

Social Protection in Low Income Countries and Fragile Situations

Challenges and Future Directions

Colin Andrews, Maitreyi Das, John Elder, Mirey Ovadiya
and Giuseppe Zampaglione

Background Paper for the World Bank 2012–2022 Social Protection and Labor Strategy



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Abstract

Demand for social protection is growing in low income countries and fragile situations. In recent years, the success of social protection (SP) interventions in middle income countries (MICs) like Brazil and Mexico, along with the series of food, fuel, and financial crises, has prompted policymakers in low income countries (LICs) and fragile situations (FSs) to examine the possibility of introducing such programs in their own countries. Flagship programs in countries as diverse as Ethiopia, India, Pakistan, and Rwanda have shown the adaptability of social protection interventions to the LIC context. Yet, despite growing levels of support for these initiatives, many challenges remain. In LICs and FSs, governments are confronted with a nexus of mutually reinforcing deficits that increase the need for SP programs and simultaneously reduce their ability to successfully respond. Governments face hard choices about the type, affordability, and sustainability of SP interventions. The paper reviews how these factors affect SP programs in these countries and identifies ways to address the deficits. It supports the establishment of resilient SP systems to address specific needs and vulnerabilities and to respond flexibly to both slow and sudden onset crises. To achieve this, both innovation and pragmatism are required in three strategic areas: (i) building the basic blocks of SP systems (e.g., targeting, payments, and monitoring and evaluation); (ii) ensuring financial sustainability; and (iii) promoting good governance and transparency. These issues suggest the possibility of a different trajectory in the development of social protection in LICs than in MICs. The implications for World Bank support include the need to focus on increasing knowledge and operational effectiveness of SP programs, fostering institutional links between multiple SP programs, and using community capacity and technological innovations to overcome bottlenecks in operations.

JEL Codes: I30, I31, I38

Key Words: social protection systems, safety nets, social insurance, political economy, financing, vulnerability, labor markets, informal sector

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I. INTRODUCTION

Demand for social protection is growing in low income countries and fragile situations. In recent years, the success of social protection interventions in middle income countries (MICs) such as Brazil and Mexico, along with the series of food, fuel, and financial crises, has prompted policymakers in low income countries (LICs) and fragile situations (FSs) to examine the possibility of introducing such programs in their own countries. The prominence of flagship programs including Ethiopia's Productive Safety Nets Program and India's National Rural Employment Guarantee Act has increased expectations about the feasibility of customizing social protection systems in countries with low capacity. At the same time, momentum is shifting toward support is growing for the idea that the provision of essential social transfers and services by countries to their people is a basic human right as is spelled out in the UN Social Protection Floor Initiative, as adopted by the Chief Executives Board of the United Nations in April 2009.

National governments are increasingly looking at social protection to shield their populations against shocks, alleviate poverty, and promote economic growth. Evidence shows that effective, efficient, and equitable social protection programs can directly reduce poverty and inequality and help families become more resilient by enabling them to smooth consumption and manage shocks. Social protection and labor policies also promote opportunity, productivity, and growth, notably by building and protecting human capital assets, increasing access to jobs, and freeing families to make productive investments with higher returns because of a greater sense of security. In fragile situations, social protection can also promote social cohesion by supporting widows and orphans and rehabilitating ex-combatants and people who have been disabled in war.

Innovative technology solutions and the exchange of knowledge among nations are helping deliver social protection in countries with different levels of capacity. In some

countries, governments are becoming interested in combining separate social protection programs into integrated social protection systems. Innovative IT solutions such as smart cards and mobile phones can improve the delivery and increase the accountability of social protection programs, spurring greater interest in low income countries in developing common administrative systems. South-South exchanges and global recognition of the important role played by social protection in improving the welfare of the poorest citizens are also supporting this shift. In fragile situations, the focus is necessarily on strengthening the state itself and its institutions. As such, social protection is seen as essential both to build institutions and to protect the vulnerable. Therefore, the nature of social protection in fragile and post-conflict states is often quite different from that in LICs.

Despite growing levels of political support and innovation, challenges remain. Social protection in low income and fragile situations is, for the most part, still at an early or experimental stage. Some argue that these countries are too poor to invest scarce resources in social protection programs. This view is driven by the belief that social protection is a “handout” rather than an investment in economic growth. Social protection programs are viewed by some as fiscally unsustainable and as creating dependency in recipients who had previously relied on informal safety nets. On the other hand, some low income and fragile countries have fully embraced social protection and made it a key pillar in their development strategies, recognizing it as a critical foundation for shared growth and social stability.

Developing and delivering effective SP in low income countries and fragile situations presents operational challenges. The depth and breadth of poverty in these countries is much greater than in other countries. The poorest groups are very difficult to identify and reach; fiscal resources are constrained; and administrative capacity to implement programs is weak, as is the ability to ensure that programs actually reach their intended recipients. Programs are often easier to introduce than to reform. Fragile situations face even greater challenges, often because their insecure territorial situation can inhibit both the supply and demand for social protection and other services.

The purpose of this paper is to take stock of the state of social protection in LICs and FSs, identify the main constraints to implementing social protection programs, and suggest appropriate ways to respond, including the best methods for the Bank to support the extension of SP in these countries. It starts by exploring the general context of social protection in LICs and fragile situations. The next section defines the salient features that distinguish low income and fragile countries from middle income nations where the practice of social protection is more advanced. Based on the challenges and gaps that are identified, Section IV then lays out the implications for SP activities in LICs and FS. The paper concludes by recommending some operational priorities that have emerged from the analysis. The paper draws on extensive background literature, deliberations within and outside of the Bank, and material related to the Bank's ongoing support of social protection operations in a range of different contexts.

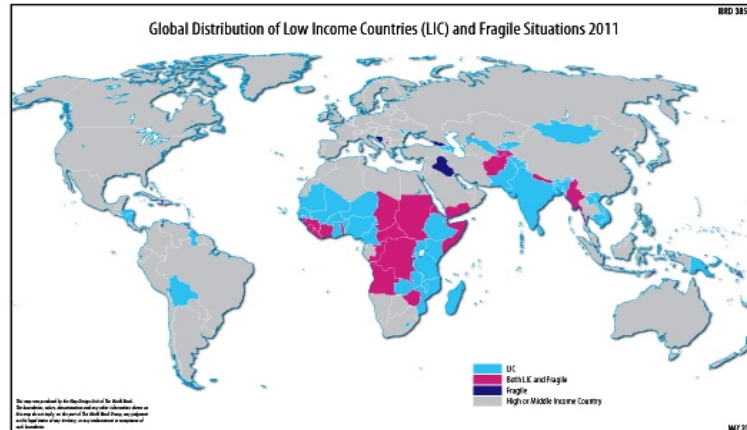
II. SETTING THE CONTEXT

A low income country (LIC) is defined in this paper as a country that is eligible to borrow from the World Bank International Development Association (IDA). For most countries, this means having a GNI per capita of USD 1,165 or less as of 2009, with exceptions for countries that have recently emerged from conflict or are small island economies (see Annex 1 for a more detailed explanation and for a list of IDA-eligible countries). During fiscal year 2011, the Bank recognized 79 countries worldwide as falling into this category (see Figure 1).

The paper defines fragile situations as those countries that either have an average institutional rating of 3.2 or less on the Bank's Country Policy and Institutional Assessment (CPIA) or where a United Nations (UN) and/or regional peace-keeping or -building mission was present during the previous three years. The definition also takes into account some broader dimensions of fragility like levels of violence, civil conflict, and low capacity in line with the Bank's *World Development Report 2011: Conflict, Security, and Development* (World Bank 2011a). Accordingly, during fiscal year 2012, 33 countries worldwide were

recognized as fragile and conflict-affected, 19 of which are in Africa. Of these 33, with the exception of Iraq and the West Bank and Gaza, all are also IDA-eligible countries. And, while fragility is not directly defined by an income cut-off, fragile situations and countries with very low per capita income overlap widely.

Figure 1: Global Distribution of LICs and FSs, 2011



Source: World Bank (2012).

This report separates out fragility from low income because fragile countries often have additional vulnerabilities and increased exposure to shocks and risks. These can include the existence of large displaced populations, large numbers of orphans, widows, and people with both physical and psychological disabilities, the need to reintegrate ex-combatants and child combatants into society, or organized crime, and a high degree of exposure to covariate risks. The extent of fragility is considerable. One in four people in the world, more than 1.5 billion, live in fragile and conflict-affected states or in countries with very high levels of criminal violence. People in fragile and conflict-affected states are more than twice as likely to be undernourished as those in other developing countries, more than three times as likely to be unable to send their children to school, twice as likely to see their children die before age five, and more than twice as likely to lack clean water. A thorough understanding of these determinants is a pre-condition for any effective social protection (SP) intervention. The World Development Report 2011 (World Bank 2011a) underscores the importance of SP programs in building peace and resilience in fragile situations.

Cambodia, Nepal, Rwanda, and Sierra Leone have successfully used SP programs to promote peace and reconciliation after a period of protracted conflict, particularly using cash transfers and labor-intensive public works.

2.1 Social Protection in LICs and Fragile Situations

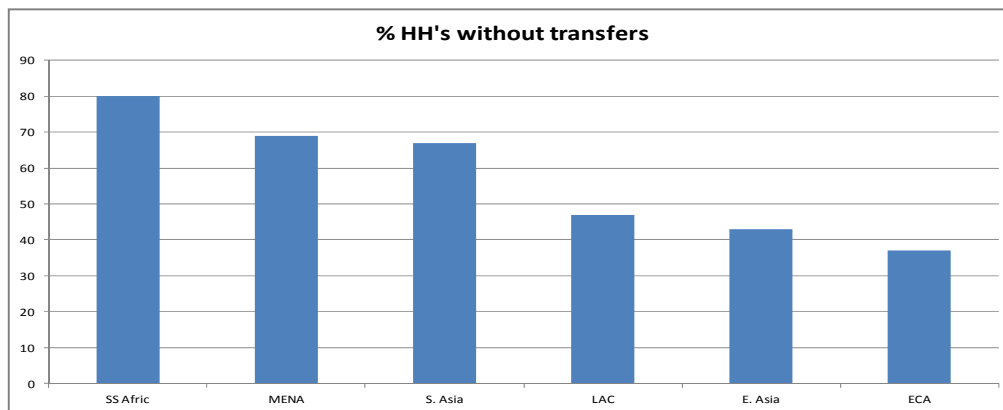
The World Bank's forthcoming Social Protection and Labor Strategy describes how social protection reduces poverty and contributes to sustainable, inclusive growth through three functions – protection, prevention, and promotion (World Bank 2011b). All of these are relevant in low income and fragile situations, although the priority of each may be different from those in MICs. Many social protection instruments in LICs are designed to deliver two or more of these functions. For example, well-designed public works provide temporary employment to help recipients smooth their income and consumption, thus enabling them to invest in productive assets and engage in higher-risk/higher-return activities. In addition, they also create community assets (by, for example, building roads and conserving soil and water) that create a basis for economic growth. Food distribution and nutritional supplements not only save lives today but ensure a healthier workforce in the future. All three functions – protection, promotion, and prevention – should be present in any effective social protection system.

