

DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE

## SOCIAL PROTECTION, POVERTY AND PRO-POOR GROWTH

## Policy Guidance Note

*This policy guidance note, which was approved by POVNET at its meeting in March 2009, is circulated to the DAC for APPROVAL via the written procedure, as is its sister policy guidance note on Employment [DCD/DAC(2009)16]. Unless comments to the contrary are received by 30 April 2009, it will be deemed approved and prepared for publication.*

*This policy guidance note will be published together with its supporting set of background papers [see DCD/DAC(2009)15/ADD]. These have been prepared under the responsibility of their respective authors, and reviewed and approved by the POVNET Task Team on Social Protection and Empowerment.*

*These two policy guidance notes underpin the Policy Statement on Employment and Social Protection [DCD/DAC(2009)14] which will be submitted to the DAC HLM for endorsement.*

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## SOCIAL PROTECTION, POVERTY REDUCTION AND PRO-POOR GROWTH

### Key messages for donors

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

### I. Why social protection?

1. Long a vital tool for industrialised countries, social protection is increasingly recognised as an essential instrument for poverty reduction in low- and middle-income nations. The DAC Guidelines on Poverty Reduction<sup>1</sup> recognise that high growth rates are necessary but not sufficient to effectively tackle poverty and vulnerability, emphasising the importance of the sustainability, composition and equitable quality of economic growth. An emerging evidence base in developing countries is documenting the role of social protection in tackling poverty, supporting economic growth and enhancing the effectiveness of growth strategies for poverty reduction. Poverty reduction depends on sustained and broad-based growth, which in turn requires complementary initiatives that share economic benefits and promote better developmental outcomes for poor and excluded groups. Past experience also demonstrates the critical importance of protecting the poorest in an economic downturn. There are different and often mutually reinforcing dimensions to social protection, *e.g.* rights promotion, human development, economic growth, democracy and security. UNRISD identifies universal social protection and equity as the central goal of social policy.<sup>2</sup>

2. Social protection refers to policies and actions which enhance the capacity of poor and vulnerable groups to escape from poverty, and better manage risks and shocks. It encompasses the instruments that tackle chronic and shock-induced poverty and vulnerability.<sup>3</sup> Social protection can help promote empowerment and security by improving risk management, facilitating higher return investments by poor people. It supports human capital development, expanding the capabilities of poor and vulnerable individuals and helping to break the inter-generational transmission of poverty.

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

4. Social protection interventions offer promising avenues for operationalising the Paris Declaration on Aid Effectiveness<sup>4</sup> in ways that promotes pro-poor growth and country-led national and regional

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

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

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

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

## **II. What is social protection?**

8. Different agencies and institutions define social protection in varying ways - reflecting different objectives and approaches. Social protection encompasses “a sub-set of public actions, carried out by the state or privately, that address risk, vulnerability and chronic poverty.”<sup>5</sup> The DAC describes social protection as those public actions that “enhance the capacity of poor people to participate in, contribute to and benefit from economic, social and political life of their communities and societies.”<sup>6</sup> Some definitions focus on the objectives, while others emphasise key instruments. Generally, objectives include tackling poverty, risk and vulnerability. It is generally recognised however, that a consensus definition would help contribute to policy and data harmonisation, particularly on measuring bilateral expenditure.

**Table 1 Components of social protection**

| <b>Public actions</b>        | <b>Private actions</b>     |
|------------------------------|----------------------------|
| <b>Social transfers</b>      | <b>Remittances</b>         |
| <b>Social insurance</b>      | <b>Private insurance</b>   |
| <b>Minimum standards</b>     | <b>Voluntary standards</b> |
| <b>Social services</b>       | <b>Private services</b>    |
| <b>Other public policies</b> | ...                        |

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

10. Broader definitions of social protection may include social and private services, primarily those that build human capital, such as education, health, sanitation, and community development. In addition, some frameworks consider an even wider range of public policies - including macroeconomic policies - as components of social protection. Social protection is often embedded within a broader social policy framework, which encompasses the wider range of interventions that help to include and integrate the poor and vulnerable into society. A recent example of this approach is the 2008 Africa Union Social Policy Framework.

11. In the face of multiple crises, social transfers in cash or kind can help address social risk and reduce poor households' economic vulnerability. Social cash transfers<sup>7</sup> are emerging in many developing countries as a key social protection instrument for tackling poverty and vulnerability. Social cash transfers can be defined as regular non-contributory payments of money provided by government or non-governmental organisations to individuals or households, with the objective of decreasing chronic or shock-induced poverty. These may include pensions, child support grants, disability allowances and safety nets. Increasing evidence suggests that social cash transfers can contribute to pro-poor growth in the longer-term by providing an effective risk management tool, supporting human capital development and empowering poor households to lift themselves out of poverty<sup>8</sup>. Non-contributory social protection instruments are the most important types of interventions for supporting vulnerable workers in the informal sector.

