generally, social protection is underdeveloped in member countries, so they approach the AsDB for advice. Asian countries are as a whole reluctant to introduce significant labour or income taxes or launch significant social protection programs which would increase the cost of labour: generally, there is a tension between the Ministries for Welfare or Social Affairs and the Ministries for Finance. However, the Asian crisis caused a change of attitude. Currently, even in Finance ministries, however, safety nets and social protection are discussed in ways which would have been largely inconceivable only a few years ago.

There is a perception that large corporations may actually be less concerned than governments about the costs of social protection: while seeking low labour costs, they may be willing to pay higher costs if they feel that social protection would deliver social stability and higher worker productivity.

### *The significance of regional demographics and migration*

The attention to demographic factors in the AsDB paper was considered interesting. Models copied from OECD often reflect the needs of an ageing population, while those of Asian countries are typically those of a young population. However, ageing is emerging as an issue in parts of Asia too, as is the need to prepare now for pensions in future decades.

Protection of migrants in their country of work, e.g. through compulsory minimum insurance to provide for repatriation prior to departure, and regulation to transform the role of migrant recruiters from profiteers to partners with government, was touched on in the AsDB presentation and was seen as an interesting issue. Migrant remittances may play an important trans-border role in socially embedded or community-based social protection strategies. World Bank and others may have skirted issues of migration, and may learn from the AsDB in this field.

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protection programmes. Similarly, the degree to which coordination with mainstream social policy is

### *Regional issues and differing value systems*

The development of social protection policies in a regional context such as Asia was seen as an interesting opportunity to engage with the differences in social and political values which influence social protection approaches. The model of state-provided social protection is seen to reflect the individualistic value system of the west, which raises questions concerning its suitability for Asia, which is often portrayed as more corporatist in outlook, or as based upon the mutual obligations of patrons and clients. Formal rules can change by decree, but informal values and behavioural norms change more slowly. While it is possible to question aspects of this argument, it does draw attention to the need to design policies and relationships between market, state and society in the light of prevailing values and norms.<sup>6</sup> Perhaps the most interesting thesis is that successful institutions require the dovetailing of indigenous and imported aspects. The combination of impersonal relations between loan officers and clients (achieved through regular rotation of the officers) and personalised relations between mutual guarantee groups in the Grameen Bank may be a good example of these hybridised value systems.

### *Social protection and children*

Whether to have a specific policy with regard to the protection of children was seen as a tricky institutional question. While it would be attractive to develop internal capacity, this risks duplicating – inefficiently – the work of UNICEF. Here, once again, it was felt that ongoing dialogue between agencies (e.g. ILO on child labour, WHO on maternal and child health) was essential to the further development of social protection.

### *Social protection and the rural poor*

The inclusion of crop insurance in the inventory of instruments considered by AsDB to play a social protection role was seen as a surprising but for some welcome

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achieved varies considerably between funds.

<sup>6</sup> An alternative interpretation of the relationship between western individualism and social protection indicates that it was the institutionalisation of social protection in the state – achieved in the first place through collective action (e.g. by mutual societies) based upon a model of solidarity similar to that in contemporary Asia – which *created* modern western individualism. Also, large regions contain considerable variation in values.

development. Forms of protection which relate to agriculture have to occupy a prominent place in any social protection package for low-income, largely rural countries. Although it is hesitant about the viability of crop insurance, the rural development sector in the World Bank is moving towards a poverty focus, and there should be potential here for the SP Sector to help develop forms of social protection designed with the needs of the rural poor in mind.

### **3 Emerging issues: results from discussion groups**

After the themes and composition of three working groups were decided, the groups met twice to discuss their areas of interest. This strand was brought together in a session of presentations and discussion on the final afternoon. Principal findings of the three groups were as follows.

#### ***Clarifying concepts***

The importance of terminology was highlighted once again, for example in the use of the term “public”, which can refer to communal or co-operative arrangements as well as the state-sector. Any social protection policy must pay equal attention to both protection against risk (as in the World Bank paper on Social Risk Management in the Bank paper) and the provision of assistance to the absolute poor (where perhaps the framework of the SP Strategy Paper is less well developed, and an alternative, rights-based approach may be required). Free access to a minimum standard of health care and education should be presented as a requirement of a social protection system.

It is important to keep in mind the heterogeneity of the poor: for example, the persistent poor, the dependent poor, and those not currently poor but vulnerable to shocks. Different categories of poor need different types of support or protection. There is still in many donors a bias towards the conventional instruments of social protection as developed in industrialised countries - the enthusiasm to recast microfinance as an instrument of social protection is perhaps an exception. It is necessary to ask what a risk-based conceptual approach adds to the identification of suitable new instruments.

