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Directorate-General for International Cooperation and Development

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A “Workshop on a systems approach to social protection” held in December 2014 gathered inputs from a number of participants from the European Commission services and external partners.

This document is the fourth Concept paper of the “Tools and Methods series” of EuropeAid. The collection includes three sub-collections: Guidelines, Reference documents and Concept papers. Concept papers present current thinking, promote understanding on a given topic and do not include operational guidance.

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INTRODUCTION

Social protection is defined as a broad range of public, and sometimes private, instruments to tackle the challenges of poverty, vulnerability and social exclusion. Increasingly, social protection measures are being used to mitigate vulnerabilities as they occur across the human life cycle, to maintain dignity, to promote the rights of individuals and to contribute to pro-poor and inclusive economic growth through building human capital and enabling poor people to increase their participation in economically productive activities. Social protection instruments include a range of both contributory and non-contributory schemes and the term encompasses a range of poverty reduction mechanisms, such as cash transfers, insurance schemes, programmes facilitating access to social services and associated developmental measures to promote livelihoods or financial inclusion. These services can be distributed to individuals, households and, in certain instances, whole communities. These services, when integrated with other complementary developmental initiatives, yield impacts on poverty, vulnerability and social exclusion and improve a range of developmental impacts.

A social protection system is a policy and legislative framework for social protection, including the budget framework, together with the set of specific social protection programmes and their corresponding implementation mechanisms. 'Systematisation' represents the idea that social protection instruments can be integrated into a more comprehensive system of policies and programmes that not only tackle poverty and vulnerability over the life cycle, but also strengthen pro-poor and inclusive economic growth and social development. Systematisation embeds social protection within a larger developmental framework, enabling other social and economic sectors to strengthen social protection outcomes that in turn reinforce developmental impacts.

This concept paper aims to explain the challenges of social protection systematisation, drawing on global lessons in order to strengthen EU Development Cooperation's support for inclusive, nationally owned, and sustainable social protection policies and programmes within partner countries. In seeking to do this, it responds to the call in the Communication on Social Protection in EU Development Cooperation ([1]) to 'support the development of nationally-owned social protection policies and programmes, including social protection floors, while seeking to promote good practice in policy formulation and the design and development of social protection systems.'

This Concept Paper contains three main sections:

- **Part One** presents the evolution of global social protection models from the origins of social security in Europe and the development of the Bismarck and Beveridge systems that still underlie the basic dichotomy between a focus on income security and a focus on poverty; it outlines the development of different social protection models in developing countries, the impact of the 2008 financial crisis and the evolution of the social protection floor as a model for comprehensive national systems.
- **Part Two** addresses the design and implementation of social protection systems, beginning with a consideration of the main existing policy frameworks and then examining the policy cycle as a basis for taking forward the systematisation of social protection at the national level. Specific attention is then given to the issue of financing social protection before turning to look at design issues, such as the role of targeting and conditionality; the choice of instruments, from cash transfers to insurance mechanisms; and key elements for implementation, such as management information systems.
- **Part Three** introduces the existing tools and mechanisms for analysing social protection systems, including the development-planning matrix. It then introduces various approaches to supporting the systematisation of social protection, including the work of the Inter-Agency Social Protection Assessment, in which DEVCO participates and the EU Social Protection Systems project. It concludes with an outline of the key elements that should inform support to the development of national social protection systems in EU programming.

This concept paper aims to help EU staff understand the complex set of issues associated with social protection within their historical, political and developmental context, above all within the framework of the Sustainable Development

([1]) COM (2012) 446 Final

Goals (SDGs). The momentum that is gathering within development planning processes in many developing countries to put national social protection systems at the heart of social policy requires EU staff to have a clear understanding of the issues and challenges involved in providing effective support for these processes in a way that will maximise their potential to fulfil the ambitions of the post-2015 agenda.