In recent years, a handful of LICs and fragile situations have dramatically increased the coverage of their income support programs, particularly in response to the recent food, fuel, and financial crises. For example, Ethiopia's Productive Safety Nets Program (PSNP) (see Box 6) reaches 7.6 million beneficiaries. Pakistan's Benazir Income Support Program covered 2.2 million households within a year of starting up. However, looking at LICs in general, a patchier picture of coverage emerges, especially in Africa. Large parts of the population are not covered by any social protection program, and programs that do exist cannot be adequately scaled up because of both fiscal and capacity constraints.

Figure 2 illustrates the coverage of public social protection programs across the globe (not including subsidies). Trends are evident. Countries in East Asia and the Pacific (EAP) and

Eastern and Central Europe (ECA) have a range of programs in operation with high population coverage. Within these countries, some target specific population groups (social pensions in Nepal and disability benefits in ECA). At the other end of the spectrum, the regions where LICs and fragile situations are most heavily concentrated, Africa and South Asia, coverage is very low. Broadly speaking, formal SP programs are most likely to protect better-off formal sector households, many of whom are eligible for coverage under social insurance programs (mainly civil service pensions).

Figure 2: Households Receiving No Social Protection Transfers (Excluding General Subsidies)



Source: World Bank (2011b).

2.2 Main Instruments and Approaches

Social Safety Nets: Dominant Social Protection Approach in Most LICs and FSs, although social insurance and employment assistance can also play a role

In most of these countries, their limited formal sector and a narrow payroll tax base mean that safety nets are non-contributory (see Annex 2 for an overview of safety net instruments). Even in countries where safety net coverage and expenditures are high, governments are likely to continue to work on reforming, re-designing, or consolidating the existing programs. In several countries, workfare and cash transfer programs exist side-by-side, and many countries (including Tanzania) are also experimenting with conditional cash transfers (CCTs). Very often labor-intensive public works remain a relevant and attractive

instrument across all types of countries given the temporary employment function that they provide.

Box 1: Social Protection in Fragile Situations

It should be stressed that fragile situations present both challenges and opportunities in terms of implementing social protection. On the one hand, they face greater challenges including the existence of additional vulnerable groups such as displaced populations, ex-combatants, people disabled by war, and widows and orphans. When this is combined with limited state capacity and an insecure environment, it can affect both the supply of and demand for social welfare and other services. On the other hand, social protection programs have the potential to transform institutions in fragile situations. The World Development Report 2011: Conflict, Security, and Development (World Bank 2011a) lists social protection as one of the options that can be incrementally increased in fragile and post-conflict countries. Labor-intensive programs can be a stabilizing force in fragile situations while at the same time yielding valuable infrastructure investments. Examples include the employment initiatives in the Gaza Strip since the 1990s and the Liberian Cash for Works Temporary Employment Program that created 17,000 temporary jobs in response to the 2008 Food Crisis, as well as being the basis for a Youth Employment Skills Project that has created an additional 45,000 temporary jobs in three years. Cash transfer programs can also help communities to reestablish their livelihoods and restore lost assets. These have taken the form of transitional payments to demobilized ex-combatants in Angola, Mozambique, and Rwanda and cash payments to internally displaced people and veterans in Timor-Leste. In Nepal, certain programs like social pensions for the elderly, single women, and people disabled during war have stayed in place and grown throughout protracted conflict and its aftermath. Cash benefits can also be delivered by eliminating fees on government services as was the case with education and health care in Liberia and maternal and child health care in South Africa. Such programs can redress the balance for those groups that were previously excluded from state programs (World Bank 2011a). Even more importantly, social protection programs in fragile situations can build institutions while at the same time protecting the vulnerable.

Source: Authors (2012).

Social Insurance and Employment Assistance Become More Prominent on Policy Agenda as Capacity Increases

There are innovative ways to expand coverage through non-traditional social insurance schemes. For example, in some low income countries, governments are subsidizing the premium payments for health insurance (India) or matching workers' contributions to a pension scheme (Vietnam) so that informal sector workers and their families can be insured

against the type of risks that are usually covered by social insurance schemes.¹ Given their large informal sectors, these low income countries have struggled to develop effective programs for graduation, but this is a continued area of focus.

Scale of SP Programs Has Implications for the Long Term Evolution of SP Systems

The approach adopted in many LICs is to begin by piloting a program with the aim of determining (and convincing others of) the program's efficacy. However, many LICs have a large number of these small pilot programs, and, in fragile situations in particular, these are mainly funded by donors. If not designed in collaboration with or within government institutions, these programs often fail to build essential capacity. A large number of "niche" programs also exist; they are narrowly targeted to a limited number of individuals or households who tend to have unique characteristics not common to the rest of the population. An example, cash benefits paid to ex-combatants and the families of those killed in conflict in Nepal and Eritrea. Sometimes these programs exist simply because of a donor's priorities, but in other cases the country in question can only afford a program that reaches a small target group, in which case it is a strategic choice.

Many Nationwide SP Programs Have Resorted To Second Best Program Interventions Including General Price Subsidies

Subsidies are comparatively easy to implement which is an important consideration for countries with weak administrative capacity. General price subsidies, on the other hand, may put an unsustainable burden on the exchequer and tend to be regressive, benefitting the non-poor more than the poor. Between 2000 and 2004, energy subsidies ranged from 5 to 20% of GDP in many Middle Eastern and North African countries. The typical finding of several studies reviewed by the Independent Evaluation Group (World Bank 2009) was that those in the bottom 40% of the income distribution received only 15-20% of the fuel subsidies. Consequently, a few countries (Ghana, Indonesia, and Senegal) have reformed

¹ Concerns about incentive effects and labor market distortions are less important in LICs than in MICs because the target population is not generally in a position to reduce the formal sector labor supply, retire early, or save less.

their subsidy programs as a first step towards developing a more effective and efficient social protection system.² Only a handful of LICs (Ethiopia, Pakistan, Rwanda, and India) has adopted social protection interventions, other than subsidies, on a national scale.

Crisis response has often been an entry point for social protection in LICs and fragile situations

Programs designed only to respond to temporary shocks – often natural disasters or economic shocks – are then expanded to address non-crisis issues (e.g., Ethiopia’s Productive Safety Nets Program).

2.3 Trends in the Bank’s Social Protection Portfolio³

From 1998 to 2011, the Bank committed about USD 26 billion to finance social protection and labor programs in developing countries, representing about 7% of total Bank-wide lending commitments. A wave of social protection initiatives were introduced during the 2008-2009 food, fuel, and financial crises, including programs in 19 (mainly IDA) countries that had previously received no safety net support. Many of these initiatives were financed through trust funds such as the Global Food Response Program, Rapid Social Response, and Japanese Social Development Fund. In addition, the Bank supported about 300 pieces of analytical and advisory services (AAA) and non-lending technical assistance in the SP area between 1999 and 2011 in IDA countries, with an increasing trend from 2005; of AAA support, the Africa region received 47%.

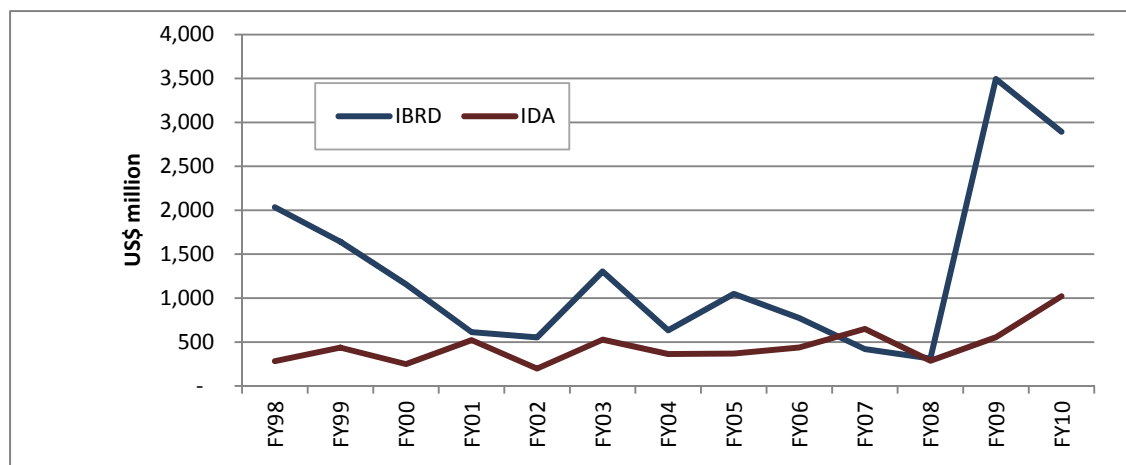
Bank lending to IDA countries for social protection tripled between 1998 and 2011, although from a low base, with sharp increases in FY09 and FY10 in response to the food, fuel, and financial crises (see Figure 3). The composition of lending changed substantially during this period. Lending for social funds and labor market programs constituted more

² In certain situations, the use of subsidies may be appropriate: For example, when they can be progressively targeted (in other words, the items that are subsidized are consumed mainly by the poor), when the prices of essential commodities are too high and a quick intervention is needed, and when they are introduced only for a fixed period (see Annex 2 for more information).

³ A more extensive discussion of the Bank’s social protection and labor portfolio can be found in M. Honorati et al. (2011).

than half of the annual lending in the early part of the period, but from FY05 onward, lending for safety nets accounted for more than one-third of all lending. The Africa region had the largest IDA portfolio in social protection during this period, USD 4.2 billion, followed by South Asia with USD 1.7 billion. The other regions had smaller lending amounts (East Asia and the Pacific USD 610 million, Europe and Central Asia USD 703 million, Middle East and North Africa USD 413 million, and Latin America and the Caribbean USD 426 million) but also had many fewer IDA countries.

Figure 3: World Bank Social Protection Lending Commitments, IBRD and IDA 1998-2010



Source: Authors (2012).

The Bank has not been the only player promoting social protection in LICs. Emergency response programs and humanitarian aid managed by other agencies were instrumental in making social protection – and social safety nets in particular – a reality in the poorest countries, in raising their profile with policymakers, and in furthering experimentation and knowledge accumulation about how best to deliver such programs in low income and fragile countries.

III. IMPORTANT IMPEDIMENTS TO IMPLEMENTING SOCIAL PROTECTION IN LOW INCOME COUNTRIES AND FRAGILE SITUATIONS

Despite the growing momentum and opportunities outlined in Section II, LICs and FSs governments are confronted with a nexus of mutually reinforcing deficits that increase the need for social protection programs and simultaneously reduce the ability of the governments to successfully respond. Governments face hard choices about the type, affordability, and sustainability of social protection interventions. While there can be a great deal of overlap among MICs, LICs, and FSs on any single issue listed in Figure 4, the challenge for LICs and FSs is that they have deficits across multiple issues at the same time and the deficits are mutually reinforcing. For example, the large percentage of the population below the poverty line and the limited fiscal capacity mean that targeting is a critical issue, while the more limited administrative capacity and poor quality infrastructure make targeting more difficult. Likewise poor infrastructure puts higher demands on administrative capacity for a given type of program while actual administrative capacity is much weaker than in most MICs.

Figure 4: Social Protection - Factors of Implementation

Issue	MIC	LIC	FS
Poverty	Low		High
Vulnerability	Low		High
Administrative Capacity	High		Low
Financial Capacity	High		Low
Infrastructure	Good		Poor
Governance			

Source: Authors (2012).