12. Social health protection also promotes greater equity through instruments that aim to remove financial barriers that prevent people from accessing health services as well as protecting people from the impoverishing effects of medical expenditures. Social health insurance mechanisms better enable “risk-sharing and risk-pooling of financial resources within a society, thereby increasing the amount of prepayment and reducing the reliance on out-of-pocket payments.”<sup>9</sup>

13. In fragile state contexts and in tackling the challenges of climate change and disaster risk reduction, there is an even greater need for flexibility in the design of different types of social protection instruments, such as weather-related insurance, near cash transfers (e.g. vouchers and food stamps) and asset transfers<sup>10</sup>.

### III. Reducing poverty and vulnerability

14. The DAC-POVNET focuses on the multiple dimensions of poverty, with vulnerability as one of the critical aspects.<sup>11</sup> Vulnerability reflects a poor person’s exposure to shocks (or “hazards”) that threaten well-being, above and beyond her or his ability to cope and manage the downside risk. A person with few capabilities or resources might be very vulnerable even in the face of only moderate risk, whereas a well-resourced individual might face substantial risks without significant vulnerability.

#### Box 1. Key concepts in this policy statement

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

Source : Sabates, Wheeler and Haddad (2005); Kreche (2007)

15. Risk and vulnerability contribute to poverty and failing growth. Shocks such as natural disasters, economic recession, HIV and AIDS, military conflict and personal tragedies can destroy people’s livelihoods and disrupt the provision of nutrition, education and healthcare that children need in order to avoid a lifetime of chronic poverty.<sup>12</sup> In addition, it is not just the direct impact of the shocks that undermine the well-being of poor and vulnerable people. The possibility of shocks creates risk - and poor men and women must acquire coping mechanisms in order to survive. Without effective social protection, the poorest people often develop negative survival strategies that perpetuate poverty. For example, the poorest households where the primary breadwinner is affected by HIV and AIDS are most likely to resort to non-reversible coping strategies including the sale of land or livestock or withdrawal of children from school. In order to reduce their vulnerability to unmanageable risks poor households often engage in low productivity and low profitability economic activities, only because they are also less risky than high productivity/profitability alternatives. For example, poor farmers may adopt safer but lower yielding crop varieties, helping prevent a slide into absolute destitution but also foreclosing promising opportunities to break free from poverty.<sup>13</sup> As a result, vulnerability to poverty is a major brake on human and economic development. In particular, lack of reliable risk management mechanisms is a major barrier to contributions by the poor to the growth process.

16. Vulnerability is a cause, symptom and constituent part of chronic poverty.<sup>14</sup> Risks and shocks can decapitalize the poor, and trap them in impoverished positions from which they are unable to escape.<sup>15</sup> Risk

can increase the persistence of poverty and even create poverty traps.<sup>16</sup> In developing countries, sickness is one of the most frequent causes of poverty. In turn, poverty is one of the greatest health risks.

#### **IV. Tackling risks and vulnerability**

17. Managing poverty and vulnerability is essential for pro-poor growth, especially in societies where the majority of people are poor. Social protection is not only a cost, it is an investment that societies cannot afford not to make. The economic and social return to social protection is very high – not just in terms of social policy and equality, but also in growth and multidimensional poverty reduction. Social protection helps poor people to maintain and accumulate assets and adapt to changing circumstances. In particular, the resulting reductions in risk help to stimulate growth by encouraging people to engage in higher risk/higher profit activities. Risk reduction and management also enable people to avoid falling back on coping strategies that can irreversibly impoverish themselves. Participation of millions of poor people in the growth process as active agents is good for them and good for the national economy and social protection measures promote this objective.

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

18. Pro-poor growth enhances the ability of poor women and men to participate in, contribute to and benefit from growth. Pro-poor growth also expands the capacity of the state to provide tax-financed services and transfers, including social protection.<sup>17</sup>

#### **V. Social protection – pathways towards pro-poor growth**

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

##### *a) Human capital investment*

20. Social protection increases access to public services and investment in human capital, particularly health and education, helping to raise productivity and supporting the participation of the poor in labour markets. Studies in South Africa and Latin America repeatedly document significant improvements in health and education outcomes, particularly in response to both conditional and unconditional cash transfer programmes and social health initiatives.<sup>18</sup> Child benefits (particularly cash transfers) and school assistance packages improve school attendance, and education constitutes the single most effective HIV-prevention asset.<sup>19</sup> Social cash transfers piloted in countries with high HIV prevalence (Zambia and Malawi) successfully reduced poverty in HIV and AIDS-affected households.<sup>20</sup> The Child Support Grant in South Africa promotes livelihoods, improves nutrition and facilitates access to education.<sup>21</sup> Social protection can prevent some of the worst consequences of poverty - the transmission of lifelong poverty to children.

