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Social Protection for the Poor and Poorest in Developing Countries: Reflections on a Quiet Revolution

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Abstract

The concept and practice of social protection in developing countries has advanced at an astonishing pace over the last decade or so. There is a growing consensus around the view that social protection constitutes an effective response to poverty and vulnerability in developing countries, and an essential component of economic and social development strategies. This paper argues that the rise of social protection constitutes a response to global factors, but with considerable regional diversity. The paper examines the factors determining the future course of social protection and identifies urgent research needs.

Keywords: social protection, vulnerability, human capital, productive assets, rights-based approach.

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1. Introduction

The concept and practice of social protection in developing countries have advanced at an astonishing pace over the last decade or so. There is a growing consensus around the view that social protection constitutes an effective response to poverty and vulnerability in developing countries, and an essential component of economic and social development strategies.[i] Social protection is now better grounded in development theory, and especially in an understanding of the factors preventing access to economic opportunity and sustaining persistent poverty and vulnerability. The initially dominant conceptualisation of social protection as social risk management is been extended by approaches grounded in basic human needs and capabilities. Social protection practice has also changed from a focus on short term social safety nets and social funds to a much broader armoury of policies and programmes that combine interventions protecting basic levels of consumption among poor and poorest households; facilitating investment in human capital and other productive assets which provide escape routes from persistent and intergenerational poverty; and strengthening the agency of those in poverty so their capability to overcome their predicaments are increased (Barrientos and Hulme, 2008).

While programme design issues have dominated discussion of social protection, issues of scale are of much greater significance. The rapid introduction of social protection programmes based on income transfers has resulted in a steep rise in coverage. New forms of social assistance[ii] introduced in the last decade now reach in excess of 150 million poor households in developing countries, with perhaps half a billion people benefiting. Notable recent initiatives include: South Africa's Child Support Grant, implemented in 2003 and now reaching 7.2 million children; the Minimum Living Standards Scheme in China initiated in the late 1990s and reaching 22.4 million by 2006; Mexico's *Oportunidades* started in 1997 and now reaching more than 5 million households; *Bolsa Familia* in Brazil with coverage of 12 million households; Indonesia's Safety Net Scheme introduced in 2005 and planned to reach 15 million households; and India's National Rural Employment Guarantee Scheme expected to reach 26 million households during 2008.[iii] This scaling up has changed the composition of poverty reduction strategies in the 'south' so that economic growth, human capital development and social protection are increasingly seen as the three elements of national development strategies - a three pronged approach that increases national levels of welfare, raises economic productivity and strengthens social cohesion.

This paper reviews the rise of social protection in developing countries. We argue that the progress of social protection can be viewed as a ***quiet revolution.***[iv] A decade ago the idea that governments and international agencies would support development policies that provided regular and reliable transfers to those in poverty would have been seen as most improbable. Poor countries could not afford to waste scarce resources in such a way, one would be creating a nation of welfare dependents and, anyway, even if the idea had merit handouts would be stolen by corrupt officials and politicians. Incrementally, such assertions have been confronted and partially resolved. With minimal fanfare social protection has moved onto national and international policy agendas. How times have changed.

There is a fast growing literature on social protection in developing countries, the vast majority of which focused on the design and impact particular programmes or types of programmes. It is a very valuable literature, as it is important to know what works in poverty reduction. This paper focuses instead on embedding the rise of social protection within global and regional trends. Our aim is to approach social protection in developing countries not as a menu for a 'social planner', but in the round, and as emerging from, and responding to, social and economic transformation. To draw on a well-worn analogy, the paper aims to focus on the forest rather than the trees. Taking this vantage point will help trace the contours of social protection, its diversity, and the factors that constrain its expansion.

The conclusion argues for the energetic continuation of this quiet revolution both to improve the welfare and prospects of the world's poor and poorest and to strengthen national and international solidarity and security. It identifies two knowledge frontiers for researchers and policy makers. The first is finding mechanisms to scale up social protection coverage in low income countries without turning it into an aid donor development fad which is later cast aside. The second, about which very little is known, is identifying approaches that will extend social protection into fragile states and regions and difficult environments.

The paper is organised as follows. Section 1 explores the conceptual underpinnings of social protection and competing approaches to development. Section 2 discusses key drivers in the rise of social protection in developing countries. Section 3 examines regional pathways in the extension of social protection. Section 4 discusses three important factors determining the future course of social protection in developing countries: the role of external actors, finance and delivery capacity, and politics. A final section summarises the main conclusions.