3.1 Factors Affecting the Design and Implementation of SP Programs in LICs and FS

Poverty Tends To Be High in LICs and Very High in Fragile Situations

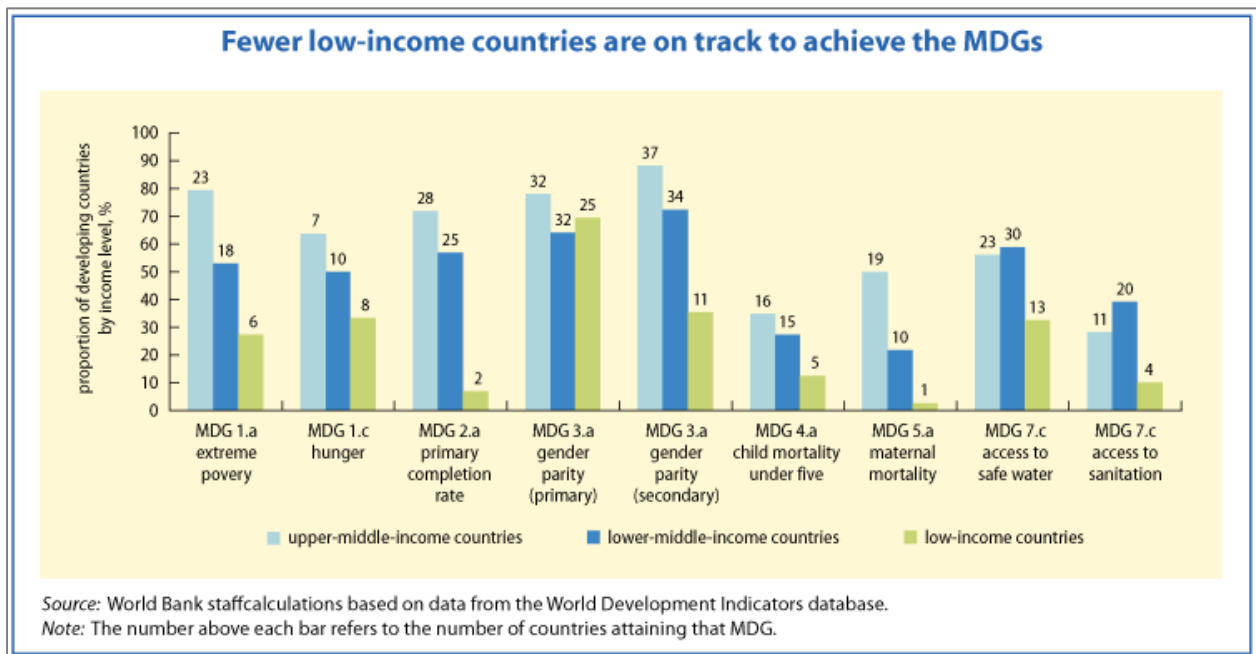
In comparison to middle income countries, a larger proportion of the population in low income countries (LICs) and fragile situations (FSs) falls below the poverty line and lags behind in terms of human development indicators and progress towards the Millennium Development Goals (see Figure 5). While levels of poverty have declined globally, the reduction has been much smaller in LICs and FSs. High levels of poverty increase the need for social protection services in a context where administrative and fiscal capacity is weak.

Vulnerability

Levels of vulnerability to poverty are often higher in LICs with large numbers of households moving in and out of poverty. Crises are frequent and disproportionately affect the most poor and vulnerable. Countries are exposed to increasing economic volatility, as well as

changing environmental and climatic factors. The global economic crisis of 2008-09 came on top of the food and fuel price crises, further compounding the needs of already poor and vulnerable households. In addition, droughts and other natural disasters have become more frequent; the number of disaster-related deaths doubled between 1997 and 2006 (World Bank 2010c). Available data show that not only are disasters more prevalent in LIC and fragile states, the havoc they wreak in terms of deaths is also more intense.

Figure 5: Fewer Low income Countries are on Track to Achieve the MDGs



Administrative Capacity

Administrative capacity tends to be weak in LICs. In addition, in many LICs, the institutional architecture for social protection is complicated, with responsibilities divided among various ministries. Weak administrative capacity makes coordination of an effective response to demands for social protection difficult. Overall levels of education are lower so the pool of potentially able administrators, who can respond to very high levels of need, is smaller. In the near term, building SP systems will depend on being able to adapt administrative requirements to the existing administrative capacity.

Financial Capacity

Most LICs spend less on social protection relative to GDP than MICs and much less per capita given both the lower GDP per capita and the higher levels of poverty. The sheer size of need means that some programs would not be fiscally sustainable if implemented (e.g., income transfers to move households to the poverty line). In the intra-governmental competition for resources, social protection has traditionally not been a priority. Financing often comes from donors and, thus, makes it more difficult to develop a single coherent system.

Fiscal constraints are reflected in the SP expenditure levels of many LICs and FSs, which tend to be in the region of 0.5-2.0% of GDP (Weigand and Grosh 2008). These patterns seem to suggest that societies agree that a certain minimum safety net is required but also that they have reservations about making the safety net too large. Thus, safety net spending in both MICs and LICs tends to be concentrated in the 1-2% of GDP range. Clearly for many LICs, the most salient issue will not be increasing the size of the budget envelope devoted to safety nets because there is not enough fiscal space, but rather making the most of that spending.

Limited fiscal space means that these countries must look more carefully at the mix of SP programs (including subsidies) that they are implementing as well as at the efficiency of public social protection spending and to make hard tradeoffs between their expenditure priorities (see Box 2). Many LICs are spending large proportions of their SP budget on subsidies that ostensibly help the poor, but in practice largely benefit the non-poor. Phasing out such subsidies to reclaim these resources and increasing the efficiency of existing social assistance programs could be important sources to fund new or improved SP programs. Vested political interest could make the implementation difficult.

Box 2: Fiscal Constraints and Ability to Provide Services

To illustrate the role of fiscal constraints, consider the 3% of GNP that South Africa devotes to its well-regarded social protection programs (Michael Samson in the OECD report, Promoting Pro-Poor Growth. Social Protection). Were that 3% to be devoted to the 26% of the population indicated as poor on a USD 1.25 a day classification, it would provide each individual with USD 650 annually or over USD 50 a month, more than enough to remove the recipients from extreme poverty or to widen the population to be assisted. In contrast, if the 73.8% of Malawians who are classified as poor shared 3% of that country's GNP, they would each receive USD 0.85 a month.

Bangladesh, with 50% of the population consuming less than 1.25 a day, would be able to provide USD 2.35 a month to the poor with 3% of its GNP devoted to transfer programs. However, with an economy that is 20 times as large as Malawi it has less opportunity to have a transfer program funded by external support reaching a high share of its poor. Poverty makes it difficult to finance an inclusive safety net from revenues; poverty and population makes an externally funded safety net a challenge.

Infrastructure

Infrastructure is much less developed in LICs and often virtually non-existent in FSs. The majority of the population in LICs and FSs live in rural areas (64% in IDA countries versus 31% in non-IDA countries) with limited access to roads (only 28% are paved), telephones, water, and electricity. Social protection interventions, therefore, face serious logistical problems reaching the targeted populations. This is made evident by the difference in the provision of services between IDA and Non-IDA countries. Estimates indicate that more than 50% of households in Sub Saharan Africa will continue to lack access to electricity in 2050 (World Bank 2010c). These infrastructure deficits put extra demands on administrative capacity, increase the fiscal cost of service delivery, and complicate governance.

Governance

While governance problems are not unique to LICs and FS, many reasons (including some of those listed above such as weak administrative and financial capacity may make governance issues harder to manage). Low income countries and especially FSs tend to score lower on indicators of governance such as voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption.

Another complicating factor for implementing social protection programs in LICs and FSs is that most households work in the informal sector. The self-employed represent 48% of the total workforce in LICs. Although the private sector is increasingly dynamic, enterprises are typically small and informal with low productivity. For the foreseeable future, the informal labor market will offer far more employment opportunities than the formal sector, particularly in agriculture. In this context, many traditional social protection programs (e.g., pensions and alternative labor market programs) that usually connect with workers through formal sector employment will need to be significantly modified to be effective in LICs and FS.

The formal sectors in low income economies are rarely large enough to absorb the numbers of young people entering the labor force. Yet, very high youth unemployment and underemployment pose important political issues in many LICs and FSs: recent events in the Middle East and North Africa region reflect, in part, these tensions.

3.2 Political Economy Concerns

The social protection system, and how it evolves, is shaped by a country's political economy.⁴ Throughout the world, the establishment and expansion of SP systems is a process that is shaped by political systems, institutions, and ideas of justice, the role of the state, the causes of poverty, and concerns about inequality or redistribution. However, the process by which this occurs is far from linear. Political decisions to extend social protection are taken for a wide range of reasons, sometimes in response to citizens' action, or as a result of policymakers' concern about inequality or shocks, or when a government recognizes the need to solidify its support among a certain group.

Generally, the politics of social protection reflect the social contract or a set of mutual rights and obligations that bind citizens to their state. The legitimacy of a state rests on how it responds to the needs of its citizens. Therefore, social protection has often been used by

⁴ This section draws heavily on World Bank (2011c).

governments to shore up their legitimacy (e.g., by reversing rising inequality in South Africa, by defusing a political crisis in Kenya, or by mitigating rising food and fuel prices in Mali). Public investments in social protection in fragile and post-conflict states, such as in northern Uganda and Sierra Leone, are often driven by the desire for peace and reconciliation.

Debates about the establishment and extension of publicly funded SP systems are thus framed by the existing social contract, which itself is continually evolving. Efforts to introduce or expand SP activities depend greatly on political economy factors and these vary widely from region to region and country to country as does the basic social contract between the people and the state. For example, in ECA and LAC, the role of the state in providing SP services is well established and accepted, while in many countries in Africa and East Asia, there is still debate over whether or not the state should play a role in providing social protection services at all. In Africa, SP entitlements have slowly expanded beyond the economically active population in urban areas (those eligible for formal social security schemes) to include the elderly in some Southern African countries and other vulnerable groups, such as households caring for orphans and vulnerable children and the chronically poor. Such entitlements have been transformed into citizens' rights in the constitutions of South Africa and Kenya while in others, legislation protects citizens' right to a specific intervention such as a pension. India's strong rights-based movements have specifically established citizens' rights to livelihoods, information, education, and food. As a result, the Indian state has put in place a number of legislative measures and programs, of which the Mahatma Gandhi Rural Employment Guarantee Scheme is the most well-known.

A particular challenge is creating robust accountability mechanisms, which are typically more difficult to establish in LICs because the clients are the least likely to have the "voice" or "client power" needed to hold policymakers and providers accountable. In addition, weak administrative capacity and poor communication infrastructure limit the ability of the government to respond.

Furthermore, regional and international dynamics can heavily influence national policies. The African Union’s Social Policy Framework for Africa articulates the obligation of states to provide a “minimum package of essential social protection” that can be “broadened and deepened as more fiscal space is created” (see Box 3). This is echoed in the UN’s Social Floor initiative, which proposes that all states have a national Social Protection Floor that enables the poor to access basic health, nutrition, education, and housing services and a basic income that allows them to live with dignity.