Lessons learnt were summarised as follows:

- A common understanding of what should or could be understood as “social protection” still seems to be missing.
- The challenges to social protection (and social policy more generally) are context and country specific (including HIV/AIDS, child protection, migrants, or multiple vulnerabilities generated by complex political emergencies). Approaches to social protection in poor countries should be open to this diversity of situations. It should provide guidance to the trade-offs faced under situations of budget constraints.
- Country- or perhaps continent-specific approaches to social protection should take into account the values, norms and institutions in those areas.
- Choices should be addressed directly: for example, the social impact and opportunity costs of macroeconomic policies should be seen in short, medium and long term. Criteria for prioritisation include cost-effectiveness and impact on different groups of the poor.
- The role of the donor community should be to enhance and support the dialogue on social protection policy at the country level. Poverty Reduction Strategy Papers might be one of the instruments used to promote dialogue.
- There is scope for bringing into the ambit of social protection issues of isolation, domestic violence or urban insecurity which have to date been regarded as separate social policy issues, rarely discussed in a social protection context.

### ***Roles and partnerships at the country level***

In conceptualising the possible combinations of state, market (private-for-profit) and societal (community, NGO or CSO, private-not-for-profit) actors in the provision of social protection, four different schematic approaches were explored.

First, it is possible to draw a continuum based upon the “size” of the state. At one end of the spectrum is the Marxist state (particularly of the Russian / central European industrialised economies), which played a dominant role in economic, social and political spheres. It often “crowded out” not only the market but also autonomous social formations – community, kin, independent trade unions, NGOs. Welfare was a major part of the role of the state in these societies: to a certain extent it still is in some of the post-socialist governments that have since come to power in the industrialised

world. At the other end of this spectrum would be the neo-classical economically liberal state, in which government plays a minimal role, providing law (particularly property rights) and order to enable the smooth operation of markets. Both of these extremes are more useful as theoretical markers than actual models, being rarely found in practice. When minimal states are found, as in much of the low-income world (particularly in post-conflict situations) their limited roles are a function of financial and institutional impoverishment, not ideology. Middle-income countries (including transition economies and Latin America) will be found in the middle of the continuum, but generally moving over time towards the “small state” end of the scale.

A second cut on the relationships between domestic actors (and between them and donors) might involve a matrix which plots the actors of state, market, society and donors against the various broad functions involved in an effective social protection package, such as direct provision, regulation and facilitation, insurance, and legitimation.

A third approach plotted potential social protection roles for each actor relative to three different groups requiring social protection:

**Table: Roles and responsibilities in the provision of social protection**

	<b>Those not currently poor but vulnerable to shocks</b>	<b>Poor, but potential to rise out of poverty</b>	<b>Persistently poor</b>
<b>State</b>	Regulation of private sector providers Basic social services Creation of an enabling environment for stable, sustainable poverty-reducing growth Support (legal environment, training...) to mutual societies or other community social protection initiatives		
	State social insurance	? social insurance, ? social assistance	Social assistance (? Social insurance)
<b>Market</b>	Growth-led poverty reduction (employment, incomes)		Contribution to / creation of welfare charities (local / national)
	Private insurance	Subsidised (out-sourced?) insurance provision	
<b>Civil society</b>	Community-based social assistance (charity) Support from kin Mutual societies		
	<ul style="list-style-type: none"> <li>- provision of savings, credit and / or insurance</li> <li>- collective bargaining with private insurers or health providers</li> <li>- channel collective demands for state social protection</li> </ul>		? mutuals
	Use of common property resources		
<b>Donors</b>	Financial assistance to meet social assistance costs (particularly in response to crisis) Policy work to develop social protection policy Research and pilot projects Advocacy, support to civil society groups demanding social protection TA to expand coverage and value of statutory social insurance TA to improve capacity of social protection institutions		

Finally, an attempt was made to plot the location of different social protection functions (social insurance, social assistance) on a pyramidal chart, with the three points of the triangle representing the influence of the state, civil society and market with regard to each function. Functions are located not as fixed points but as shapes of different size and shape, reflecting, e.g., that social insurance could be located close to civil society (in a low income society with strong mutual assistance), equidistant between state and market (in a mixed economy with compulsory employer contributions to state social insurance), or as the exclusive responsibility of the state (in a socialist society). Social assistance, by contrast, would be located in an oval stretching along the axis between state and society, as the market plays little if any role in these functions. The triangle was seen as attractive, but requiring refinement – differentiation between local and national state, and between NGOs, communities etc. within civil society - which would probably overload it visually. Also, participants

pointed to the need to fit in the media, probably under the market, but spilling over into civil society, as it reflects as well as leads opinion. There are also particular institutions, such as foundations in Latin America, which provide bridges between the private sector and the state.