This concept paper does not attempt to provide comprehensive operational guidance, but seeks to ensure a solid conceptual basis to support EU engagement with partner countries, while taking local contexts fully into account. While firmly based in the European values of solidarity and social cohesion, it does not seek to impose a particular approach to the design of social protection systems, but to ensure an understanding of the elements that must be taken into account in seeking to support solutions that are grounded in a local, context-specific understanding.

PART 1: THE EVOLUTION OF GLOBAL SOCIAL PROTECTION MODELS

1.1. The Case for Social Protection

Social protection is not included in the Millennium Development Goals (MDGs), but there is no doubt that it has made a major contribution, above all, to the achievement of Goal 1: Eradicate extreme poverty and hunger (Target 1A: Halve, between 1990 and 2015, the proportion of people living on less than $1.25 a day) ([2]). Social protection not only helps people to escape from poverty, but also plays a vital role in preventing them from falling into or back into poverty. One study suggests that social protection programmes are currently preventing 150 million people from falling into poverty ([3]). The rise in prominence of social protection has, however, taken place in a context of rising inequality accompanying economic growth. Against this background, the Social Protection Floors Initiative of 2011 and the 2012 International Labour Organization (ILO) Recommendation on National Floors of Social Protection have provided a basis for reviving the concept of social protection as the universal provision of protection against risks throughout the life cycle and this has in turn become an underlying vision for the post-2015 agenda: to leave no-one behind. In particular, the first of the proposed Sustainable Development Goals, to 'end poverty in all its forms everywhere,' incorporates '[implementing] nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable', as its third target.

([2]) Unicef (2010), 'Accelerating the MDGs with Equity', Social and Economic Poverty Working Briefs, http://www.unicef.org/socialpolicy/files/Social_Protection_Accelerating_the_MDGs_with_Equity(1).pdf

([3]) Fiszbein, A, Kanbur, R and Yemtsov, R. (2014) 'Social Protection, Poverty and the Post-2015 Agenda', Policy Research Working Paper 6469, World Bank.

Box 1: Social Protection Goals and Targets in the (draft) SDGs, 2014

Goal 1: End poverty in all its forms everywhere

Target 1.3 - Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable

Goal 3: Ensure healthy lives and promote well-being for all at all ages

Target 3.8 - Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Goal 5: Achieve gender equality and empower all women and girls

Target 5.4 - Recognise and value unpaid care and domestic work through the public provision of public services, infrastructures and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Target 8.5 - By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Goal 10: Reduce inequality within and among countries

Target 10.4 - Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

Source: *UN Open Working Group proposal for Sustainable Development Goals*

NB. *Goals 3 and 8 do not explicitly mention social protection targets, but are included because (Goal 3) health coverage is a social protection measure and one of the four aspects of the social protection floor, and social protection is one of the four pillars of 'decent work' (Goal 8).*

The achievement of the SDGs will in part depend on the appropriate design and effective implementation of social protection policies, programmes and systems, which in turn require an in-depth understanding of social protection policy frameworks, policy cycles, financing strategies, targeting and other design considerations, choices of instruments, programme implementation issues and monitoring and evaluation.

Against this background, the number of countries actively engaged in the development of national social protection strategies and polices has grown remarkably since the beginning of the millennium. This interest has been characterised by a number of key features that can be grouped together under the heading of systematisation. First, the understanding that, while initially it is normal for developing countries to focus on schemes targeting the poorest households with the aim of <u>taking people out of poverty</u>, there is a need to go beyond this narrowly focused approach and address the risks associated with the different stages of the human life cycle in order to <u>prevent</u> poverty. Second, this understanding is closely associated with the need for social protection to be nationally owned and reflected in national planning and budgeting. Third, the issues of budgeting and the affordability of social protection are, in turn, closely associated with the question of achieving a balance between public-expenditure funded schemes (in particular those focused on the poor) and contribution-based social insurance (in particular with regard to health insurance and old-age pensions) for those with sufficient income to invest in protection against life cycle risks. Finally, these underlying concerns are in most cases accompanied by important administrative and resource challenges, such as the need to consolidate a large and diverse patchwork of schemes and coordinate a number of different ministries and donors.