Box 3: Growing Momentum for Social Protection: Livingstone Process

In recent years, African governments have taken important steps towards reaching a consensus on the need and scope for social protection in Africa. The 2004 Ouagadougou Declaration and Plan of Action can be regarded as a milestone in the movement towards the development of a comprehensive Pan-African social protection agenda. Adopted during the 3rd extraordinary session of the Assembly of Heads of State and Government of the African Union (AU), the Plan’s main message is to empower people, increase employment opportunities, and enhance social protection and security while promoting the Decent Work Agenda. In March 2006, the AU and the Zambian government spearheaded the organization of an intergovernmental regional conference on “A Transformative Agenda for the 21st Century: Examining the Case for Basic Social Protection in Africa.” This was followed by a ministerial meeting in Namibia where most countries of the region pledged to prepare a SP strategy. The outcome was the Livingstone Call for Action, a key milestone on Africa’s path to social protection. The agreement states that SP is both an empowerment and rights issue, that social transfers play a role in reducing poverty and promoting growth, and that a sustainable basic package of social transfers is affordable. The Call for Action encouraged African governments to put together and cost national social transfer plans integrated within their national development plans and national budgets.

In all regions, concerns that social protection can foster dependence among the beneficiaries and distort the labor market feature prominently in the political discourse. While this concern is politically very powerful, evidence suggests that it is often overstated in developing countries. In most programs, the median benefit rarely constitutes more than 20% of base welfare, so surviving on a benefit alone is not feasible. In addition, many programs are targeted to households with a low supply of labor or who are not expected to work (e.g., children, the elderly, and the disabled), while other programs specifically require work in return for the benefits. To overcome some of these concerns,

policymakers in LICs are now developing a variety of tools to minimize work disincentives: Setting appropriate benefit levels, using work requirements for able-bodied adults, and refining targeting approaches to taken into account households' asset levels are some examples.

IV. MOVING SOCIAL PROTECTION FORWARD

Building sustainable social protection programs to reduce chronic poverty and develop human capital in a manner that is equally capable of responding swiftly to crises is the next challenge facing social protection (SP) policymakers in low income countries (LICs) and fragile situations (FSs). Governments will need to find innovative financing solutions to enable these programs to extend coverage during the hard times and build effective systems the rest of the time. They will also need to move beyond the current focus on cash transfers and public works to more integrated SP systems with services tailored to the specific needs and vulnerabilities of beneficiaries. This includes expanded social insurance coverage and appropriately designed labor market interventions. This section suggests some strategic priorities for policymakers in LICs to consider based on various cross-country experiences.

4.1 Implementing Social Protection in LICs and FS

Implementing SP programs in LICs and FSs requires finding ways to overcome the multiple challenges discussed above. This section discusses several of the important pieces of a social protection program and how they can be adapted for the LIC and FSs context.

Choosing Targeting Approaches

As discussed previously, targeting is both more critical and harder to do in LICs and FS. More critical because of the higher percentage of the population in poverty and more limited fiscal space and harder to do because of lower administrative capacity and poor infrastructure. Box 4 identifies some of the decisions involved in determining a targeting strategy, recognizing the inherent concerns that often dominate those discussions.

While targeting approaches in LICs are still evolving, there are a number of important issues to consider. First, the targeting methods used in LICs and fragile situations may have to be simpler than in MICs because of data constraints and limited administrative capacity. For example, in Cambodia, policymakers have attempted to develop a simplified proxy means test. In Ethiopia, the Productive Safety Nets Program combines geographic, community-based, and self-selecting targeting to minimize inclusion errors. Nepal uses geographical and categorical targeting extremely successfully (World Bank 2011d). In addition, some types of programs, particularly labor-intensive public works, lend themselves to self-selection methods and are fungible in times of crises and disaster (when gathering information to target beneficiaries is time-sensitive).

Box 4: To Target or Not to Target? The Costs and Political Economy of Being Selective

There is a trade-off between universal coverage and narrow targeting. While there is often not enough available data to do a rigorous evaluation of those tradeoffs, there are a number of considerations for policymakers to bear in mind:

- Both the public and politicians tend to support universal programs since they benefit the entire population and, thus, minimize exclusion errors. However, this approach is often very expensive. The International Labor Organization (ILO) has estimated that a minimum package of universal benefits (old-age, disability, and child benefits and social assistance) would cost 4-11% of GDP in most countries. Given these cost concerns, many governments may prefer to target the poor or provide universal benefits only to specific groups such as the elderly or the disabled.
- Clearly defined targeting criteria can be a politically acceptable way to allocate scarce resources, especially compared with expensive and regressive subsidies. Yet, the process of moving to targeting can introduce social tensions as previously eligible beneficiaries cease to receive transfers.
- Some countries may not have the administrative capacity to implement targeting. Also, it can be expensive to put into practice as extensive and accurate data are needed to verify eligibility. Where these data are not readily available, it is possible to use self-targeting and community targeting mechanisms to reduce both the information and administrative costs of targeting.

Second, countries with high poverty rates pose a unique challenge due to limited budgetary resources. Even when a targeting method has been successfully applied, problems of excess demand or unfulfilled need may persist in. In this situation, community-based targeting can

be helpful in allocating benefits in a way that is locally acceptable. In Sierra Leone's Cash-for-Works Temporary Employment Program, beneficiaries were regularly rotated and/or were selected on a first-come first-served basis.

Identifying Beneficiaries

In implementing social protection programs, particularly cash transfers and many targeted subsidies, it is important to develop a system that can distinguish program beneficiaries from non-beneficiaries. A well-functioning identification (ID) system makes it possible to track beneficiaries through various processes including registration, payment, verification and control, re-certification, and graduation. This promotes efficiency within a program, as well as improving program governance by reducing duplication errors, possible fraud, and overlapping benefits. In LICs and fragile situations, identification tends to be problematic and few have robust national ID systems or effective vital registries. Evidence supports this, as many poor people cannot access the benefits from government programs in LICs because they cannot prove their identity.

Innovations in biometric technology have made sophisticated technology much less expensive, allowing it to be used even in fragile situations. For example, it has been used to scan and identify beneficiaries of the Disarmament, Demobilization, and Reintegration (DDR) project in the Democratic Republic of Congo. Setting up a program-specific ID card system is likely to entail high initial costs but it will yield ongoing benefits in terms of reducing errors of exclusion and increasing the efficiency with which the program is administered. For example, India is introducing a national ID card that will be valid for multiple activities.

A key challenge in LICs and FSs is to ensure that potential beneficiaries face minimal barriers to access these IDs. High levels of poverty, low levels of literacy, lack of access to government services, and poor infrastructure may all inhibit access to IDs. It may be necessary to make special provisions to work with national institutions to ensure that excluded groups can be enrolled in the respective programs. For example, in Nicaragua, the

Social Protection Network (SPN) issued conditional cash transfer (CCT) payments to beneficiaries who held a national ID number. However, when the program decided to expand to more remote areas, it discovered that the potential beneficiaries in these areas were unlikely to hold IDs. To address this issue and to prevent errors of exclusion, the SPN began issuing temporary program-specific IDs containing a barcode to identify beneficiaries. In addition, SPN officials worked with local authorities and lawyers to help beneficiaries enrol in the civil registry so that they could receive permanent national ID cards at a subsidized price. Provisional IDs proved to be easy to make and relatively inexpensive; they were created using a camera, a computer, and a plastic laminating machine. In Liberia, the Cash-for-Works Temporary Employment Program included a simple ID system for its beneficiaries that helped to minimize fraud and, more importantly, constitutes a basis for issuing IDs for future programs.

Making Payments

Effective payment mechanisms are critical for ensuring the timeliness and reliability of transfers, as well as the smooth functioning of the program as a whole. LICs and FSs face multiple challenges in delivering payments due to weak financial architecture, low use of existing financial systems by the poor, and weak communication infrastructure. In recent years, program operators, financial institutions, and IT innovators have developed a wide range of strategies to deliver transfers effectively.

The use of electronic delivery mechanisms is an area that has considerable potential in LICs and FSs. Evidence shows that automated systems can cut fraud and achieve wider coverage. When transfer programs adopt such technologies as smart cards, point of sale devices (POS), and cell phones, they are reaching a larger number of beneficiaries. For instance, in Kenya, Safaricom (working with Vodafone) launched an initiative called M-PESA originally co-funded by the UK Department for International Development (DFID) to enable customers with no access to conventional banking to receive benefit payments through a pre-paid phone. All customers need to register at an authorized M-PESA agent – usually petrol stations, supermarkets, and Safaricom stores – by providing a Safaricom mobile number and

their ID card. The agent then activates an account on their mobile phone handset that enables customers to load and withdraw cash at any M-PESA outlet, including their benefit payments. Targeted households are clustered into groups of up to 10 to share the phone, and one literate person is nominated as the cluster leader. Although the equipment is shared by all cluster members, each beneficiary receives his or her own SIM card to register for M-PESA to reduce the risk of fraud among cluster members. This system currently serves 4 million customers and has over 360 M-PESA agents nationwide.

That being said, the best approach – it is significant to note – is not necessarily high-tech. For some programs, the most appropriate option is a combination of electronic and over-the-counter methods. For example, in Bangladesh, the Primary Education Stipend Project (PESP) uses the national bank network to disburse stipends, while several countries use the postal system to distribute benefits.

Monitoring and Evaluation

Monitoring and evaluation (M&E) are essential strategic components of the management of any safety net program: Implementing an effective M&E system in LICs and FSs is challenged by weak administrative capacity and poor communications infrastructure. Information produced by M&E is vital for providing feedback on the program's effectiveness, to hold project managers accountable to the public, and to help the government allocate budget resources efficiently. Evidence-gathering through M&E also can convince stakeholders of the value of social protection initiatives (see Box 5).

To be effective, M&E systems need political commitment more than costly investments in information technology. They also need to be continually adapted and simplified to take account of the weaknesses in physical and communications infrastructure typically found in low-capacity, low income countries. Ethiopia's PSNP exemplifies the difficulties and possibilities of running an M&E system in this context.

Although M&E arrangements were solidly designed from the outset in 2004, the PSNP program soon ran into problems with weak local capacity, coordination constraints, and

numerous logistical obstacles. Only 40 out of 232 districts reported any monitoring results (with delays) during the first year of program operations, and the remainder did not report at all. To improve this situation and to generate a minimum amount of monitoring data, a number of additional systems were put in place including sample-based emergency response systems, rapid response spot check teams, roving audits to investigate compliance with financial rules, disbursements and payments, and appeals and complaints to provide more timely information on compliance than the normal annual auditing system. In addition, the program's monitoring system was simplified by shortening the M&E manual in half (from about 160 to 80 pages) and providing more training to the staff involved in M&E activities.

Box 5: Using Evaluations to Establish an Evidence Base

Evaluations of social protection programs yield crucial information that enables practitioners and policymakers to assess the effectiveness of those interventions in improving well-being of participants and make any necessary changes as a result. For example, there have been several high-quality impact evaluations of the Ethiopia Productive Safety Nets program that have yielded evidence that the program has increased food security and asset protection in beneficiary households. As a result, the Government of Ethiopia felt confident in continuing the program and mobilizing increased internal and external financing to expand coverage.

In contrast, in Yemen, an evaluation of the Social Welfare Fund revealed that the combination of low benefits and poor targeting has had little impact on the livelihood of beneficiaries. The evaluation found that the program had a greater impact on poorer households, suggesting that targeting the benefits to the poorest 20% of households would significantly increase the program's effectiveness in reducing poverty. This prompted the government to introduce a better methodology for determining eligibility and targeting benefits.