It was felt that the four analytical approaches illustrate key points, and can be used to:

- help guide choices, prioritising and sequencing interventions through dialogue with government;
- help donors understand the capacity of different actors with regard to different social protection tasks;
- help translate global approaches into specific local actions; illustrate the importance of voice or empowerment, of using participatory methods to obtain the perspectives and capacity of the poor themselves; check methodology, helping to ensure that the interests of all levels and actors are included.

Discussion of roles and relationships led to the following specific questions or observations:

- Is our model of social protection provided (primarily) by the sovereign state viable? Is our model of the sovereign state viable in terms of the realities of effective social protection provision?
- It is important to be clear about the specific reasons for state failure in the field of social protection in particular contexts. Reasons may include financial constraint, administrative incapacity, lack of political will, or a lack of understanding amongst policy-makers of the social protection needs and capacities of the poor. What constitutes suitable donor assistance depends heavily upon which of these factors are seen as most important.
- Advocacy was required at all levels, international and national, to influence political constraints.
- Conditionality or active partnership had a role to play.
- Technical assistance was required to improve administrative capacity
- Where there was insufficient knowledge about existing patterns of social protection, action research should be used.

- It is necessary to institutionalise social protection in donor structures, based on a human rights framework.

### ***Global standards and global governance***

Global standards are an important part of the effort to improve social protection because:

- they exist (albeit in some cases somewhat outdated) and have been agreed by most governments;
- they give force to advocacy and policy work, in the form of efforts to ensure national and international compliance;
- they provide a focus for informing civil society of social protection possibilities and a vision of social protection as a right which can be demanded, and as such give strength to reformist movements.

There are however several problems involved in the use of global standards. Firstly, there is the possibility of their abuse as a form of protectionism in North-South trade negotiation. Secondly, there is the question of how they are to be presented, and the danger that donors will be tempted to use them as the basis for conditionalities which are not actually realistic or constructive. All of these raise the issue of how these are to be funded, and by what sources (national or global). Finally, there is a lack of common indicators by which progress could be measured. While the International Development Targets (IDTs) could be seen as an ultimate indicator, these are on their own too global, too long-term and insufficiently specific to social protection to serve as an effective indicator. There is a need to break down the long-term IDT targets into intermediate mid-term targets.

A way forward would have to incorporate the following elements:

- a focus on priority issues and goals (e.g. core labour standards);
- de-linking the pursuit of these goals (core labour standards, environmental standards) from trade negotiations;
- a global institutional machinery capable of picking up and disseminating examples of good practice;
- commitment to adequate funding of core rights, with global level transfers if necessary (e.g. for primary education)

- development of better social data, sufficient to identify trends and provide early warning. These should be regarded as a global public good, but this requirement should not overload national systems for data collection and analysis which are already straining to meet data requirements of global initiatives.

One way forward might be through the development and institutionalisation of global social policy principles. These might include provisions for universal access to basic social services; access to secure livelihoods; and the establishment of core social protection functions. The idea of global standards for basic social policy was first raised by UK Chancellor Gordon Brown, and subsequently picked up in G8 documents and by the Board of the World Bank. The Bank was asked to develop these principles: following reconsideration, it was decided that it would be better if the principles were developed by the UN, as part of Copenhagen +5, with the Bank responsible for pursuing implementation. Resistance has emerged among some developing countries and appears to have halted further development for the time. The principles are regarded by some with suspicion, due to fears that they might be used as a form of conditionality for development assistance, or to justify trade protectionism.

Underpinning much of this is an issue of language. It is not clear that “rights” or “entitlements” mean the same things to all who use them. Nor is it clear how rights – which imply guarantees made by the state - can be effectively established when resources for the realisation are lacking. Surveying the history of efforts to establish global agreements related to social protection it was clear that establishing human rights principles, or development targets (such as the IDTs) is less contentious and more attainable than trying to develop global principles for social policy. Analysis informing work on global standards and the structures required for enforcement must recognise the salience of various background trends: growing inequality, declining availability of state resources, and the importance of an enabling environment.

#### **4 Concluding discussion**

There was a sense of a convergence of approaches between different institutions. It seemed that the conclusions emerging from different approaches developed in different

agencies were actually rather similar. As such, there would appear to be a good deal of shared ground amongst the major actors, which is promising for future developments at the global level. This could be seen in a positive light, or as papering over the cracks, with the possibility that basic conceptual differences would assume a practical importance at a later stage even if they did not do so now.

Nonetheless, some participants felt that there was still a tendency for different agencies to use common words to mean different things – or to introduce possibly unnecessary new phrases and concepts. Others however felt that there was room for a healthy diversity of approaches to the definition of social protection, so long as it does not confuse partners. Rather than seek to fix definitions, this approach would concentrate upon identifying the perspectives and potential contributions of different actors. Amongst institutional actors, then, the key is to maintain the momentum that has been developed, transforming conceptual work into regional and eventually national initiatives. This should be matched by a complementary effort to scale up lessons from successful pilot projects or community schemes to the national and global level.