2. Social protection and development: conceptual underpinnings

Social protection has been primarily understood as a policy framework describing "public actions taken in response to levels of vulnerability, risk, and deprivation which are deemed socially unacceptable within a given polity or society" (Conway, de Haan and Norton, 2000). In advanced industrial countries, social protection is constituted by a set of integrated institutions and programmes including social insurance, social assistance, and employment protection and promotion. Since the early 1990s, and against a background of economic crises, structural adjustment, and globalisation, social protection has increasingly defined a distinct policy agenda in developing countries. There are several distinguishing features of the emerging paradigm. In developing countries, social protection has a strong focus on poverty reduction and on the poor and poorest. It relies to an increasing extent on income transfers combined with access to basic services and/or productive employment and asset building. It has a strong 'productivist' bent, in as much as it is expected to make a contribution to social and economic development. Compared to social protection in advanced economies, social protection in developing countries exhibits a plurality of providers, involving government agencies, multilateral and bilateral international organisations, and national and international NGOs.

In developing countries, social protection is grounded on a widely shared understanding that poverty is multidimensional and persistent in time and across generations.[v] Within this shared perspective, a primary cause of poverty is to be found in the constraints faced by the poor in taking advantage of economic opportunity.[vi] Competing explanations of the nature of these constraints have produced a diversity of approaches to social protection in international development. Some define the main role of social protection as lifting the constraints to human and economic development posed by

social risk, others locate it in ensuring the satisfaction of ***basic needs***, and others ground it in implementing a ***rights-based*** approach to human development. Competing perspectives on risks or needs or rights support alternative views of what social protection seeks to achieve (Munro, 2008).

This point can be illustrated by considering the different frameworks for social protection that are used by leading multilateral organizations. The World Bank conceptualizes social protection as social risk management and proposes policies that seek ‘to assist individuals, households and communities in better managing income risks’ (Holzmann and Jorgensen, 1999: 4). It moves beyond what it sees as ‘traditional’ social protection by adding the goals of macroeconomic stability and financial market development. The emphasis on risk assumes that vulnerability to hazards is a significant constraint on economic and human development, and that efforts to reduce the likelihood of hazards, or to ameliorate their effects on living standards, are essential for economic growth and development.

The ILO understands social protection as arising from human rights. It is defined by ‘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’ (van Ginneken 2006, p.11). The international community acknowledged that social protection is a basic human right in the Universal Declaration of Human Rights in 1948: ‘everyone has the right to a standard of living adequate for the health and well-being of himself and of his family…’. The ILO’s recent reformulation of its mission statement as involving efforts to ‘secure decent work for women and men everywhere’ is an affirmation of its rights-based perspective reflecting the Declaration’s commitment to extend social protection to all (ILO, 2001a: 39). A rights-based approach adds an additional element to social protection. It moves social protection from a policy option to an obligation for states and international governance structures.

The UN defines social protection as ‘a set of public and private policies and programmes undertaken by societies in response to various contingencies to offset the absence or substantial reduction of income from work; to provide assistance to families with children as well as provide people with basic health care and housing’ (United Nations, 2000: 4). It is underpinned by shared ‘fundamental values concerning acceptable levels and security of access to income, livelihood, employment, health and education services, nutrition and shelter" (ibid). In essence, this approach envisages social protection as ensuring the satisfaction of basic human needs, as a precondition for human and economic development.

The discussion above shows how social protection links up to competing development perspectives. These conceptual underpinnings have implications for what practical actions are (or are not) emphasized by different agencies. While many differences remain between the definitions and meanings that different agencies adopt for social protection, we believe that over the last ten years the overarching debate has moved on from contrasting social risk management and basic human needs perspectives to a more ambitious focus on capabilities.[vii]

3. The rise of social protection in development policy

Current interest in social protection among policy makers developed in the aftermath of the structural adjustment policies of the 1980s and 1990s, and especially their failure to promote growth and reduce poverty. This led to a realisation that a globalised economy could produce dramatic downturns in human well-being, and to a better understanding of the human and developmental costs associated with not having adequate social protection policies and programmes in developing countries. More recently, the Millennium Development Goals (MDGs) have focused attention on poverty and vulnerability reduction.