Even in countries with less capacity, it is possible to use simple evaluation techniques to shed light on a program's design and implementation. For example, quantitative and qualitative evaluations were devised by the World Bank for the Liberia Cash-for-Works Temporary Employment Program in 2007. These evaluations were both inexpensive (e.g., data collection for the quantitative survey cost only USD 20,000) and rapid, and the information gathered was useful in shaping the subsequent Youth Employment Support (YES) project. This suggests that for programs providing short term benefits with the aim of reducing poverty, simple evaluation methods can be very useful from an operational point of view, while still maintaining high standards in program evaluation. The fact that both quantitative and qualitative data were available made it possible to triangulate the results to ensure that the evaluation's findings were robust. The fact that the team that carried out the evaluation worked closely with the team implementing the project also helped in incorporating the results from the evaluation into the design of the new project.

Social Insurance Programs

In LICs and FS, social insurance programs, including pensions, tend to cover only public sector and formal sector workers; therefore, outside of ECA, coverage rates are low and financial sustainability is often problematic. Despite low coverage, contingent liabilities from pensions and other poorly designed social insurance programs can put severe strains on government finances. One of the important challenges for social protection in LICs and FSs is adapting social insurance programs so that they attract informal sector workers. Some countries are now testing such programs. Ghana, for example, is piloting a program that opens retirement accounts to informal sector workers either in groups or individually (Samson. M 2009, cited in World Bank 2011c).

Non-contributory social pensions are also being tested in a number of LICs to provide a basic level of income to all households. Some of these are universal and others are targeted to specific groups. While politically very popular, universal basic income grants are financially unsustainable for most LICs and FS. In the southern part of Sub Saharan Africa where the rates of HIV/AIDS are high, countries have targeted social pensions to the elderly and found that this had a significant impact on the welfare of orphans and vulnerable children, the elderly have become primary care givers for their grandchildren.

Labor Market Programs

Given the high level of informality in LICs and FS, few of the ALMPs used in MICs and higher income countries are relevant. Developing programs for the low income context will support government agendas, which often place priority on programs that help people move into the labor force. Some successful pilots already exist. In India, successful private ventures, such as Teamlease, help to introduce unskilled and semi-skilled workers to potential employers, and industry associations are also stepping in to fill this role.

Insurance

In high and middle income countries, insurance (e.g., health, life, and accident) plays an important part in household risk management strategies. Until recently, insurance products

in LICs were extremely limited and targeted to people in the formal and public sectors. Today, micro-insurance products are now being tested and expanded across a range of LIC settings. This is being built on the success of micro-finance institutions in reaching poor populations and the rapid expansion of electronic financial technology. A 2009 survey of micro-insurance in Africa found about 2.6% of the population living under USD 2 per day had some sort of micro-insurance policy (World Bank 2011c), including life insurance, health insurance, and property and agricultural insurance.

4.2 Ensuring Financial Sustainability

Fiscal issues are an important part of the political economy equation in LICs, since budgets are small, needs are great, and competition for resources from other sectors is intense. In countries with very small or non-existent social protection programs, it may be difficult to convince governments that they should introduce potentially expensive new programs. Some policymakers still feel that SP programs are affordable only by higher-income countries. However, many low income countries have a multiplicity of small, donor-funded programs that are uncoordinated and often overlap, which constrains the development of an effective social protection system.

At its core, affordability remains a question of political choice about the best way to allocate scarce resources. There are several possible ways to build the political support necessary for increased funding for social protection. First, it can be helpful to develop SP programs that span more than one sector to minimize political tradeoffs and mobilize wider-based support among policymakers (e.g., productive safety nets that are linked with the agriculture sector or CCTs that require recipients to use health services or enrol their children in school). Second, it is important for social protection practitioners in a country to clearly communicate the poverty reduction objectives of programs to core social sector ministries and build alliances around programs. Over the longer term, governments of LICs will come under increased popular pressure to allocate more domestic resources to social protection, but they are likely to find it difficult to convince entrenched interests and political elites of

the necessity of this. Some policymakers in Sub Saharan Africa see external long term financing for programs as the key to securing domestic support for social protection, in particular for cash transfers (Garcia and Troyer Moore, 2012 forthcoming). In the longer term, this case will be helped by robust evidence that SP programs have been successful in improving the welfare of the population in LICs and that they have enabled households to weather shocks without having to resort to harmful coping tactics such as withdrawing their children from school or selling their productive assets. Evidence of the role played by unconditional and conditional cash transfers in promoting schooling and health-seeking behavior in LICs as well as in MICs is now accumulating. The recent crises have demonstrated that having a social protection system in place when the crisis hits can enable governments to respond quickly. These outcomes seem to be changing the minds of long-time political opponents of social protection.

For most LICs and fragile situations, coverage of existing programs is so low that any savings realized from increasing efficiency would be dwarfed by the likely costs of expanding coverage. For countries with no social assistance or employment assistance programs, initial outlay will be required, weighed against the potential resulting social and welfare benefits. Where social protection programs are expanding in LICs, governments will have to be careful that the expansion does not outstrip their revenue base. For example, Mongolia created a universal child allowance program when its revenues were buoyant, but revoked it in 2010 when its revenues became constrained. Similarly, Nepal has expanded the eligibility of its social pensions program but, because of limited resources and capacity, has had to ration benefits. Reforming social insurance programs, such as pensions, or eliminating regressive general subsidies may release public resources that can then be allocated to programs targeted to the poor. These reforms are difficult, take a long time, and may not yield any savings in the short term.

Donor Harmonization

Given that many low income countries and fragile situations will continue to be dependent on external aid for some time to come, coordinating donor financing within each country is

essential. Ethiopia (see Box 6) and Rwanda have managed to put in place effective budgetary mechanisms aimed at ensuring that all donor funding is consistent with the country's medium to longer term social protection agenda. Elsewhere, however, donor support tends to be short term and extended on a piecemeal basis rather than as a concerted commitment that makes it possible to plan for and establish institutions and systems. This is partly due to the use of emergency relief as the entry point for social protection in many LICs and fragile situations and the difficulty of using this type of support for longer term and predictable SP needs.

An important reform would be to bring these resources “on budget” and thus increase the accountability and transparency of crisis response measures. Governments may find it helpful to be able to access readily available “off-budget” resources to develop the base elements of their SP systems (e.g., targeting mechanisms, management information systems, and payment systems), but capacity for the public sector to oversee and finance SP systems is a critical component of an integrated social protection system.

Box 6: Donor Harmonization in Ethiopia

In Ethiopia, donor agencies have pooled their financing, both cash and in-kind contributions, and their technical advice in support of a single program led by the government - the Productive Safety Nets Program (PSNP). This approach makes it possible to harmonize all donor efforts in Ethiopia and enhances supervision and monitoring of the program, while avoiding excessive transaction costs for the government and donor agencies. The rights, obligations, and coordination arrangements of this government–donor partnership are spelled out in a Memorandum of Understanding (MoU).

Several joint bodies administer the program, which minimizes costs. The Joint Coordination Committee (JCC) oversees the implementation of the program by monitoring progress towards its goals and providing technical guidance on specific components or cross-cutting issues. The JCC is chaired by the State Minister for the Disaster Management and Food Security Sector and includes representatives of all donor partners. The PSNP Donor Working Group harmonizes donor support and is chaired by each donor in turn on a six-month rotating basis. A Donor Coordination Team supports the Working Group and manages research and technical assistance commissioned for the program. Donor resources to the PSNP are channeled through a Multi-donor Trust Fund administered by the World Bank and pooled government accounts. Donors also commit significant resources to another trust fund to finance technical advice to the government.

Source: Wiseman et al. (2010).

4.3 Promoting Good Governance and Accountability

Good governance and accountability are crucial to the credibility, sustainability, and fairness of any social protection system. Weak administrative capacity, limited financial resources and poor infrastructure can make it more difficult to achieve this in LICs and FS.

Roles

Clear delineation of roles is important for good governance. In many LICs, the fragmentation of social programs and involvement of multiple ministries and partner agencies can cause confusion about the roles and responsibilities of the actors involved. Therefore, at the outset the roles and responsibilities of all of the actors involved at the central, district, and local levels should be clarified.

Wherever possible, fragmentation should be reduced by consolidating SP programs. This is easier to do in MICs (e.g., Argentina and Brazil) but is arguably more urgent in LICs where capacity is severely limited. Countries that are just starting to introduce social protection programs can avoid fragmentation, but in countries that already have many disparate programs in place, the first challenge must be to make the case for the efficacy and feasibility of integration in the face of vested interests and bureaucratic inertia. One way this may be achieved is by developing one well-functioning program with which other programs can gradually be integrated over time. Another way is to establish national systems that can be used by more than one program. For example, Tajikistan and Moldova are introducing beneficiary registries, as are many countries in Africa.

To the extent that many LICs and fragile situations have greater challenges with governance than MICs and have very low state capacity, a case for encouraging the development of social funds and community-driven development initiatives run by NGOs and the private sector can be made. Entire programs can be implemented by non-state actors. Or certain functions complimentary to cash transfers or micro-credit (e.g., as beneficiary enrolment

and provision of social or economic services) can be outsourced.⁵ Social funds, for instance, have played a very important role in providing social protection in transitional or fragile situations, and they have often later been integrated into state programs (e.g., Afghanistan, Angola, Liberia, and Sierra Leone).

A critical element for ensuring smooth governance and institutional arrangements concerns efforts to harmonize the priorities of donors and their assistance. The proliferation of donor-supported programs and the strong presence of different stakeholders can result in duplication of effort and overlap of beneficiaries as well as significant transaction costs for governments. Box 6 highlights how Ethiopia is working to harmonize the activities of its donors.

It is also vital to determine the most appropriate roles and responsibilities at the local level, including community groups. In fragile situations, it may be possible to build safety nets on the foundation of existing community-based support networks. In Togo, the Community School Feeding program, which is based on informal community-based mechanisms (e.g., groups of women organize themselves to cook the meals), has proven to have a number of advantages over more traditional, formal, and centralized approaches. Given the lack of government capacity in Togo, tapping into local resources made it possible to organize an immediate response to increasing food prices and the looming threat of food scarcity with a minimum of delay, while also supporting local development processes and promoting local ownership. It remains to be seen if these mechanisms will prove to be sufficiently robust once the program consolidates and is scaled up (Andrews et al. 2011c).

Controls

To ensure that SP programs are being implemented fairly and in accordance with their mandates, a number of controls need to be built into the design of the program. These can

⁵ For example, in Bangladesh, the Grameen micro-finance institution offers a pension product to its 8 million members. In India, private insurers are contracted by state governments to provide health insurance to poor Indian households.

operate at the program level (top–down) or at the beneficiary level (bottom–up). In most LICs and even more so in fragile situations both kinds of monitoring are equally imperfect, so using both kinds is important to ensure acceptable levels of governance. Examples of effective top–down controls used in LICs include:

- Financial or administrative audits that review disbursement procedures, accounting records, and program expenditures.
- Random spot checks of program procedures to check if the program is being implemented as intended.
- Database cross-checks that compare beneficiary information in the program database with information about them in other public databases such as tax records and civil registries.
- Public disclosure of information by posting beneficiary lists in public places.