An examination of national social protection systems shows that when programmes are delivered to scale, they substantially decrease national poverty. Social protection's greatest strength is its ability to reach the poorest segments of society and offer them benefits and services that greatly improve their quality of life. More than this, social protection, when sufficiently extended, plays a fundamental role in reducing inequality through the redistribution of wealth. This function of social protection is high on the SDG agenda and lies at the heart of the European social model, which seeks to promote a more equal society through a combination of highly developed universal systems of social protection and wealth redistribution measures such as minimum income or progressive taxation.

Social protection strengthens economic growth through a variety of transmission mechanisms. One of the most consistent findings from evaluations of social protection programmes globally is the important impact these have on human capital development, especially when they reach children in early childhood. This is important because human capital drives growth by enhancing labour productivity and consequently workers' contributions to economic growth. Social protection programmes can provide households with the means to make long-term investments in education, health and nutrition. This accumulation of human capital in turn creates opportunities for income generation and economic diversification, as higher productivity levels can facilitate a restructuring of the economy. Investments in early childhood development have the greatest impact on the cognitive development of an individual.

When coordinated within a comprehensive development-planning framework (as discussed further in Part 3 of this concept paper), social protection can help to achieve complex outcomes. Social protection can work through simple causal chains – for example, providing households with cash transfers can relax financial constraints and better enable households to send children to school. Other more complex outcomes often require multiple interventions in order to achieve impact. For example, while social cash transfers tend to improve nutritional outcomes by increasing the income that a household spends on food, more comprehensive nutritional impacts often require greater knowledge of proper diets, improved infrastructure (particularly in terms of water and sanitation systems), as well as better health services. Without these complementary inputs, substantial progress on complex outcomes such as nutrition might falter. When social protection is incorporated into a larger development-planning framework, policymakers can more effectively coordinate all inputs necessary to achieve the developmental outcomes identified as policy priorities.

The evidence base for social protection also documents important livelihood impacts. One conventional economic model argues that individuals may be induced to withdraw from the labour market if the social protection benefit lowers the cost of not working ([4]). Evidence from a number of developing country studies, however, demonstrates the opposite. The relatively small benefits (compared to more generous systems in the industrialised countries) enable poor households to engage more successfully in labour markets while building labour productivity over the long term. In a study of South Africa's labour markets, workers in households receiving social grants are more likely, after one year, to be participating in the labour force – wanting to work, actively looking for work and being successful in finding employment – compared to similarly poor households not receiving social grants. The existing evidence base demonstrates that social protection does not create dependency in poor countries but enables workers in poor households to better manage job-related risks and engage more successfully in labour market activity.

Social protection goes further by strengthening macroeconomic resilience. Low income households often spend additional grant income on locally produced goods (and services), particularly food. This can drive the growth of local economies, which often depend substantially on agriculture ([5]). In this way, social protection benefits often increase the demand for the economic activity on which the poor depend for their livelihoods. As a result, social protection supports social cohesion by sharing the benefits of economic growth. This encourages investment by lowering social risk and strengthens the prospects for pro-poor economic reforms.

Mauritius provides an important example of the economic growth impact accruing from the tendency of social protection to strengthen social cohesion and reinforce economic reform programmes. In the 1950s, Mauritius was similar to other poor countries in Africa – with high poverty rates and a vulnerable mono-crop economy. Over the past five decades, Mauritius has experienced some of the highest economic growth rates in the world, and it now has the lowest poverty rates in Africa. The International Monetary Fund attributes this success in part to the country's investment in social protection programmes, which shared the benefits of economic growth resulting from the reforms that restructured Mauritius' economy into an export-led high growth path. The redistributional impact of social protection reduced the risk of the social and political backlash that often accompanies difficult reform programmes ([6]).