21. Social protection directly improves the health status of people, which in turn contributes to promoting economic growth.<sup>22</sup> A ten percent increase in life expectancy adds an estimated 0.3 - 0.4 percentage point to the annual growth rates in *per capita* incomes.<sup>23</sup> These human capital outcomes provide the basis for long-term pro-poor growth.

b) *Risk management*

22. Social protection enables poor people to protect themselves and their assets against shocks, enabling them to defend their long term income generating potential as well as make further investments. Droughts in Ethiopia have significantly reduced household earning power as long as 15 years later.<sup>24</sup> Social protection enables households to resist desperate measures and reduce future vulnerability. The risk associated with impoverishing health expenditures in rural China has adversely affected work migration and school enrolment decisions of households.<sup>25</sup> Social health protection prevents impoverishment due to catastrophic health expenditures, consequently protecting productive assets.<sup>26</sup> Farmers are less likely to sell the livestock on which their future prosperity depends if adequate cash transfers protect their immediate subsistence. Farmers protected by the Employment Guarantee Scheme in Maharashtra, India, invest in higher yielding varieties than farmers in neighbouring states. Improved risk management supports long-term pro-poor growth.

c) *Empowerment and livelihoods*

23. Social protection programmes combat discrimination and unlock economic potential. In Bangladesh, Brazil and South Africa, transfers provided to women have a positive impact on school attendance especially for girls.<sup>27</sup> Increasing resources in the hands of women improves women's empowerment and child survival, nutritional status and school attendance.<sup>28</sup> "When women are healthy, educated and free to avail of life's opportunities, children also thrive. In households where women are key decision makers, the proportion of resources devoted to children is far greater than in those in which women have a less decisive role.<sup>29</sup> Consequently, who controls cash transfers at household level is crucial in terms of AIDS and poverty mitigation, child survival and empowerment of both women and children."<sup>30</sup>

24. Social protection supports the participation of the poor in labour markets, contributing to broader employment and empowerment objectives. Job search is often expensive and risky. In South Africa, workers in households receiving social transfers put more effort into finding work than those in comparable households not receiving these grants – and they are more successful in finding employment as a result. The impact of cash transfers on women's labour market activity is about twice as great as that for men.<sup>31</sup> Social health protection increases labour productivity by improving people's health status and replacing inefficient risk-coping mechanisms, which in turn promotes employment and economic growth.<sup>32</sup> There is a need to better understand how more effective social protection for workers in the informal economy might promote access to sustainable decent employment.<sup>33</sup>

25. An emerging evidence base is demonstrating how social protection interventions support employment and entrepreneurial activities. Participants in Zambia's cash pilot scheme use a significant proportion of the benefits to hire labour, for example in order to cultivate the land around their homes and consequently multiply the value of the social transfers while creating employment for local youth.<sup>34</sup> Mexico's *Oportunidades* (formerly *Progresa*) social transfer programme is associated with local economy impacts that improve consumption, asset accumulation and employment broadly within communities—for both programme participants and non-participants.<sup>35</sup> Participants in *Oportunidades* invest a portion of their social transfers in productive assets and are more likely to engage in entrepreneurial activities, improving their potential for sustainable self-sufficiency.<sup>36</sup> Evidence of well-designed social protection programmes show they minimise the potential for moral hazard. Combining social protection and labour market policies can produce a virtuous circle: social protection measures help to increase the employability of the poor and labour markets that work better for the poor increase poor people's participation and remuneration. Evidence shows that social protection promotes development, not dependency.

26. Social protection directly expands the assets and capabilities of poor people, improving their well-being and economic activity more broadly. Social protection enables poor and vulnerable women and

men to mobilise resources and to better harness public institutions to facilitate their more equitable inclusion in the society and economy.<sup>37</sup> Informal workers in South Africa have been able to organise around social protection - with mixed results, but demonstrating the potential to build empowerment among workers even in the informal economy.<sup>38</sup>

27. Social protection promotes empowerment and growth by improving the negotiating power of workers, smallholder farmers and micro-entrepreneurs in the marketplace. Workers who have a better fallback position (provided by social protection) can search for a job that takes more effective advantage of their capabilities, rather than accepting the first job that becomes available. This raises labour market efficiency - by better matching workers to positions that harness greater productivity and pay higher wages, thereby reducing underemployment. Small-scale producers with access to social protection benefits are less compelled to sell produce at a loss in order to survive - such as at harvest times when temporary gluts in food markets might severely depress prices. Participants in one of Malawi's social transfer programmes were empowered by the resources to invest in their own farms during the planting season rather than rely on casual employment for their immediate survival.<sup>39</sup> Social protection enables the poor to engage with the market system on a more equal footing, improving its efficiency and legitimacy.

d) *Pro-poor macroeconomic strategy*

28. Social protection can generate gains for those groups who might otherwise be disadvantaged by specific elements of a pro-poor growth strategy, providing a balancing function that can enlist stakeholder support for the reforms necessary to sustain long-term growth. Labour unions in Nepal, for example, have identified effective social protection as a prerequisite for necessary labour market reforms, the combination of which would enhance both equity and growth. Cash transfer initiatives have compensated the poor for reduced price subsidies in Mexico and Indonesia. Bolivia established a social pension scheme with the proceeds from the privatisation of public enterprises.<sup>40</sup> Social protection generally increases the positive impact of growth on poverty reduction.