Of late, innovative and interesting bottom–up participatory governance approaches have been occurring in low income countries. They have involved, for example, extensive community sensitization to program procedures and wide public access to information, setting up of grievance mechanisms and social audits.

- Social audits were an important feature of India’s National Rural Employment Guarantee Act (NREGA) and have contributed to increasing the program’s accountability and transparency. The Act mandated regular social audits of all aspects of the NREGA scheme to review official records and determine whether the reports made by the states on their expenditures are consistent with the money that was actually spent. An important innovation in this process has been the *JanSunwai* or public hearing, through which officials are directly accountable to citizens. The government also plans to introduce an Ombudsman program in which the NREGA scheme will be subject to “independent monitoring by eminent citizens.” Each year, a panel of 100 ombudsmen will be selected from civil society to monitor 100 districts

across India. Nominated individuals will undergo a 30-day public screening prior to their official appointments.⁶

- Malawi's Social Action Fund Project 3 (MASAF) uses a comprehensive community scorecard process to assess whether services are benefitting the poor and to solicit responses from public agencies. The process gives communities a central role in assessing the performance of services and public agencies and in providing citizen feedback to service providers on their performance. Each community discusses the performance of local social services such as health and education, and agrees on a score based on how well they perceive the service to be performing. Similarly, the service provider or the agency being assessed performs a self-assessment based on the perceptions of staff or people working in the agency and then gives itself a score. A meeting is then held between the service provider and the community where common concerns are discussed and a joint action plan for reform or improvements in the service are agreed.

Role of Social Funds in Social Protection in LICs and FSs

Social funds have proven to be an effective implementation mechanism for social protection programs in both LICs and FS. Originally developed to respond to the negative social impacts of adjustment programs in Latin America, they have subsequently been used successfully in multiple fragile situations (Afghanistan, Angola, DRC, Liberia, Northern Uganda, Sierra Leone, Sudan, Timor Leste, Yemen,) and LICs (Armenia, Benin, Lao PDR, Madagascar, Malawi, Moldova, Nigeria, Tanzania, Togo, Zambia). Social funds have been successful because they are designed to address the administrative, governance, and fiscal constraints that impede the implementation of social protection programs by government agencies in LICs and FS.

⁶ "Chamorro et al (2010).

Social funds are usually established as autonomous or semi-autonomous entities with staff selected competitively for having the appropriate skills. Initially, funding usually comes from donors and allows social funds to invest in equipment such as vehicles and information technology that alleviates some of the infrastructure constraints. While social funds traditionally focused on community social infrastructure, over time as social funds have established themselves as competent implementing agencies they have taken on other social protection programs such as labor intensive public works (DRC, Liberia, Sierra Leone, Tanzania, Yemen), CCTs (Tanzania), OVC programs and social services for vulnerable groups (DRC, Zambia), school feeding (Togo), support to local service delivery (Angola, Benin), and responding to shocks. Social fund fiduciary practices have also been showcased and replicated in other parts of government administration (Benin).

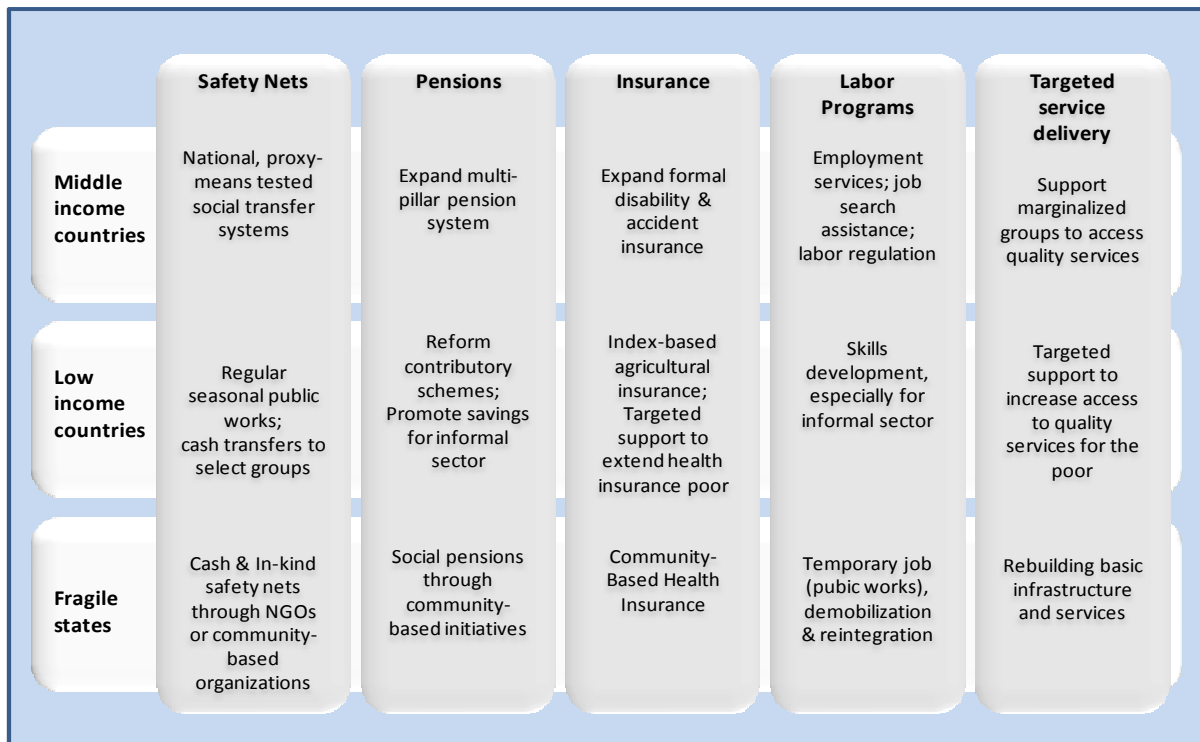
In any given context, as fragile states have stabilized and low income countries have increased overall levels of administrative capacity, social funds have been used to help build the capacity of local governments and sectoral ministries and to transfer implementation responsibilities back to government ministries (Angola, Benin, Nigeria). Social funds have also been instrumental in advancing the social protection dialogue (DRC, Liberia, Nigeria, Sierra Leone) and creating a discussion platform on the menu of social protection programs, financing mechanisms, coverage, and targeting issues.

V. CONCLUSIONS AND RECOMMENDATIONS

The goals of social protection tend to align with respective capacity levels. The focus of social protection in low income countries (LICs) and fragile states (FSs) has to be on establishing a few basic programs that provide a combination of protection, prevention, and promotion. As countries develop, they are likely to move from a single or very few social protection programs to many programs under one harmonized social protection (SP) strategy. However, there are wide variations with some LICs having coherent national SP strategies and national SP systems. Figure 6 presents a sample of SP interventions that are

often implemented in MICs, LICs, and FSs (World Bank 2011c). It illustrates the range of choices available within the same type of SP instrument depending on the income level of the country in question. It also suggests how countries can move towards a more integrated and coherent social protection system. For example, low income countries could implement a cash transfer program (or regular seasonal public works) on a national scale that establishes the basic systems needed for identifying beneficiaries, targeting, record keeping, and making benefits payments. This program could then be used as a platform for extending the menu of social protection services. Beneficiaries could be encouraged to take advantage of micro-insurance initiatives or health insurance, as has been done recently in Ethiopia, Rwanda, and Pakistan. As institutional capacity is built (and fiscal space allows), the program could be expanded to provide pensions to informal sector workers.

Figure 6: Typology of Social Protection Interventions in MICs, LICs, and FSs



Source: World Bank (2011c).

In fragile situations most social protection interventions are likely to be provided by NGOs, the United Nations (UN) system, and local communities. As conditions improve and

government capacity increases, the opportunity to develop a national social protection system will gradually emerge, as happened, for example, in Liberia and Sierra Leone.

5.1 Developing National Social Protection Strategies

A great deal of pragmatism is needed when designing social protection programs in LICs. In recent years, there has been strong political momentum internationally behind the introduction or scaling up of social protection in a range of LICs and fragile situations. While there are many similarities among LICs, there are also a great many differences that have an important impact on the types of social protection programs that are political and technically feasible in each country. Introducing or expanding social protection programs means taking into consideration existing institutions, such as ongoing safety net schemes, social funds, or informal social and community networks. Ideally it should also mean moving away from *ad hoc* and overlapping programs and towards creating a unified social protection system suited to the country's income and administrative capacity.

In countries where there is lingering skepticism of the concept of social protection, it may make sense to start with a single program, perhaps targeting one vulnerable group, and then build support for further SP programs based on the positive impact of the initial one. In countries that already have multiple SP programs in place, it may make sense to focus on rationalizing and harmonizing these existing programs. Some low income countries have started from essentially nothing and yet have managed to build comprehensive SP systems because of strong government leadership and a clear definition of how social protection fits into the country's broader development strategy (see Box 7).

In countries where there is little or no public social assistance, the challenges are to develop a strategy and programs consistent with the country's profile of poverty and vulnerability and its resource envelope.⁷ While this would seem to be more difficult for fragile situations,

⁷ Timor-Leste is a good example as it emerged from conflict and established a universal old-age pension scheme in 2008. Afghanistan is also putting in place a new social assistance program. Both are being assisted by the World Bank.

experience has shown that they have an opportunity to learn from the mistakes that other countries have made and build coherent national programs. They can also take advantage of new processes and technological solutions that lower costs and increase transparency and accountability.

Box 7: Embedding Social Protection within National Priorities in Rwanda

The Vision 2020 *Umurenge* Program (VUP) in Rwanda is one of the most notable examples of a program that is entirely rooted in the national development strategy, with strong commitment of the central government. This has led all donors to align their activities with the government's strategy, thus avoiding fragmentation. The government is strongly committed to reducing social, economic, and structural weaknesses in Rwanda and relies on social protection (SP) as a key pillar of its long term development strategy. This has resulted in the inclusion of specific provisions for the protection of survivors of the genocide and children in the new constitution adopted in 2003. The government's efforts to strengthen SP culminated in 2011 with the adoption of a National Social Protection Strategy. According to this Strategy, providing SP to the whole population strengthens the social contract between the government and its citizens. Rwanda already has a well-developed set of SP programs, including universal health insurance (covering 91% of the population), free education, social transfers (e.g., pension scheme), the VUP, a program of support to survivors of genocide, and the "one cow per family" program. The administration of all of these benefits is decentralized under the supervision of the Ministry of Local Government, Good Governance, Community Development, and Social Affairs. Over the next 20 years, the government aims to build a system that includes a SP floor, greater access to public services for the poor and vulnerable, and more participation of informal sector workers in the contributory social security system. Over the medium term, it aims to reinforce existing programs as well as establishing a universal old-age grant for people over the age of 65. The government allocated about 4.7% of the budget to the social protection sector in 2009-2010, an amount that is expected to reach 4.9% in 2010-2011 and 5.1% in 2011-2012.

Source: European Union (2010).

5.2 World Bank and Social Protection in LICs and FSs

The Bank's work on social protection in LICs and FSs will need to focus on developing social protection programs that are effective in high demand, low capacity environments. And, the ultimate long term goal of having a coherent national SP system should be central to the design of all programs. Most of the Bank's SP interventions in LICs and FSs have been somewhat *ad hoc* and opportunistic. For a variety of reasons discussed above, the Bank has tended to support individual programs rather than social protection systems as a whole. In all likelihood, for these same reasons, the Bank will continue to support individual programs

in the near future while at the same time promoting the larger goal of moving towards a coherent SP system.