Several factors explain the rise of social protection on the policy agenda, but the effects of globalization and rapid economic transformation are the most important as they raise the demand for social protection (Rodrik, 1997; 2001). The greater openness of developing economies implies increased vulnerability to changes in global markets, and a greater concentration of social and economic hazards on the less powerful participants. In the 1980s and 1990s economic transformation unfolded at a rapid pace in Latin America and East Asia. The 1980s were characterized by acute and sustained economic and financial crises as well as structural adjustment in the economies of Latin America. The financial crisis in 1997 affected in similar ways the countries in East Asia. The transition economies underwent deep structural reforms and transformation. In all cases, the outcomes of these changes were a rapid rise in poverty and vulnerability, which laid bare glaring gaps in social protection. In the countries affected, the adverse impacts of transformation were concentrated on the more vulnerable sectors. Rising poverty and vulnerability, and the threat of conflict and social unrest they presage, focused attention on strengthening social protection policies and programmes. Social protection programmes were initiated in Brazil (Britto, 2008) and Indonesia (Sumarto *et al*., 2008) in the wake of economic and financial crises. Increasing poverty and vulnerability arising from globalization and economic transformation are therefore key drivers for social protection.

Analytical work has facilitated an improved understanding of the costs associated with the absence of effective social protection in developing countries. An extensive literature is available measuring these costs in a variety of settings (Morduch, 1998; Dercon, 2005). There are large direct costs associated with economy, and sometimes, region-wide, natural, economic, and political hazards. Gaps in social protection are responsible for excess transient poverty and can also be responsible for chronic poverty, especially in situations where the coping strategies available to those below or near the poverty line are limited and, as a result, they are forced to adopt alternatives with detrimental long run effects. Taking children out of school, cutting down on health care, sub-standard nutrition, or less productive employment or crops, can push households into persistent poverty. There are large long-term economic and human development losses associated with not having adequate social protection, and consequently large gains to be captured by establishing strong social protection institutions.[viii]

The International Development Goals, Millennium Declaration in 2000 and subsequent agreement on the Millennium Development Goals has focused the attention of international organisations, poor and rich country governments and the citizens and celebrities of Europe and North America on poverty and vulnerability reduction more than any other global initiative in the past (Hulme, 2007). Leaving aside an assessment of the desirability of the enterprise,[ix] or the extent to which it sits together with ongoing initiatives such as PRSPs and PRSs, the focus on poverty has encouraged the extension of social protection in many developing countries[x].

4. Regional and national social protection trajectories

It is important to take account of the diversity in social protection evolution in developing countries and appreciate that policies evolve out of specific national contexts. Historical factors play a large part in explaining why policies differ from country to country. This section draws out key features in regional pathways.

Latin America: Historically, social protection in Latin America focussed on workers in formal employment. As a consequence, the majority of the region's population was excluded from public social protection until very recently. Acute economic crisis in the early 1980s, followed by structural adjustment and economic liberalisation resulted in rising vulnerability, poverty, and inequality. The initial response to this, in terms of social protection, was to reform social insurance institutions for the formally employed (to control fiscal deficits) and to mount fragmented, often externally financed, safety nets and social funds[xi].

By the mid 1990s, it was clear that more comprehensive and permanent public responses were needed. The move away from military and emergency governments created democratic governments that had to engage with the strong popular demand for social protection. This opened the way for a set of highly innovative, domestically designed poverty and vulnerability reduction programmes. These programmes - *Bolsa Escola/Familia* (Brazil), *Progresa/Oportunidadesa* (Mexico), and *Chile Solidario* (Chile) - have mobilised regional and global interest in social protection policies.

The origins of *Bolsa Escola* are to be found in the innovative approach to multidimensional and persistent poverty adopted by the Municipality of Campinas in Brazil, in the mid 1990s, later extended to the rest of the country. Similarly, the introduction of Mexico's *Progresa*[xii] reflected both systematic learning from the politicised and ineffective anti-poverty programmes which preceded its introduction in 1997, and the need to address the human development deficits that underpin intergenerational poverty in rural communities. *Chile Solidario* represents a new generation of integrated anti-poverty programmes inspired by a capability approach. These new human development programmes aimed to meet the short-term needs of the poorest households, especially improved consumption and nutrition, and longer-term goals, such as improved education and health. The Latin American dynamic for social protection is now strongly national and regional.

South Asia: The deep-seated informal social protection of pre-colonial 'Indian' societies was overlaid by colonial programmes of famine relief and public assistance for the destitute. Subsequently, the social welfare initiatives of newly independent national governments and later the programmes of national and international NGOs were added. In many cases this means that social protection is now a mosaic of overlapping programmes, often poorly funded and weakly implemented,. These are overseen by welfare ministries that have limited capacity for policy analysis or evaluation compared to ministries of finance.