29. Social protection stimulates demand for local goods and services, promoting short-term growth outcomes. In Zambia 80% of the social transfers are spent on locally purchased goods, supporting enterprises in rural areas. In South Africa the redistribution of spending power from upper to lower income groups shifts the composition of national expenditure from imports to local goods, increasing savings (by improving the trade balance) and supporting economic growth.<sup>41</sup> A social account matrix analysis of the Dowa Emergency Cash Transfer (DECT) programme in Malawi found multiplier impacts from the payments broadening benefits to the entire community.<sup>42</sup> In Namibia, the dependable spending power created by social pensions supports the development of local markets and revitalises local economic activity.<sup>43</sup> However, the macro-economic impact for any given country will depend on the patterns of demand across income groups and the manner in which social transfers are financed.

e) *Social cohesion and nation-building*

30. Social protection helps create an effective and secure state, promoting growth by building social cohesion and a sense of citizenship as well as reducing conflict.<sup>44</sup> The social pension in Mauritius for example contributed to the social cohesion necessary to support the transition from a vulnerable mono-crop economy with high poverty rates into a high growth country with the lowest poverty rates in Africa.<sup>45</sup> Likewise, Botswana's social pension provides the government's most effective mechanism for tackling poverty and supporting the social stability that encourages the high investment rates required to drive Africa's fastest growing economy over the past three decades. A safe and predictable environment is essential to encourage individuals, including foreign investors, to work and invest.

## VI. How to deliver social protection

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

31. The public nature of social protection interventions contributes to state-building objectives by strengthening the state-citizen contract and fostering social cohesion. In fragile states, social protection can help strengthen the legitimacy of the state by allowing it to re-shoulder responsibilities for ensuring the basic survival of its citizens and so contribute to reduced political fragility<sup>46</sup>. In Nepal, social protection is on the agenda to help consolidate the peace process as the first stage of state-building. Cash transfers provide a visible and immediate peace dividend that flexibly reaches the poorest people, providing them with the stake in the economy that supports social and political cohesion while offsetting the costs of necessary economic reforms. However, there is a need to be pragmatic about working with a range of actors. In many countries the state establishes a framework to enable the effective engagement of non-state actors - particularly the private sector and non-governmental organisations - to deliver essential social protection interventions. Partnerships with the private sector and civil society in Kenya, for example, are expanding the government's capacity to deliver while improving accountability.

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

32. Financing is one the major challenges for delivering social protection systems, particularly in low-income countries. The actual spending on social protection systems varies significantly across countries. Political will, resource availability and policy prioritisation influence the amount spent on the associated initiatives. Affordability is largely a matter of political prioritisation - which depends on the political will to make the necessary trade-offs<sup>47</sup>.

33. Recent evidence shows that even low-income countries can afford at least basic packages of social protection.<sup>48</sup> The ILO has conducted a costing exercise that quantifies the costs of a basic package of social protection under a number of alternative scenarios<sup>49</sup>. The baseline scenario includes a modest universal social pension, grants for people with disabilities and child benefits. The ILO has documented the affordability of this package even for low-income countries.<sup>50</sup> Costs can be kept manageable by starting with a limited programme and scaling up as impact is demonstrated and available resources expand. Overall, analysis of broader affordability dimensions and fiscal space for social protection in low-income countries needs to be strengthened, including assessment of current spending on social protection and existing financing sources.

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

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

35. A rights-based and transformative approach to social protection reinforces empowerment by ensuring that vulnerable groups have the capacity to benefit from and contribute to growth and participate fully in society. In many countries the main beneficiaries are women, which contributes to reducing gender disparities and promoting empowerment and better human development outcomes for girls<sup>51</sup>. Rights-based approaches to social protection that address social inequalities reinforce commitments to non-discrimination and support humanitarian efforts in fragile states.<sup>52</sup>

36. An integrated package of social protection instruments developed to reflect the various types of vulnerabilities at different age-related and other stages of life can contribute significantly to breaking the

intergenerational transmission of poverty<sup>53</sup>. National strategies should adopt a “life-cycle approach” from planning through implementation which identifies opportunities at different stages of life, generating cascading outcomes as subsequent interventions reinforce the impacts from earlier social protection initiatives. Strategies that address vulnerability across the life-cycle and aim to break the intergenerational transmission of poverty can maximise social protection’s transformative potential.<sup>54</sup>

37. Unequal power relations within society may foster state institutions that fail to provide the poor with equal protection and benefits. A rights-based approach to social protection reinforces empowerment by ensuring the poor have the basic capacities necessary to benefit from and contribute to economic growth, as well as to participate fully in society. Empowering civil society institutions is a way to strengthen the voice of the poor and motivate governments to introduce social protection mechanisms and make state institutions more accountable for providing fair protection and benefits.