That being said, the Bank has already learned important lessons that will shape its future SP support to LICs: (i) there is a need to assess the affordability, scope, size, and ambition of each program in advance ; (ii) many current schemes operate well below their capacity, which means that efficiency and effectiveness gains will be achieved by adopting a system-wide approach to delivering benefits; (iii) systems are inherently more flexible and capable of responding to shocks and crisis than stand-alone programs; and (iv) consolidating political support for systems is a much bigger challenge than for specific stand-alone programs.

The regions of course face different challenges depending on their mix of countries and the maturity of their SP systems (see Table 1 below). In the East Asia and Pacific and Middle East and North Africa regions, demand is for skills development and labor market interventions focusing on youth. For the Europe and Central Asia and East Asia regions, the need to reform pensions is crucial given the changing demographic trends. Making services and social assistance accessible to the poor will continue to be critical in Sub Saharan Africa and South Asia. Finally, rationalizing food and fuel subsidies will be a key challenge for the Middle East and North Africa region.

Meeting these challenges in LICs and fragile situations will require a strengthening of the Bank's knowledge and operational effectiveness to enable it to help countries address the multiple constraints laid out in Section III.

Table 1: Current Trends and Emerging Issues in Bank’s Portfolio on Social Protection⁸

Region	Current Trends and Emerging Issues in Bank’s Portfolio on Social Protection	# of LICs
AFR	<ul style="list-style-type: none"> • Developing sustainable innovative safety nets (and SP systems) that help households and communities better manage shocks that reduce the downward poverty spiral and provide them with a stronger basis for participating in and contributing to economic growth. • Enhancing earning opportunities and jobs for the vulnerable to contribute to the growth agenda (strong emphasis on short term work for youth). • Making services work for the poor by increasing capacities of communities to demand and local governments to provide better services; direct impact on MDGs. • Move from a concept of emergency- and food-based assistance to one of protection and promotion. 	39
EAP	<ul style="list-style-type: none"> • Developing safety nets beyond crisis (targeting, design and implementation; benefit program design and refinement; institutional review, reform and support; evaluation). • Scaling up skills development for labor market interventions and positioning for pensions reform. 	12
SAS	<ul style="list-style-type: none"> • Enhancing social protection accessibility among the poor. • Focusing on social protection systems, with the flexibility to handle shocks, promoting evidence-based programming and enhancing innovation. • Improving social protection strategy and policy, and strengthening Institutions. 	8
ECA	<ul style="list-style-type: none"> • Devising smart safety nets for social assistance (smart targeting, benefits administration and consolidation, ensuring incentive compatibility and flexibility). • Reforming pensions to address aging population cohort challenges (indexing to inflation not wages, increasing retirement ages, strengthening benefits administration). 	9
MNA	<ul style="list-style-type: none"> • Youth employment and skills (employability, skills mismatch, female labor market participation). • Reforming food and fuel subsidies, which requires having safety nets in place and ensuring safety nets have human capital incentives. • Enhancing voice and accountability. 	2
LAC	<ul style="list-style-type: none"> • Promoting a long term vision for the SP system: universal, integrated, and coherent, where redistribution is transparent and progressive. 	9

⁸ Based on input from World Bank regional social protection teams.

5.3 Building National Social Protection Strategies and Systems

The Bank can play an important role in helping countries take a long term perspective and establish coherent national social protection systems.⁹ In some countries, this may simply mean ensuring that programs avoid duplicating services to the same population, do not provide different levels of benefits to the same target group, or combine their separate beneficiary identification systems. For LICs and fragile situations with existing programs, the Bank can help harmonize schemes and financing arrangements to avoid duplication and waste. It can also help ensure that sufficient capacity is in place to mitigate the effects of a crisis before the crisis occurs.

Building coherent donor support for national SP systems is an important part of building national systems. The Bank is well placed to work with multiple agencies to leverage resources and assist governments in planning for the long term financial sustainability of SP systems.

Where LICs and FSs have a single or multiple small SP interventions, a priority for building a national system will be increasing coverage. This may require operational assistance in scaling up a successful small intervention and/or work on adapting small programs to make them financially sustainable at a national level.

An important part of helping countries build SP systems will be expanding social protection interventions beyond the current emphasis on safety nets. This will include work on:

- **Increasing coverage of social insurance:** One of the important challenges for social protection in LICs and FSs is adapting social insurance programs so that they attract informal sector workers. The Bank will need to work with countries as they test new approaches.

⁹ For a more comprehensive discussion of what is meant by social protection systems, see the Background Paper for the World Bank 2012–2022 Social Protection and Labor Strategy, “Building Social Protection and Labor Systems Concepts and Operational Implications,” by David A. Robalino, Laura Rawlings, and Ian Walker.

- **Improving insurance systems to help the poor manage risk better.** Formal risk pooling insurance mechanisms are not well developed in most LICs, and traditional social insurance products have little utility in economies with large informal sectors. While there has been much experimenting recently in LICs on alternative products such as crop insurance and micro-insurance, more work needs to be done. Meanwhile, significant additional work is needed to design pension systems that can cover informal sector workers.
- **Determining effective labor market interventions appropriate for LICs and fragile situations.** While there is a fairly well-developed set of good practices for implementing public works employment programs in LICs, much less is known about how to adapt traditional labor market programs such as employment services and skills training to the LIC context. For labor market interventions, more research is needed into the issue of how to move households out of poverty so they can graduate from safety net support. To date, there are a few promising models of how this can be done, but there is much scope for improving, adapting, and scaling them up.

5.4 Knowledge Generation and Management

There is a growing body of knowledge on how to successfully implement SP programs in areas with high poverty and vulnerability, low administrative capacity, poor infrastructure, and weak governance. As an institution with global scope the Bank is well situated to work on knowledge generation and dissemination activities. This includes gathering and disseminating evidence to support the case for social protection systems in LICs and fragile situations. The Bank can help to bolster the case in favor of SP where governments are skeptical and face competing needs for limited budgetary funds by gathering evidence that the broadly defined returns on SP investments are high enough to justify the costs. In particular, this involves documenting the role played by SP in promoting productive investments as well as collecting data on the number of people who graduate from safety nets, to counter the argument that they create dependency.

The Bank can also play a key role in strengthening data to enable benchmarking social protection activities across countries. This involves building a cross-country database of information on the benefits, impact, and other features of SP programs to establish and make available comparisons to guide policy discussions. It can also play an important role in research on key implementation issues such as targeting in different contexts. Further research is needed to meet the new and evolving challenges of an integrated social protection system.

5.5 Supporting Operational Effectiveness

To support operational effectiveness the Bank will need to focus on:

- **Solving critical implementation issues in ways that are appropriate to LICs and fragile situations and their large informal sectors.** These countries and situations require different approaches to implementing such important elements of SP programs as targeting and monitoring and evaluation, which are likely to involve more extensive use of local community organizations, NGOs, and local participation than in wealthier countries.
- **Helping LICs and fragile situations use information technology to surmount typical implementation problems** such as identifying eligible beneficiaries, making payments, and developing management information systems.

5.6 Social Protection in Fragile Situations

While these priorities apply to fragile situations as well as LICs, a number of additional factors need to be taken into account in fragile situations. Because the governments of fragile situations usually do not have the administrative capacity to respond adequately to shocks, non-state actors (e.g., households, communities, villages, national and international NGOs, and international agencies) often play a crucial role in delivering social protection services. Therefore, in the attempt to establish national SP systems in fragile countries, the government and its partners should build on any existing formal and informal social safety nets, started either as pilots or at the local level by communities. Many governments of

fragile situations have established programs that are community-based and/or on labor-intensive public works programs operated by autonomous or semi-autonomous institutions (e.g., social funds and NGOs) that provide immediate support to poor populations. The Bank will need to share its considerable experience with social funds and community-driven development programs in fragile situations, as well as work with countries on how to transition from emergency humanitarian responses to longer term development approaches.

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ANNEX 1A: IDA-ELIGIBLE COUNTRIES

Africa	East Asia	South Asia	Latin America and Caribbean	Europe and Central Asia	Middle East and North Africa
Angola (4)	Cambodia	Afghanistan	Bolivia (2) (4)	Armenia (2), (4)	Djibouti
Benin	Kiribati (3)	Bangladesh	Dominica (2), (3)	Azerbaijan (2), (4)	Yemen, Republic of
Burkina Faso	Laos, PDR	Bhutan (4)	Grenada (2), (3)	Bosnia-Herzegovina (2) (4)	
Burundi	Mongolia	India (2)	Guyana (4)	Georgia (2), (4)	
Cape Verde (2) (3)	Myanmar (1)	Maldives (3)	Haiti	Kosovo, Republic of	
Cameroon	Papua New Guinea (2)	Nepal	Honduras (4)	Kyrgyz Republic	
Central African Rep.	Samoa (3)	Pakistan (2)	Nicaragua	Moldova (4)	
Chad	Solomon Islands	Sri Lanka (4)	St. Lucia (2), (3)	Tajikistan	
Comoros	Timor-Leste		St. Vincent and Grenadines (2), (3)	Uzbekistan (2)	
Congo, Democratic Republic of	Tonga (3)				
Congo, Republic of (4)	Vanuatu (3)				
Cote d'Ivoire	Vietnam (2)				
Ethiopia					
Eritrea					
Gambia, The					
Ghana (5)					
Guinea					
Guinea-Bissau					
Kenya					
Lesotho		<p>Total IDA-Eligible Countries: 79</p> <p>(1) Inactive countries (2) Blend countries (3) Small island economy exemption (4) Hardened Terms (5) Ghana receives its allocation on blend terms according to the decision under IDA's Non Concessional Borrowing Policy (NCBP)</p>			
Liberia					
Madagascar					
Malawi					
Mali					
Mauritania					
Mozambique					

Niger		<ul style="list-style-type: none"> Last updated: August 2010 			
Nigeria					
Rwanda					
Sao Tome and Pr.					
Senegal					
Sierra Leone					
Somalia (1)					
Sudan (1)					
Tanzania					
Togo					
Uganda					
Zambia					
Zimbabwe (1), (2)					

ANNEX 1B: HARMONIZED LIST OF FRAGILE SITUATIONS FISCAL YEAR 2012

Country	WB CPIA Score	ADB/AfDB CPIA Score	Harmonized Average	Political and Peace-Building Missions	Peace-keeping Missions
<i>IDA Eligible</i>					
AFGHANISTAN	2.625	2.842	2.733	P	PK
ANGOLA	2.758	3.200	2.979		
BURUNDI	3.083	2.975	3.029	P	
CENTRAL AFR. REP.	2.750	2.950	2.850	P	PK
CHAD	2.375	3.108	2.742		PK
COMOROS	2.542	2.550	2.546		
CONGO, DEM. REP.	2.667	2.958	2.813		PK
CONGO, REP	2.892	3.250	3.071		
COTE D'IVOIRE	2.700	2.983	2.842		PK
ERITREA	2.208	2.333	2.271		
GUINEA	2.775	3.325	3.050		
GUINEA-BISSAU	2.700	3.200	2.950	P	
HAITI	2.925	-	2.925		PK
KIRIBATI	3.025	2.742	2.883		
KOSOVO	3.433	-	3.433		PK
LIBERIA	2.917	3.625	3.271		PK
MARSHALL ISLANDS	2.758	2.725	2.742		
MICRONESIA, FS	2.717	2.742	2.729		
MYANMAR	-		-		
NEPAL	3.292	4.000	3.646		PK
SIERRA LEONE	3.258	3.367	3.312	P	
SOLOMON ISLANDS	2.783	3.250	3.017		
SOMALIA	-				
SUDAN	2.442	2.608	2.525		PK
TIMOR-LESTE	2.983	2.933	2.958		PK
TOGO	2.892	3.050	2.971		
YEMEN, REP.	3.167	-	3.167		
<i>Territories</i>					
WEST BANK & GAZA	-	-	-	P	
WESTERN SAHARA	-	-	-		PK
<i>Blend</i>					
BOSNIA & HERZEGOVINA	3.708	-	3.708		PK
GEORGIA	4.442	4.533	4.488	P	PK
ZIMBABWE	1.975	1.933	1.954		
<i>Middle-Income</i>					
IRAQ	-		-		PK

Source: World Bank (2011).