While historically the political elites of South Asia have been ideologically inclined to pursue social welfare through public policy there are differences between countries. Sri Lanka has been more successful in financing and delivering social protection policies than have Bangladesh and Pakistan. The southern states of India – Kerala, Karnataka, Tamil Nadu and Andhra Pradesh – have been much more effective at implementing national social protection policies (ranging from mid-day meals for schoolchildren to old age pensions) than the north and north-eastern states. In Nepal much of the social protection effort is a patchwork of aid donor and NGO projects.

In the 1990s and early 2000s there has been much donor-financed activity, ranging from World Bank social funds, such as Sri Lanka's poorly performing *Janasaviya* Trust Fund, to BRAC's Targeting the Ultra Poor Programme in Bangladesh (Hulme and Moore, 2008). Alongside these are government initiatives, for example old age pensions in Bangladesh, India and Nepal and the *Samurthi* Programme in Sri Lanka.

Since 2004 India has taken a regional leadership role through its National Rural Employment Guarantee Scheme (NREGS) and, in 2007, with the tabling of the Unorganised Sector Worker's Social Security Bill (USWSS). The NREGS is a social assistance programme, seeking to ensure basic income security for vulnerable households with economic capacity in rural areas. It extends, on a national scale, the approach to social protection tested in the Maharashtra Employment Guarantee Scheme. The USWSS Bill aims to incorporate informal urban workers (ie the majority) into a basic social insurance scheme (Kannan, 2006). If successful these two schemes will substantially reduce the insecurity of India's vast rural and urban informal labour forces. The early reports on the NREGS suggest that in relatively well governed states the policy is being effectively implemented (Jacob and Varghese, 2006), while in poorly governed states it has stalled (Louis, 2006).

The role and influence of international agencies and aid donors varies greatly in South Asia and has reduced over the last ten years. Donors have substantial influence in smaller more aid dependent countries (Nepal), less traction in larger countries experiencing economic growth (Bangladesh) and minimal influence in India.

South-East and East Asia: In these regions there has been a common historical reliance on family-based social protection, but with different policy pathways reflecting different responses to rapid social transformation. Among the more economically advanced countries (Korea, Taiwan, Malaysia, Thailand and Singapore) social insurance is the core of social protection institutions. By contrast, among lower income countries in South-East Asia, the Philippines and Indonesia in particular, the 1997 crisis undermined social insurance. The immediate response to the financial crisis was the rapid expansion of temporary safety nets which have become a more permanent feature in Indonesia (Sumarto *et al*., 2008) shifting the country's approach from social insurance to social assistance.

Transition countries had a different starting point and evolution, especially China and Vietnam, and their recent changes in social protection are primarily directed to addressing problems associated with rapid economic transformation. In urban China, economic liberalisation has led to a rapid decline in the strength and coverage of social insurance based around productive units, and an equally rapid rise in social assistance through the Minimum Living Standards Scheme (MLSS) covering more than 22 million households by 2006. In rural China, the main social protection innovation has been the introduction of mixed provision health insurance schemes but there are rising concerns about the increasing vulnerability of rural dwellers (and the political threats that might arise from this situation).

As a consequence of the diversity in initial conditions and institutions, the region has not developed a dominant social protection model, but in general terms the emphasis in higher income countries has been on strengthening social insurance institutions, while the emphasis in lower income countries has been on social assistance. The latter also appears to be the main focus of social protection in very low income countries, such as

Laos and Cambodia, where social protection is incipient, and restricted to fragmented externally funded programmes (Cook and Kwon, 2006).

Sub-Saharan Africa: This region has a legacy of social protection institutions somewhat akin to South Asia. Deeply-embedded, informal systems of social protection overlain by a patchwork of colonial schemes and aid-financed social assistance programmes (focused on humanitarian support), NGO initiatives and under funded, fragmented, and partially implemented social insurance institutions for civil servants. The historical evolution of social protection in much of the region is depressing. Emergency food aid, famine relief, and humanitarian assistance have been central to social protection for many countries since the 1970s.

Recently, a concern to shift from an emergency aid focus into more permanent social protection programmes has led to the spread of aid-financed pilot cash transfers schemes, targeted on the poorest and most vulnerable, and usually including human development components. Such initiatives are underway in Zambia, Kenya, Malawi, Uganda, Ghana, and Nigeria. The Protective Safety Nets Programme in Ethiopia provides an example of a food security programme incorporating cash-based public assistance components (Kebede, 2006).