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

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

39. Building the required political will and commitment poses challenges in developing countries that have little experience with social protection. Empowering civil society institutions such as organisations of women, workers, farmers or small businesses can magnify the voice of poor people and motivate policy development and reforms. Civil society mobilisation provided a critical force supporting the tripling of social protection spending in South Africa over 2001-2007.<sup>55</sup> Appropriate choices of interventions can also elicit increased political support. More universal benefit programmes can ally the middle classes with poor women and men and generate the necessary political support. Small pilots combined with effective monitoring and evaluation can also generate the necessary evidence base policy makers and voters need to justify their political support for integrated national programmes. More transparent and evidence-based policy processes which include expanded social dialogue and more local participation can make the state more accountable to poor women and men.

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

40. There is no general blueprint for successful social protection interventions. Effective social protection policy must be rooted in a society’s specific context, taking into account factors such as poverty dynamics, demographic characteristics, the prevailing economic situation, the structure of the labour market, the degree of urbanisation, and cultural values and societal consensus.<sup>56</sup> Design features that work well in one country or region may not be appropriate in another situation. Success depends even more critically on how well the systems are implemented, which in turn depends substantially on a country’s administrative capacity.

41. To promote sustainability and effectiveness, it is important to design and implement programmes that can adjust flexibly to demographic and economic change and other shocks and stresses. For example, there is an increasing need to improve understanding about the role of social protection for addressing poor people’s vulnerability in the context of economic recession, volatile global food and fuel prices and climate change<sup>57</sup>. Flexible design features better enable adaptation both to unexpected shocks and changing poverty dynamics as well as unanticipated or misunderstood country characteristics. In particular, the design of appropriate formal interventions must pay particular attention to the role of informal institutions, in order to strengthen social protection rather than undermine traditional mechanisms.

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

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

43. A comprehensive mix of social protection instruments is necessary to effectively address vulnerability across the life-cycle. A core group of instruments provides support at critical stages of the life-cycle, including child support grants, social pensions and transfers for people with disabilities. A second set of interventions is vital for breaking the inter-generational transmission of poverty, particularly through human capital development. While these instruments can overlap with the first group, they also include fee waivers, social health insurance and social services. A third set of interventions aims to prevent vulnerable households from sinking further into poverty when encountering shocks linked to life-cycle changes. The instruments include unemployment insurance and other contributory schemes, public works as well as some of the measures in the first two groups.<sup>58</sup>

44. Much of the research on the impact of social protection has focused on clients, but much less is known about those who remain excluded. These may include the most vulnerable, who are often geographically or socially isolated, such as those in remote areas or children without caregivers.<sup>59</sup> Certain types of instruments may exclude the poorest by design. Conditional programmes may exclude those who live in remote areas that have no access to the services necessary for compliance with programme requirements.<sup>60</sup> Micro health insurance can serve poor and informal workers, but the poorest of the poor usually require tax-financed social health approaches. Different financing mechanisms need to complement each other to provide the broadest possible coverage.<sup>61</sup>

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

46. Targeted programmes have the effect of limiting the number of clients and reducing costs, but can also receive less political support because they are more likely to be seen as a subsidy for the few rather than a social investment which will benefit the many.<sup>62</sup> Universal programmes are more likely to be seen as an entitlement with the benefits being felt across different sectors of society, with the consequence that they are less vulnerable to the political changes or economic shocks which could lead to the erosion of means-tested programmes targeted at a politically excluded minority.<sup>63</sup> Vulnerability targeted programmes are more prone to corruption than universally targeted programmes where the eligibility criteria (for example, age) is clearer and more easily verifiable than in a means-tested programme.<sup>64</sup>

47. In very poor countries, where information on clients is of limited reliability and coverage, and administrative capacity to implement often complex targeting mechanisms can be constrained, the challenges of targeting are particularly significant. Errors in targeting can undermine the effectiveness, credibility and increase the cost of social protection programmes. Better understanding is required on the potential benefits of targeting (for example, universal child benefits and universal social pensions) which, when compared to poverty, community or geographical targeting, may be less costly to administer, more politically acceptable and more effective in reaching very poor men and women.