ANNEX 2: SAFETY NET INSTRUMENTS – AN OVERVIEW

Instrument	Objective	Appropriate When?	Key Lessons
<p>Cash Transfers</p>	<p>Cash transfers increase the real income and consumption of poor households.</p> <p>Their purpose is to mitigate poverty, promote equity, manage shocks, and facilitate reform.</p>	<p>- To increase current incomes and smooth consumption:</p> <p>(i) when essential commodities are available (so that beneficiaries can buy them in local markets);</p> <p>(ii) where the supply of social services is too limited to introduce conditional transfers (and thus beneficiaries cannot be expected to attend school or health centers because they are unavailable or too far away);</p> <p>(iii) for labor-constrained households or households with a greater burden of care (e.g., single-headed households or grandparents caring for HIV/AIDS orphans).</p>	<p>- Cash transfers can, in most circumstances, be a straightforward instrument to address poverty, provided food is available in the marketplace.</p> <p>- Program objectives and benefit levels should be specified so that they are widely understood and most people agree they are sound, fair, and effective in order to build a broadly based constituency in favor of a cash transfer program.</p> <p>- The best possible targeting method should be used, given existing administrative capacity, to reach intended beneficiaries.</p> <p>- Cash transfers let recipients decide how to use the benefit.</p> <p>- Effective payment mechanisms must be used to ensure the timing, predictability, and transparency of payments.</p>
<p>Conditional Cash Transfers</p>	<p>Provide money to poor families who meet certain behavioral requirements such as keeping their children in school or taking them to health centers on a regular basis.</p> <p>CCTs increase poor households' income in the short term and promote investments in the human</p>	<p>- Clear human capital targets need to be achieved (i.e., CCTs have potential to enhance health and education outcomes).</p> <p>- Health and education services are available so families have access to social services.</p> <p>- The administrative constraints are not too great since CCTs require more administration.</p>	<p>- New program will need to have a clear role within the broader social policy agenda.</p> <p>- The selection of conditions and the objectives to be achieved need to take into account the specific human capital development shortcoming to be addressed (e.g., low primary or secondary school enrolment or low primary health care use).</p> <p>- Extreme care needs to be taken not to over-burden the program's administrative capacity given the additional complications related the need to verify beneficiaries' compliance with the CCT conditions.</p>

	capital of the poor in the long term, thus breaking the inter-generational cycle of poverty.		- CCTs have been shown in impact evaluations to have had a positive impact in terms of increasing household consumption, the use of health services, and school enrolments and decreasing child labor.
Public Works or Workfare	Provide temporary employment at a low wage rate mostly to unskilled manual workers on labor-intensive projects (e.g., road construction and maintenance, irrigation infrastructure, reforestation, and soil conservation). The objective varies but may include mitigating idiosyncratic or covariate risks, providing a bridge to full-time employment, or providing financial relief from shocks.	<ul style="list-style-type: none"> - Unemployment is high after the collapse of the labor market during a crisis or disaster - Seasonal unemployment is high - Unemployment insurance is absent. 	<ul style="list-style-type: none"> - The most appropriate beneficiaries of public works programs are people who are poor, unemployed, and willing to participate. The largest target group consists of unemployed unskilled and semi-skilled workers. - Public works programs work well in widespread crisis situations that produce high rates of open and noticeable unemployment. - Beneficiaries should be self-targeted by setting the wage rate at a level that is no higher than the prevailing market wage for unskilled manual labor. - Programs should be designed to ensure the creation and maintenance of assets and the provision of services that benefit mostly the poor and that are well integrated with the country's overall rural development strategy. - Communities should be involved in the selection of public works projects to ensure that the assets chosen are the ones that they need the most. - Public works programs can be designed to encourage female participation, for example, by providing childcare on-site by workers employed by the scheme and separate and adequate latrines, as well as by making working hours flexible by paying wages on a piece-rate basis.
Food Transfers	- Provide additional resources to households by making food available when they need it the most, in the form of food rations,	<ul style="list-style-type: none"> -Food aid is available and cash is not. -The government needs to rotate strategic food grain stocks. -Prices are too high or food unavailable 	- The most likely beneficiaries are poor families who do not have enough income to purchase enough of the right foods and are more likely to achieve a better diet if they can receive specific foods or purchase them at a subsidized cost. Other likely beneficiaries

	<p>supplementary and school feeding programs, or emergency food distribution.</p> <p>Food-based safety net programs support adequate consumption and contribute to assuring livelihoods. They differ from other safety net programs in that they specifically provide food, either directly, or through cash-like instruments (food stamps or coupons) that can be used to purchase food.</p>	<p>because of inefficient or displaced markets.</p> <p>-Nutrition interventions are needed to protect food-insecure people.</p>	<p>are pregnant or lactating women and/or young, malnourished children enrolled in school.</p> <p>- Often governments chose to use food-based transfers because they are concerned about high food prices or because commodity markets are inadequate, thus requiring the government to guarantee access to food for the poorest people.</p> <p>- The timing of food distribution programs is crucial for saving lives and supporting livelihoods after a crisis has occurred. Such programs should provide more resources during times of crises than at other times.</p> <p>- The types of food distributed should be acceptable to local populations.</p>
<p>Subsidies: General and Targeted</p>	<p>General price subsidies are measures aimed at controlling prices to reduce the effective cost paid by consumers for food, energy, and other essential commodities or services.</p> <p>From a safety nets perspective they are devised to help the poor and protect their purchasing power and nutritional status.</p>	<p>-The prices of essential commodities are too high and a quick intervention is needed (e.g., after the onset of a crisis if appropriate market structures exist).</p> <p>- The benefits are introduced only for a fixed period of time (e.g., in a crisis). However, once established they can be difficult to remove due to pressures from interest groups.</p> <p>- They can be targeted towards the poor, typically through product and quality differentiation (i.e. by subsidizing only those items consumed mainly by the poor).</p>	<p>- One of the most effective ways to introduce an element of targeting into general subsidies is to use self-targeting, by subsidizing only inferior commodities (i.e., commodities for which the demand declines as the level of income increases) or varieties that are consumed more by the poor than by the non-poor. Alternative approaches include rationing the amount of a commodity that is subsidized.</p> <p>- The poor must have access to the subsidized commodity (e.g., a connection to the electricity grid or the ability to purchase subsidized food commodities) at the intended price and not from a parallel market at a higher price.</p> <p>-If the budget for general subsidies becomes too large, the government could reform the program and use the resources to provide direct transfers instead, as was recently done in Ghana, Indonesia, and Jordan.</p> <p>-Often governments resist reform for fear that it may trigger a political backlash from all classes. Given the</p>

			<p>delicate political situation in regard to these programs, the nature and timing of reforms depend on many factors, including the interplay of diverse interests expressed by local groups.</p> <p>- Country experience has shown that the public is more likely to accept reforms if the rationale behind the reforms is explained in advance and if compensatory measures, including safety net programs, are introduced to help vulnerable groups to cope with the impact of the reforms. Replacing subsidies with safety nets requires considerable administrative capacity.</p>
<p>Fee Waivers, Exemptions, and Scholarships</p>	<p>To reduce the financial barriers that prevent poor people from using public services such as education and health facilities. They generally reimburse households and/or service providers in return for evidence of actual expenditures in such facilities.</p> <p>These instruments are targeted to a pre-determined group of people who otherwise would not have access to these services.</p>	<p>-Social services are provided for a fee and may exclude the poor.</p> <p>-Health and education services are available</p> <p>-There is enough administrative capacity</p> <p>-Providers have access to alternative sources of revenue.</p>	<p>-The criteria for granting of waivers should be clear. This will reduce confusion among those responsible for managing the system and among potential recipients.</p> <p>- Staff responsible for administering waivers should be trained and provided with the necessary supplies to carry out their jobs. Those determining eligibility should be aware of the selection criteria and be fully informed about any constraints governing the waiver process (e.g., how many waivers can be awarded in any given month).</p> <p>- It should be ensured that once fees are eliminated or waived, sufficient funds are available to support personnel and facilities. Otherwise staff will have a strong incentive to collect informal fees directly from patients and not to spend any money on upkeep or investment.</p>

Source: Andrews et al. (2011a).

Background Papers for the World Bank 2012–2022
Social Protection and Labor Strategy

<u>No.</u>	<u>Title</u>
1210	Climate-Responsive Social Protection by Anne T. Kuriakose, Rasmus Heltberg, William Wiseman, Cecilia Costella, Rachel Cipryk and Sabine Cornelius, March 2012
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Abstract

Demand for social protection is growing in low income countries and fragile situations. In recent years, the success of social protection (SP) interventions in middle income countries (MICs) like Brazil and Mexico, along with the series of food, fuel, and financial crises, has prompted policymakers in low income countries (LICs) and fragile situations (FSs) to examine the possibility of introducing such programs in their own countries. Flagship programs in countries as diverse as Ethiopia, India, Pakistan, and Rwanda have shown the adaptability of social protection interventions to the LIC context. Yet, despite growing levels of support for these initiatives, many challenges remain. In LICs and FSs, governments are confronted with a nexus of mutually reinforcing deficits that increase the need for SP programs and simultaneously reduce their ability to successfully respond. Governments face hard choices about the type, affordability, and sustainability of SP interventions. The paper reviews how these factors affect SP programs in these countries and identifies ways to address the deficits. It supports the establishment of resilient SP systems to address specific needs and vulnerabilities and to respond flexibly to both slow and sudden onset crises. To achieve this, both innovation and pragmatism are required in three strategic areas: (i) building the basic blocks of SP systems (e.g., targeting, payments, and monitoring and evaluation); (ii) ensuring financial sustainability; and (iii) promoting good governance and transparency. These issues suggest the possibility of a different trajectory in the development of social protection in LICs than in MICs. The implications for World Bank support include the need to focus on increasing knowledge and operational effectiveness of SP programs, fostering institutional links between multiple SP programs, and using community capacity and technological innovations to overcome bottlenecks in operations.

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For more information, please contact the Social Protection Advisory Service, The World Bank, 1818 H Street, N.W., Room G7-803, Washington, DC 20433 USA. Telephone: (202) 458-5267, Fax: (202) 614-0471, E-mail: socialprotection@worldbank.org or visit us on-line at www.worldbank.org/sp.