The wealthier countries of the South, South Africa, Namibia, and Botswana, are the exception, with a stronger social assistance focus relying on grants for vulnerable groups, especially the elderly and children. These programmes have arisen out of domestic political and technical debates. Social pensions in South Africa and Namibia reflect the successful adaptation of colonial forms of social protection. Very recently, social pensions have been introduced in Swaziland and Lesotho, perhaps signalling the emergence of a distinct sub-regional approach to social protection. While the evolution of social protection in South Africa is closely related to its political history, the country's experience shows the way in which a deeply embedded programme, the social pension, has been adapted over time to address the changing nature of vulnerability, including the rise in the incidence of HIV/AIDs and increased migration.

More than any other region in the world sub-Saharan Africa's social protection trajectory is likely to be heavily dependent on donor design and financing. Moreover, the capacity of African intelligentsias (think-tanks, universities, policy advisors) to engage with multilateral agencies and donors to debate policy choices and implementation options, is lower than in other regions[xiii].

To sum up this brief review of regional trajectories, with few exceptions, developing countries are addressing the vulnerability of the poor and poorest through strengthening social assistance institutions and programmes. This applies to low income countries, in which social insurance institutions are almost absent, but also in middle income countries in Latin America and Southern Africa. This review suggests responses to poverty and vulnerability will follow a range of pathways in different regions, depending on the nature of their existing institutions (determining path dependence), level of economic development (determining their fiscal space), and features of their economic transformation (especially the interactions between longer term transformations such as ageing and short term fractures such as transition or change in the development model).

5. The future of social protection in the developing world: actors, bottlenecks, and politics

(a) The role of external actors in the rise of social protection

The engagement of a wide range of providers and stakeholders in the extension of social protection is a feature in developing countries. This section examines the role of international actors.

Among multilaterals, the ILO has taken the lead in advocating and supporting social protection in developing countries (Usui, 1994). Its tripartite governance system, involving trade unions, employers associations and governments has proved effective in gathering support for the extension of social protection for organised workers. However, the growth of informality, and the relative decline of organised formal employment in recent times, has been particularly challenging to these structures. Concerns with the capacity of traditional approaches and institutions to extend social protection coverage to informal workers, a majority in the South, has encouraged important shifts in perspective. It has led to a new focus on 'decent work' as a framework for extending basic rights to all workers (ILO, 2001b). There are direct linkages to social protection and poverty reduction, in so far as decent work includes protection and provides a direct escape from poverty. More recently, the ILO has advocated a basic package of social protection measures among low income countries (ILO, 2006). This is an advocacy exercise as, like most UN agencies, the ILO does not control funds that could be directly allocated to this goal.

The World Bank developed a social protection strategy in the mid 1990s as a response to the impact of structural adjustment on developing countries and the failure of its ‘social dimensions’ initiatives. The Bank’s Social Protection Group, initially focused on labour market and pension reform, and safety nets, but more recently it has supported a wider range of instruments including cash transfers.[xiv] The Bank is now a major player in social protection, leveraging change through technical assistance and financial support.[xv] Its role as a Bank restricts its social protection work in countries with high debt levels. Partnerships with bilaterals, such as the Social Protection Trust Fund established by DFID to support joint initiatives, provide a facility with which to influence policy developments in these countries.

While the IMF has formally signed up to the goal of reducing poverty its interest in social protection remains indirect, but highly significant. Its primary focus is short term macro-economic and financial stability, nationally and internationally. In effect, it plays a key role in ensuring that expenditure on social protection, and donor support, do not damage the macro-economic environment of borrower countries. Depending on one’s analytical position it can be seen as a villain (Deacon, 2007) or an incompetent (Stiglitz, 2002) in terms of the impacts of its policies on poor people. At best, for proponents of social protection, it is viewed as an obstacle to the financing of effective social protection.

Other parts of the UN family have adopted social protection policies, including UNDP, UNICEF, WHO and WFP (United Nations, 2000). Their interests and influence tend to vary with their mandate – UNICEF on child welfare, WHO on health issues and WFP on hunger. Bilaterals like DFID, GTZ, and USAID are increasingly developing and supporting social protection policies. DFID is becoming a major player through the funding of social protection initiatives of multilaterals (DFID, 2005) and efforts at leveraging policy change in the international system.

Except for humanitarian relief and assistance,[xvi] the adoption of social protection among international NGOs has been slower. Receptiveness to the social protection agenda has been greater among international NGOs committed to poverty reduction and advocating policies directed at groups whose vulnerability arises from life course conditions such as Help Age International, and Save the Children (Beales and German, 2006). NGOs involved in the delivery of development programmes, on the other hand, have been slower to adopt social protection. Interestingly, it is among the NGOs involved in delivering emergency and humanitarian assistance that a receptiveness to social protection, as a longer term response to conflict and emergency, is strongest (Harvey, 2005).