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

49. Targeting mechanisms aim to minimise the cost of programmes by focusing social protection resources on the poorest households, but sometimes targeting backfires. In a World Bank study on targeting, over 25% of the programmes measured had regressive outcomes - a universal approach would have distributed a greater proportion of benefits to the poor.<sup>65</sup> In addition, targeting imposes costs on the government and programme participants. The most direct costs are administrative - the bureaucratic costs of assessing the means of programme applicants, and re-assessing participants on an ongoing basis. Added to this government cost are the private costs that applicants incur while applying for benefits - time and transportation costs travelling to the respective government offices, queuing, and the fees (and sometimes bribes) required for the necessary documentation.<sup>66</sup> The World Bank study found evidence that implementation issues were more important determinants of successful outcomes than design factors.<sup>67</sup>

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

51. Likewise, governments and donors increasingly recognise the importance of evidence for informing key design questions such as the decision to condition social transfers on compliance with behavioural requirements - such as requiring programme participants to ensure children in the household attend school or receive immunisations. While a rich collection of evaluation studies document the powerful impact of social transfer programmes that require these conditionalities (often termed "conditional cash transfer" programmes), little evidence demonstrates that the conditionalities themselves - and the associated penalties - have any impact on the observed positive outcomes.<sup>68</sup> Since conditionalities can be expensive and potentially undermine the social protection objectives, it is vital to build a better evidence base that focuses sharply on the central questions about conditional cash transfer programmes.

52. Cash transfers have a significant AIDS mitigation impact and may be advocated and supported in the context of their ability to remove barriers to health and education access, while preventing adoption of non-reversible coping mechanisms among the most vulnerable households affected by HIV and AIDS.<sup>69</sup>

53. In fragile states, social protection instruments have been frequently limited to humanitarian aid. These countries frequently require the full range of potential interventions, and in fact more imaginative alternatives. In Zimbabwe, for example, a diverse toolkit of instruments that provides social protection, livelihoods support and food security has proven very successful.<sup>70</sup>

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

54. The effective delivery of social protection requires a focus on building institutional capacity in terms of planning, coordination and the actual delivery of cash, food, inputs and other goods or services to people. In many developing countries social protection represents a new set of interventions, and few governments have developed extensive delivery capacity for implementing these types of programmes. Limited capacity and institutional co-ordination constrains successful implementation and achievement of

impacts at all levels. Investments in building up delivery capacity not only support the implementation of social protection but also other complementary services delivered by these agencies. Given the long lead times required for effective training programmes, the long term need for capacity building should be addressed during any pilot phase. Building capacity improves aid absorption and the effectiveness of development partner resources. Continued support for national capacity building will likely yield substantial returns in terms of promoting long-term sustainability.

55. Social protection interventions are not magic bullets for poverty eradication but typically generate their impacts by improving the effectiveness of investments in complementary institutions. For example, social protection initiatives can improve poor people's access to health and education, and link them to complementary programmes, resulting in improved human development outcomes - but only if the necessary clinics, schools and other institutions can supply the services demanded. Social protection initiatives in Latin America, Africa and Asia have documented improved health outcomes, increased school attendance rates, reduced hunger and expanded livelihoods and employment.<sup>71</sup> These impacts, however, depend as much on the complementary institutional framework as on the interventions themselves. A conditional cash transfer programme in Honduras, for example, failed to produce expected human capital outcomes - largely because the programme neglected to invest in the necessary schools and other institutions.<sup>72</sup> Brazil multiplies the impact of its successful *Bolsa Familia* cash transfer programme through a comprehensive and integrated system of complementary programmes which link poor households to developmental institutions.

56. South-South learning and exchange between middle-income and low-income countries as well as regional bodies provides an innovative approach to capacity building for partner governments. A recent African Union meeting called for a network of African experts to share knowledge and experience across the continent and serve as a resource for countries who are beginning to implement social protection initiatives.<sup>73</sup> Donors are supporting study tours linking Africa, Asian and Latin America and South-South training courses that have effectively built capacity and contributed to inter-regional sharing of national lessons of experience.<sup>74</sup> Given the long term nature of social protection requirements in developing countries, investments in the building of national and local capacity are likely to generate very high returns.

57. A co-ordinated strategic framework is essential for national approaches to succeed. Co-ordination improves cost-effectiveness by improving the economies of scale of administrative systems and ensuring appropriate allocations of resources. Countries without co-ordinated approaches suffer from inefficient over-coverage in some areas and sectors while suffering high rates of social protection exclusion in others. Good administrative institutions with well-developed capacity and appropriate management information systems at both national and local levels are essential for effective co-ordination. Further strengthening of civil registration systems is important to help facilitate people's access to social protection benefits as well as health and education systems on a citizenship, rights and entitlements basis.<sup>75</sup>

58. One less successful approach for social protection for informal workers has been to create special schemes and programmes, outside of mainstream institutions. A sustainable approach should mainstream interventions for informal workers into existing institutional structures.<sup>76</sup>

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

59. Effective and credible monitoring and evaluation (M&E) systems are essential for demonstrating programme impact, developing a global evidence base, communicating operational lessons, and building the foundation of support that fosters long-term sustainability. As social protection interventions are relatively recent innovations, many governments and stakeholders in developing countries are just beginning to develop an understanding of what works in particular social and policy contexts. M&E can

mobilise essential learning and evidence to link programme performance to ongoing improvements that are best adapted to a country's specific situation. Independent and credible M&E systems help to fill the evidence gaps that otherwise undermine appropriate design and effective implementation.