Representatives of those agencies which had not yet invested much time in developing an approach to social protection found the workshop useful. For these agencies, the concepts were seen to fit in interesting ways with their overall institutional direction, or to throw new light on them (e.g. the possibility of re-examining UNDP's commitment to “choice and opportunity” through a social protection optic, amongst others). Similarly, there was interest in how social protection could be developed as a more cohesive theme within existing, relatively well established analytical instruments. One particular example was the country-level Human Development Reports, which were seen as a potentially very valuable locus for agency input to the development of national social protection approaches.

In many cases the interest reflected the perception of social protection as an essential consideration to be incorporated when managing a more general transition in institutional focus. The IMF, for example, had traditionally seen itself as having adopted a stance of trying to minimise the harm it caused in driving through necessary economic reform. Now, the Fund's social goals are more explicit and ambitious (as

seen most obviously in the redefinition of ESAF as PRGF), and provision for social protection during transition would have to play a central role in this re-conceptualisation of Fund activities.

Several of those present expressed support for the idea of developing new operational capacity by focusing work, selecting certain countries for piloting, comparing the relative merits and demerits of different instruments within a give country framework.

There is a large body of experience regarding the effectiveness of instruments within the social protection field (for example, the Genesharia programme in Sri Lanka, which has focussed upon building the asset base) available. Some felt that there was a need to draw upon a more diverse set of country experiences: that many of the case study material incorporated in the presentations, for example, had been drawn from Anglophone rather than Francophone Africa.

Social protection was also seen to offer an interesting perspective upon the on-going issue of how to manage the transition along the continuum from relief to development, with needs, possibilities and constraints for social protection changing at points along this continuum.

Participants felt that it was important to be explicit that the mainstreaming of social protection is not to be achieved at the expense of basic social services. From a global perspective, it is possible to challenge the presumption that social protection must be realised within a declining resource envelope: given the expansion of the international economy over recent years, with unprecedented levels of capital flow and rates of stock market expansion, finances are clearly available, but simply not captured by actors (state or international) which are capable of using these finances for social protection. As such, the pursuit of social protection at a global level becomes part of a broader effort to reduce the growing inequalities between and within nations. Increasing the coverage and real value of social protection, in other words, may be linked to the case for a Tobin tax or mechanisms for generating new forms of revenue from the global economy.

For the UN (UNICEF, UNDP, UNRISD), it is desirable that social protection is developed within a rights framework, as a function of both national citizenship and a global rights discourse, not just as a technical aspect of poverty reduction. Conceptualised in these terms, social protection can be a mobilising idea. It is recognised that this will require further dialogue with the Bank.

For those outside the Bank, the Social Risk Management perspective was seen to be valuable because it draws attention to the key questions regarding what the poor do and do not have control over, and starting policy design work from this perspective. It suggests a need to increase the asset base and human capital of the poor over the long term; to think about adding “new” instruments (such as microfinance) to the social protection toolkit as well as broadening and deepening conventional instruments; and to do so in an iterative way, with policy responding to observations about the take-up of social protection options by the poor.

#### *Copenhagen Plus Five*

There was a strong consensus that agencies should adopt a co-ordinated approach to the presentation of social protection concerns at the Copenhagen Plus Five summit in Geneva in June. Copenhagen should be used as an opportunity to develop sets of indicators, and to build links between Copenhagen and national-level advocacy efforts.

Protective measures provide relief from deprivation and include social assistance for chronically poor especially people who are unable to work, other measures include free health services, social pension for the elderly poor, and social welfare. These measures are financed publicly out of the tax base or through donor and Non-Governmental Organizations (NGO) support. Preventive measures aim to alleviate poverty, and they include social insurance programs to help economically vulnerable groups to manage livelihood shocks. Conway, T., de Haan, A. and Norton, A. (eds) *Social Protection: New Directions of Donor Agencies*. London: Overseas Development Institute (ODI). In fragile states, social protection programmes are often a kaleidoscope of projects financed and implemented by a variety of donors, government agencies and NGOs. Such an environment does not foster a strong sense of ownership by beneficiaries, which weakens the likelihood of sustainability in the absence of donor interest or government commitment. Loosening demand-side constraints may provide incentive to sustain social progress, but it is unclear what political or social structures can effectively facilitate voice in fragile states. "Social Protection: New Directions of Donor Agencies"™. DFID and ODI report. Davis, G., D. McAdam, W. Richard, S. Mayer, and N. Zald (eds) (2005).