([4]) In technical terms, a social protection benefit might raise a worker's reservation wage, that is, the lowest wage a worker would accept in the prevailing market, by providing a better alternative, particularly in the case of poor labour markets that fail to provide decent work.

([5]) For more on this aspect see the FAO's 'From Protection to Production' programme, which is partially funded by the EU: http://www.fao.org/economic/ptop/home/en/

([6]) Subramanian, A. and Roy, D. (2001) Who Can Explain the Mauritian Miracle: Meade, Romer, Sachs, or Rodrik? IMF Working Paper. International Monetary Fund.

1.2. Historical Drivers of Social Protection Models

Less than 30 % of the world's population has adequate social protection coverage ([7]). Coverage is particularly low in developing countries, and varies by region, with recent World Bank (WB) analysis indicating that effective coverage may be as low as 1 % of the population in sub-Saharan Africa (SSA) ([8]). While in developed countries, in particular in Europe, provision is broadly based on the core assumption that the social contract requires the state to ensure some form of income floor for its citizens, (a guaranteed minimum income, or GMI), no such assumption guides policy in most developing countries. The global social security gap entails 50 % of children living in poverty, 60 % of the elderly receiving no form of pension, and 30 % of the world's population with no access to essential health care ([9]).

How did this extreme dichotomy come about? The answer to this question lies in the very different historical trajectories of economic and social development in high-income countries, above all in Europe, and those of the emerging and developing economies in other parts of the world. The social protection models influencing Europe today emerged from specific socio-political contexts in the 19th and 20th century to produce two fundamental paradigms, commonly referred to as the Bismarck and the Beveridge systems.

In Germany, Bismarck pioneered social health insurance in 1883 and introduced contributory pensions in 1889. The pensions aimed to tie the workers' loyalties to the state and, at the same time, heighten the status of the civil service relative to the status of the working classes. Esping-Andersen (1990) characterises the European Conservative welfare regime model as built on the historical legacy of Bismarck's social insurance model, with rights to provision attached to class and status. Benefits depend on contributions by employers and employees to occupationally segmented plans. The model relies on a strong commitment to traditional family-hood: 'the state will only interfere when the family's capacity to service its members is exhausted'. Esping-Andersen associates the Conservative Welfare Regime with Germany, France and Austria ([10]).

The emergence of the 'welfare state', based on solidarity and earnings-related contributions (with national insurance payments set according to individual ability to pay) in the UK after the Second World War, is associated with the work of William Beveridge, who argued for the state to have a central role in guaranteeing the necessary resources for people's welfare, as well as being the main provider of services, the most iconic of which is the National Health Service. The service built on the earlier introduction of basic welfare reforms in the early years of the 20th century under the liberal government of Herbert Asquith, most famously through the 1909 'Peoples' budget' of Chancellor David Lloyd.

The fundamental difference between the two systems lies in the strong association in the Bismarck system between contribution and benefits in contrast to the provision of universal benefits in the Beveridge system. The former can be seen as providing protection against risk and retirement benefits to those who work, while the latter is aimed at rather than preventing poverty throughout society on the basis of citizenship and solidarity. At the same time, its basis in funding through income-related contributions and taxation mean that the Beveridge system is as much contingent on employment (within a formal economy) as is the Bismarckian system.

A distinct 'Scandinavian' model for social protection, with important implications for social policy design, emerged first in Denmark (in 1891) with the introduction of a pension system based on needs testing, *without* consideration of earned income earlier in life. 'An old-age allowance could be granted to those 'worthily in need' who had reached the age of 69' ([11]). The Danish scheme came to serve as a model for a similar system, with a needs tested portion financed from public funds established in Sweden in 2013, reflecting a recognition of the unsuitability of contributory systems for poorer members of the farming community, where most residual poverty was to be found during the country's comparatively late industrialisation.