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

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

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

62. Social protection interventions require appropriate fiduciary risk management controls to ensure effective resource allocation and continued public support. A number of countries have engineered systems to promote transparency and minimise fraud and corruption. Good practices exist and should be promoted. Brazil's "single registry" of programme participants has become a global role model. Kenya is piloting an innovative approach that establishes independent service providers for key components of the programme, ensuring checks and balances. Donors can play a key role in capacity building to share these lessons of international experience on mutual accountability.

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

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

64. Donors can play a key role in providing technical assistance and bridging funds to support progress towards the establishment of nationally financed sustainable social protection strategies. Developing country governments often require predictable, long-term and harmonised funding commitments from donors in order to assume the domestic political risk of guaranteeing reliable social protection programmes. DFID's recent ten-year commitment to Kenya's social protection strategy provides an example of donor support for a long-term national programme. The Productive Safety Nets Programme in Ethiopia is another example of moving more cost-effectively from annual relief appeals to multi-annual, multi-donor and predictable financing. The importance of more predictable, harmonised and longer-term funding is particularly apparent in fragile states.<sup>77</sup>

65. Donors should harmonise and align their support with national development frameworks and emerging national social protection strategies, in accordance with the Paris Declaration on Aid Effectiveness. Donor coherence is critical for developing evidence-based policies and strengthening

capacity to meet key design and implementation challenges (including fiduciary risk management, payment systems, graduation and linkages with complementary policies, sustainability, financing). Donors can help inform policy options by supporting more in-depth research on the design and implementation of appropriate social protection policies and programmes in different contexts. Pilots can help serve this objective, but donors should aim to integrate this support with strengthening national social protection frameworks.

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<sup>1</sup> OECD (2001)

<sup>2</sup> UNRISD Research Programme 2003-2009, cited in Wiman, Voipio and Ylonen (2006).

<sup>3</sup> GTZ (2002) cited in Sabates Wheeler and Haddad (2005)

<sup>4</sup> OECD, Paris Declaration on Aid Effectiveness

<sup>5</sup> DFID (2005), page 6.

<sup>6</sup> OECD (2007)

<sup>7</sup> See Good Practice Note “Social Cash Transfer and Pro-Poor Growth”

<sup>8</sup> See Good Practice Note “Social Transfers and Growth in Poor Countries”

<sup>9</sup> See Good Practice Note “Health and Social Protection”

<sup>10</sup> See Good Practice Note on “Climate Change Adaptation, Disaster Risk Reduction and Social Protection”

<sup>11</sup> OECD (2001), *The DAC Guidelines: Poverty Reduction*. (The other four relate to economic deprivation and threats to human capital development, empowerment and dignity.)

<sup>12</sup> Krech (2007),  
Voipio (2007),  
Samson (2007),  
Orero *et al.* (2006).

<sup>13</sup> Krech (2007),  
Voipio (2007),  
Samson (2007),  
Dercon, Stefan (2005a), “Risk, Vulnerability and Poverty in Africa”, *Journal of African Economies*, Volume 14, pages 483-488.

Dercon, Stefan, John Hoddinott, and Tassew Woldehanna (2005b), “Shocks and Consumption in 15 Ethiopian Villages, 1999–2004”, *Journal of African Economies*, Volume 14, pages 559-585.

<sup>14</sup> Prowse (2003)

<sup>15</sup> Carter *et al.* (2004)

<sup>16</sup> Dercon (2004)

<sup>17</sup> Voipio (2005),  
Ginneken (2005),  
OECD (2004)

<sup>18</sup> Adato (2007),  
Samson *et al.* (2006),  
Samson *et al.* (2004)

<sup>19</sup> See Good Practice Note “Social Protection in the context of HIV and AIDS”

<sup>20</sup> UNICEF ESARO (2007)