The focus on external actors in this section should not detract from acknowledging the central role of national governments in formulating policies and coordinating the extension of social protection. National governments also need to ensure that social protection is integrated into national development strategies. Extending social protection in developing countries is ultimately about establishing institutions that reflect and strengthen solidarity and cooperation within a society. Externally imposed policy transfers are unlikely to achieve these objectives.

(b) Bottlenecks: Financing and delivery capacity

Finance is rightly perceived as one of the main constraints on the expansion of social protection, especially in low income countries. It is useful to distinguish between two separate issues: (i) determining the level of financing required to ensure a minimum level of social protection; and (ii) finding out how developing countries could finance this.

As regards the first issue, the ILO has performed simulations for low income countries in Africa and Asia to indicate the resources required to provide a basic social assistance package (Berendt, 2008). Their main findings are that the average cost of a basic package, including a universal pension covering old age and disability and a child benefit, would absorb around two to three percent of GDP.[xvii] Naturally, the cost of the same package in different countries would differ in line with demographic, macroeconomic, and fiscal conditions. At the same time, varying the level of the benefit and targeting only the poor could significantly reduce the resources required. We could also take a positive approach to determining the resources required by considering the cost of existing social assistance programmes. With the exception of the Minimum Living Standards Scheme in China, social assistance programmes in developing countries aim to cover only a fraction of household consumption.[xviii] The targeted conditional cash transfer programmes introduced in Latin America and the Caribbean absorb less than one percent of GDP. So, around one to two percent of GDP appears to be a rough estimate of the level of resources required to finance a basic social assistance package for the poor in developing countries.

Financing this basic level of social assistance appears affordable for most developing countries, but it is bound to be more difficult to achieve for low income countries with low revenue mobilisation capacity. Uganda, for example, only manages to collect taxes equivalent to 13 percent of GDP, and therefore allocating one percent of GDP for social protection would require a substantial recasting of the budget. Economic growth could generate additional resources, but social protection is needed most in countries with poor records on growth. Aside from growth, there are three main options to be considered. Firstly, raising tax revenues as a proportion of GDP through improvements in the efficiency of tax collection agencies.[xix] Secondly, switching expenditure from poorly performing poverty budget allocations. And thirdly, raising levels of official development assistance to start up and sustain social protection programmes. If donors increase their aid commitments, as many agreed at Monterrey in 2002 and Gleneagles in 2005, then the resources would be available to provide long term financing for some low income countries, such as Malawi and Mali, with limited growth prospects.

For most low income countries some combination of these measures must be pursued. While foreign aid may be essential to meet the start up costs of programmes in the medium and longer run, sustainable and effective social protection has to be financed from domestic resources – donors cannot be expected, or relied upon, to finance this key function in the medium and longer run. In middle income countries, there is greater scope for expenditure switching, especially in countries devoting considerable resources to poorly performing poverty reduction interventions or to subsidise financially unsustainable and highly unequal social insurance schemes.[xx]

Any discussion of whether low income countries, can afford social protection must be balanced by an examination of the costs of not providing effective social protection. These generate long term restrictions on the development of human capital and supportive institutions that become themselves a constraint on growth and development. Secondly, in virtually all countries establishing social protection involves shifting the financing mix from one based mainly on households and informal provision to a more diversified mix. This is clearest in the case of health insurance institutions. In their absence, out-of-pocket household expenditure on health care is often inefficient as well as insufficient because responses to health shocks can crowd out investment in preventative care and because they are rationed by available resources. Health insurance instruments can improve the efficiency of households' health expenditures and make resources go further.

Delivery capacity limitations are a major challenge to the extension of social protection in most low income countries. These apply at several points in the policy cycle, beginning with the capacity to study, measure, and analyse poverty and vulnerability, the capacity to design and implement appropriate policies, and the capacity to deliver and evaluate social protection programmes. On the ground, a successful extension of social protection will involve the horizontal integration of poverty researchers, policy analysts, political scientists, financial experts, programme managers, information systems analysts and developers, accountants, and field officers.

To date, developing these capacities in low income countries has rarely been an explicit objective of policy makers, research institutes, or international organisations. In many low income countries, government restrictions on recruitment and salaries, and 'departmentalism' make it unlikely that government agencies could create these networks and ensure their integration in a reasonable time frame. However, we should note that nothing succeeds like success – if pilot programmes work well and develop momentum then it becomes easier to scale up implementation capacity even in unfavourable environments.[xxi] This is an area in which technical assistance might be prioritised, through donor support for organisational development and appropriate skills training. There is also the potentially significant role of inter-governmental transfers of information, knowledge, and know how across the developed and developing world, and within the latter.[xxii] An alternative approach is to engage international NGOs or consultancy companies to fill capacity gaps, especially in service delivery, but this provides only a short term palliative not a longer term solution.