The period between 1945 and 1980 was characterized as the 'golden age' of social provision. This was a period marked by welfare expansion, an emphasis on a mixed economy, and a global consensus regarding social policies. The rights-based approach became the dominant strategy during this period as it was promoted by the newly formed and increasingly influential United Nations (UN). The rights-based approach sets out the notion that social security is a universal human right, and is linked to other social, economic and cultural rights. This approach is a product

([7]) ILO (2014) World Social Protection Report 2014-2015. http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_244748/lang--en/index.htm

([8]) Fiszbein, A, Kanbur, R and Yemtsov, R. 2013. Social Protection, Poverty and the Post-2015 Agenda. Policy Research Working Paper. 6469. Washington, DC: World Bank.

([9]) Cichon, M. 2013. ***Visions of Welfare: social protection floors in the context of the great ambivalence***, International Council of Social Welfare, Helsinki. November 2013.

([10]) Esping-Andersen, G. (1990) (p. 24-27).

([11]) Nordic Social-Statistical Committee, Copenhagen (2008) ***Old-age Pension Systems in the Nordic Countries*** of the post-World War II context where a number of international treaties establishing universal rights were ratified, the most prominent of which is the Universal Declaration of Human Rights (UDHR), adopted by the UN General Assembly in December 1948.

Box 2: The Universal Declaration of Human Rights – 10 December 1948

Article 22

Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

Article 25

(1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

(2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

These treaties provided an important formal basis for social protection provision in the Golden Age, and underpin the 1952 ILO Convention on Social Security ([12]), which establishes the minimum standards for social security and continues to provide a formal basis for social protection provision today.

Box 3: The Social Security (Minimum Standards) Convention, 1952 (No 102)

The Social Security Convention establishes worldwide-agreed minimum standards for all nine branches of social security. These branches are:

- medical care;
- sickness benefit;
- unemployment benefit;
- old-age benefit;
- employment injury benefit;
- family benefit;
- maternity benefit;
- invalidity benefit;
- survivors' benefit.

([12]) The ILO Social Security (Minimum Standards) Convention, 1952 (No 102)

The fundamental structural changes that took place in the world economy in the 1980s saw the golden age's characteristic social compromise between state and capitalism begin to fray ([13]). The structural and political-economic changes in the developed world came at a time when systems of social protection in developing countries had not evolved beyond providing for the privileged minority within the formal sector of their economies. The processes of restructuring these economies gave rise to the concept of social protection as a safety net, targeted at those identified as poor. In effect, what this entailed was a shift from *one* to *two* 'global social protection ministries,' as international financial institutions, in particular the WB, entered the sector and adopted positions on social protection that differed radically from those of the ILO. While the two positions use a similar social protection language, their analysis and desired end points tend to differ. The WB position is informed by a market-liberalistic viewpoint, and tends to be concerned with market-based solutions, residual policies and challenges related to risk, resilience and graduation (from poverty). By contrast, the ILO position is informed by an underlying ideology common also to the European welfarist vision with a universalist conception of formal categories of social protection ('social security') provision closely associated with a formal economy framework and therefore polices addressing the formalisation of developing economies.

i. The Current Global Social Protection Sector – From Contestation towards Harmonisation

In recent years, the social protection sector has witnessed an increase in the number of international actors taking part in both provision and knowledge production. These include the major UN agencies, the Bretton Woods Institutions (led by the WB), the main bilateral donors (including the European Member States and the European Commission), and a number of influential NGOs and INGOs. McCord (2013) discusses this contested arena in greater detail and emphasises that INGOs have been highly influential in mobilizing resource flows in favour of social policy, both internationally and within donor countries ([14]).