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- <sup>21</sup> Agüero, J.M. *et al.* (2006);  
Samson *et al.* (2004),  
Samson (2007), etc.
- <sup>22</sup> Sachs, J.D. 2002;  
Gyimah-Brempong and Wilson 2004;  
Bloom, Canning, and Sevilla 2004
- <sup>23</sup> WHO Macroeconomic Commission on Health estimates
- <sup>24</sup> Dercon (see Footnote 10)
- <sup>25</sup> Jalan and Ravallion 2001 cited in GTZ GPN (2007)
- <sup>26</sup> See Good Practice Note “Health and Social Protection”
- <sup>27</sup> Samson *et al.* (2004, 2006)
- <sup>28</sup> UNICEF, *State of the World’s Children* (2007)
- <sup>29</sup> HelpAge International (2006)
- <sup>30</sup> See Good Practice Note “Social Protection in the context of HIV and AIDS”
- <sup>31</sup> Samson *et al.* (2004),  
Samson and Williams (2007)
- <sup>32</sup> See Good Practice Note “Health and Social Protection”
- <sup>33</sup> Lund (2007)
- <sup>34</sup> Schüring *et al.* (2006)
- <sup>35</sup> Barrientos and Sabates-Wheeler (2006)
- <sup>36</sup> Gertler *et al.* (2005)
- <sup>37</sup> World Bank (2002) Empowerment Report Part I
- <sup>38</sup> Lund (2007)
- <sup>39</sup> Harnett and Cromwell (2000)
- <sup>40</sup> Birdsall and Nellis (2002)
- <sup>41</sup> Samson *et al.* (2004)
- <sup>42</sup> See Davies and Davis (2007), which estimates multipliers ranging from 2.02 to 2.45.
- <sup>43</sup> Cichon and Knop 2003
- <sup>44</sup> Samson *et al.* (2002),  
Bourguignon and Ravallion (2004),  
DFID (2005)
- <sup>45</sup> Roy and Subramanian (2001)
- <sup>46</sup> See Good Practice Note on “Social Protection in Fragile States: Lessons Learnt”
- <sup>47</sup> See Good Practice Note on “Affordability of Social Protection Measures in Poor Developing Countries”
- <sup>48</sup> ILO (2006, 2007)
- <sup>49</sup> See Good Practice Note on “Can Low-Income Countries Afford Basic Social Security?”
- <sup>50</sup> Pal, Behrendt, Léger, Cichon and Hagemeyer (2005) cited in Ginneken (2005)
- <sup>51</sup> See Good Practice Note “Gender and Social Protection”

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- <sup>52</sup> See Good Practice Note “Social Protection in Fragile States”
- <sup>53</sup> Baldwin Orero, M., Heime, C., Jarvis Cutler, S. and Mohaupt, S. (2006), “The impact of conflict on the intergenerational transmission of chronic poverty: An overview and annotated bibliography”, Working Paper 71/Annotated Bibliography 4, Manchester: IDPM/Chronic Poverty Research Centre (CPRC)
- <sup>54</sup> See Good Practice Note on “Social Protection and Vulnerability, Risk and Exclusion Across the Life-Cycle”
- <sup>55</sup> Samson (2007)
- <sup>56</sup> See Good Practice Note “Health and Social Protection”
- <sup>57</sup> See Good Practice Note on “Climate Change Adaptation, Disaster Risk Reduction and Social Protection”
- <sup>58</sup> See Good Practice Note on “Social Protection and Vulnerability, Risk and Exclusion Across the Life-Cycle”
- <sup>59</sup> See Good Practice Note on “Social Protection and Vulnerability, Risk and Exclusion Across the Life-Cycle”
- <sup>60</sup> See Good Practice Note on “Social Cash Transfers and Pro-Poor Growth”
- <sup>61</sup> See Good Practice Note “Health and Social Protection”
- <sup>62</sup> See Good Practice Note on “Social Protection and Vulnerability, Risk and Exclusion Across the Life-Cycle”
- <sup>63</sup> Cornia and Steward 1993 found that a switch from a universal to a targeted approach in 8 schemes led to a reduction in the real value of the subsidy over time. (Cited in HelpAge GPN 2008, page 9)
- <sup>64</sup> See Good Practice Note on “Social Protection and Vulnerability, Risk and Exclusion Across the Life-Cycle”
- <sup>65</sup> Coady, David, Margaret Grosh, John Hoddinott (2004), *Targeting of Transfers in Developing Countries: Review of Lessons and Experience*, World Bank and IFPRI, Washington, D.C. Page 42
- <sup>66</sup> Prospective workers in the Maharashtra Employment Guarantee Scheme sometimes need to provide cash payments for obtaining and filling in appropriate forms, submitting them to the correct officials and enlisting the attention of the social services committee (Pellisery 2005).
- <sup>67</sup> Coady, Grosh and Hoddinott (2004), page 84. “80 percent of the variability in targeting performance was due to differences within targeting methods and only 20 percent due to differences across methods.”
- <sup>68</sup> World Bank (2006)
- <sup>69</sup> See Good Practice Note “Social Protection in the context of HIV and AIDS”
- <sup>70</sup> See Good Practice Note “Social Protection in Fragile States”  
Samson and Mac Quene (2006)
- <sup>71</sup> Samson *et al.* (2007)
- <sup>72</sup> Samson, van Niekerk and Mac Quene (2006); Adato and Bassett (2007), page 50.
- <sup>73</sup> Dakar resolution on social protection, African Union meeting organised by HelpAge, June 2008.
- <sup>74</sup> For example, DFID has supported Brazilian technical assistance to African countries, developing country study tours to Southern Africa and Brazil and several global training programmes situated in developing countries. GTZ and other donors support important capacity building initiatives in developing countries.
- <sup>75</sup> See Good Practice Note “Social Protection in the context of HIV and AIDS”
- <sup>76</sup> Lund (2007)
- <sup>77</sup> See Good Practice Note “Social Protection in Fragile States”