At present, and in the future, institutional partnerships[xxiii] to devise, advocate and deliver social protection seem likely. These can involve national governments, national and international NGOs, bilateral and multilateral aid agencies and research institutes. Each can contribute its strengths - national coverage, links to poor people, finance, analytical and monitoring capacity etc. Such partnerships are not without their problems, however, for example when a donor tries to impose its model of social protection on a recipient government.

(c) Politics

Extending social protection in developing countries also requires a propitious political environment in which demand for social protection can translate into effective government responses. It is useful to make a distinction between the political conditions needed for the introduction of social protection initiatives, and those required for the sustainability of programmes.

Considering the adoption of social protection programmes, there is surprisingly little research for developing countries. Public choice models of policy processes are perhaps not very helpful in this context. In developing countries, and especially low income ones, the shortcomings of median voter models of policy adoption are apparent. Voters are ill informed about the relative advantages of policy options, and the policy promises of politicians have little or no credibility (Keefer and Khemani, 2003). Patronage, clientelism, and corruption undermine the basis for democratically competitive politics. The political system is, as a result, less effective in aggregating voter preferences, than in protecting and nurturing patron-client relationships.[xxiv]

This underscores the importance of factors exogenous to the domestic political system, such as major disasters or crises, or the intervention of donors and NGOs, in forcing social protection onto the political agenda. It is not surprising that the initiation of social protection programmes often reflects a desire on the part of policy makers to counteract real or perceived opposition to government policy, and the threat of social unrest. Social protection programmes can play a very significant role in facilitating social and economic transformation, especially where the associated losses are large and up front. A good example is the introduction of Bolivia's *Bono Solidario*, a non contributory pension scheme. The government used this pension programme as a means of ensuring political support for the privatisation of utilities, by promising to use the proceeds from privatisation to fund these pensions (Gray-Molina, 1999). After successfully completing the privatisation process the government suspended the pension entitlement, but later reinstated it under public pressure (Barrientos, 2006). Similarly, the rapid expansion of

China’s Minimum Living Standards Scheme and Argentina’s *Jefes y Jefas*, were prompted by rapidly rising unemployment and the threat of unrest.

The political conditions required for the political sustainability of social protection programmes are less demanding, but these can be problematic. Discussing the spread of income transfer programmes in Latin America, Britto (2008) notes how quickly political support can be gathered for programmes that are perceived to be effective in reaching those in poverty who are perceived to be efficient in the use of resources. Social protection programmes can quickly build coalitions of support that can ensure their sustainability. This can also be a disadvantage as social protection shows strong path dependence, with the implication that it will be difficult to reform programmes or replace them with better alternatives. Creating a political constituency supporting social protection priorities is essential to securing sustainable social protection

6. Conclusions

This paper has reviewed the rapid unfolding of a ‘quiet revolution’ in developing countries - the rise of social protection. In the space of a decade or so, social protection has become one of the three main elements of national development strategies, with growth and human development. Its conceptual basis has been clarified and extended, from a single focus on risk to a broader focus on basic needs and capabilities. This is also reflected in practice, with a rapid scaling up of programmes and policies that combine income transfers with basic services, employment guarantees or asset building. The increase in coverage is astonishing, and promises to make a significant contribution to global poverty and vulnerability reduction.

The key global drivers behind the rise of social protection include: the impact of crises and adjustment on poverty and vulnerability together with the ineffectiveness of short term discretionary safety nets; the growing awareness that a globalised world implies large costs associated with not having social protection; and, the international focus on poverty reduction that brought about the MDGs. This was complemented with a discussion of stylised pathways in the extension of social protection at regional and sub-regional levels. The discussion on pathways demonstrated the diversity of social protection responses, depending on the nature of existing institutions (determining path dependence), level of economic development (defining the fiscal space), and the features of social and economic transformation (determining the interactions between longer term trends and short term fractures).

The future course of social protection, especially in low income countries, will be largely determined by three factors. Firstly, the firming up of broad partnerships in which external actors support national social protection strategies that are led and managed by national government agencies. Secondly, success in finding innovative ways to reduce financing constraints in the medium and longer-term. This involves reinforcing revenue mobilisation in developing countries. Thirdly, strengthening demand for social protection.[xxv]

Finally, we highlight the two important knowledge frontiers on which researchers and policy makers should be focusing. The first, finding ways of scaling up successful social protection programmes to the national level in low income countries is already a priority and that should continue. The second, creating knowledge about social protection programmes in fragile states and difficult environments, through mounting experiments and pilot programmes, has been somewhat neglected. Social protection may have the ability to meet the desperate, immediate needs of people living in fragile states whilst at the same time supporting peace-building efforts and the demobilisation of militias, contributing to improved prospects for national and international security and future growth. This is a great challenge – but, the quiet revolution of social protection over the last ten years suggests that this is an idea and practice that has not yet reached its limits in contributing to human development in developing countries and beyond.

[i] This is acknowledged by many multilateral and bilateral organizations, national governments, and NGOs (IADB, 2000; United Nations, 2000; ADB, 2001; ILO, 2001a; World Bank, 2001; HAI, 2003; DFID, 2005). The G8 Summit Declaration in June 2007 described social protection as 'an investment in a country's economic future and a cost-effective way of fighting poverty'.

[ii] Social assistance includes programmes and policies supporting those in poverty and financed in the main from tax revenues. In development, these programmes are a subset of poverty reduction programmes, and among Washington institutions they are referred to as safety nets.

[iii] Admittedly, these are countries with large populations but there is now widespread coverage in many smaller African, Asian, Caribbean and Latin American countries. For a database of social protection programmes in developing countries see Barrientos and Holmes (2006) at www.chronicpoverty.org.

[iv] Many of the programmes that have led to support for social protection are based on income transfers.

[v] See Addison, Hulme and Kanbur (2008) for a detailed examination of the concept of poverty dynamics.

[vi] This arises in part from their vulnerability to the impact of economic, social, and natural hazards.

[vii] This is reflected also in the objectives and design of social protection programmes. *Chile Solidario*, an integrated extreme poverty eradication programme introduced in Chile in 2004 is explicitly based on a capability perspective.

[viii] Behind these statistics are the harrowing accounts of individual human suffering that tens of millions of people have experienced because social protection has not been available - hunger, stunting, social stigma, lives constrained by withdrawal from education, disability and easily preventable deaths.

[ix] For critiques see Clemens, Kenny and Moss (2004) and Saith (2006).

[x] See Barrientos and Hulme (2008) for more details.

[xi] Bolivia's social fund was the model for scores of social funds that the World Bank set up around the world.

[xii] In the mid 2000s this was renamed *Oportunidades.*

[xiii] In most African countries universities have been allowed to deteriorate and significant proportions of educated people, sometimes the majority, have migrated.

[xiv] For a discussion of the evolution of social protection in the Bank see World Bank (2001). For a discussion of social policy and social protection in the Bank see Hall (2007).

[xv] A recent review of social safety nets (social assistance) work by the World Bank in the period 2002-2006 concluded that 9 percent of all Bank projects (lending and analytical) involved safety nets; that safety nets absorbed 3 percent of total Bank lending; and that safety nets absorb one half of the social protection portfolio. (Milazzo and Grosh, 2007)

[xvi] Many NGOs have decades of experience in responding to emergency and humanitarian crises and some are global leaders in this field.

[xvii] If a basic health insurance is added, it would absorb on average an extra 2 percent of GDP.

[xviii] Many programmes aim to transfer an additional twenty percent of household consumption, for the average beneficiary household.

[xix] Warlters and Auriol argue convincingly that improvements in the efficiency of tax collection is likely to be more effective than expanding the tax base as a means of raising revenues in low income countries (Auriol and Warlters, 2002; Warlters and Auriol, 2005).

[xx] Sumarto et al. (2008) discuss how the expansion of social protection in Indonesia was financed by switching resources away from petrol subsidies. Britto (2008) makes reference to Brazil's partially successful efforts to switch government subsidies from generous pensions for civil servants to programmes like *Bolsa Escola* targeting the poor.

[xxi] See Rondinelli (1993) for an analysis and examples of scaling up administrative capacity. Judith Tendler's (1997) *Good Governance in the Tropics* provides a detailed case study.

[xxii] See Hulme (2007) for the argument that India is now in a position to make the development of capacities for poverty analysis a major component of the work of the newly established India International Development Agency (IIDA). There are clearly similar potentials for Brazil to publicly (or privately) engage in social protection capacity development across Africa – what a comparative advantage it would have in Lusophone Africa.

[xxiii] See Robinson, Hewitt and Harriss (1999) for a discussion of these relationships.

[xxiv] See Hickey (2008) for a detailed discussion of these issues in Africa.

[xxv] See Fukuda-Parr (2006) for a discussion of this issue.

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