Significant areas of contestation persist among the key actors in the field, particularly between the UN and WB with regard to addressing inequality and redistribution, universal versus residual (targeted) approaches, risk and resilience and the concept of graduation, as well as institutional priorities and design preferences. McCord (2013) emphasizes that the dispute affects the global social protection sector in several ways. Most obviously, it affects the generation of knowledge in the sector, 'resulting in an unwittingly ideologically-oriented debate'. But, beyond this, it also affects the provision of social protection, resulting in a situation where key actors are engaged in supporting a plethora of alternative social protection interventions, rather than complementary ones ([15]). Greater donor harmonisation has therefore become an urgent priority in order to strengthen the development of systematic provision and increase the coherence of programming. Recent efforts include the establishment in 2012 of the Social Protection Inter-agency Co-ordination Board (SPIAC-B) at the behest of the G20. It is co-chaired by the ILO and the WB and functions to convene key international institutions and bi-lateral development partners to better coordinate policy and programming in support of the improvement of nationally owned social protection systems.

1.3. Recent Development Affecting the Expansion of Social Protection

i. Changes in the Labour Market (1980s-2010s)

Recent decades have witnessed significant increases in the global labour supply as a result of factors such as population growth and the opening of closed economies. This trend has been accompanied by the growing strength of capital, taking place alongside the dismantling of institutions of social solidarity including labour regulations, with the aim of addressing perceived 'market distortions'. At the same time, new forms of regulation have been introduced which reduce the bargaining power of labour, resulting in downward pressure on wages, while increased labour market flexibility and technological developments have resulted in significant changes in global labour processes and the structure and functioning of domestic labour markets.

A trend towards increasing casualization of employment in the developed world is paralleled in the developing world by the persistence of informality and working poverty in low-income countries. In sub-Saharan Africa, the structural transformation out of agricultural (which had been anticipated to drive increased productivity) has not encouraged employment formalisation and poverty reduction as rapidly had been anticipated. Despite high growth in wage

([13]) DEVCO B3 has published a study on 'The Public Pursuit of Secure Welfare', available on Capacity for Development and the Employment and Social Inclusion Intranet site, which analyses these processes in some detail [McCord, A. (2013). (p. 7)].

([14]) McCord, A. (2013). Ibid (p. 22-34).

([15]) McCord, A. (2013). (p. vii, 34, 68).

labour in the region, household enterprises (HE) and agriculture together continue to comprise 80 % of employment (15 % HE and 65 % agriculture), with agriculture projected to continue to dominate employment in the medium term, even in positive growth scenarios. At the same time, rapid population growth in the region sees 11 million new entrants to the labour market annually, a potential 'demographic dividend' that cannot be realised in the absence of productive work.

ii. The Financial Crisis of 2008/2009

In 2009, the global economy experienced a 0.5 % contraction, following a modest 3 % growth in 2008, as a result of which growth halved in emerging and developing countries. In terms of impact on jobs and living standards, the developed world accounted for most of the increase in global unemployment, with youth bearing the brunt of the crisis impact; the effects on the developing world are evident in social indicators such as poverty and the incidence of working poverty and vulnerable employment ([16]).

Initial national responses to the crisis involved large-scale stimulus packages, a quarter of the total value of which was devoted to social protection. This acted as an automatic stabiliser that provided protection for affected poor and vulnerable populations. However, since 2010 this trend has been reversed with many governments embarking on fiscal consolidation. According to the ILO, 122 governments contracted public expenditures in 2014, of which 82 were in developing countries ([17]).

1.4. Evolution of the Social Protection Floor Initiative

The term *social protection floor* (SPF) is defined by the ILO as 'a nationally defined set of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion' throughout the life cycle ([18]). Two main developments in the 21st century led to the SPF Initiative. First, the ILO began in the early 2000s to explore social policy responses that could mitigate the negative effects of recent changes in the global economy, expanding social security to people engaged in informal and vulnerable employment. In doing this, the organisation established working groups that were to explore alternative policy options. A second development was the financial crisis of 2008/9 ([19]), which provided a window of opportunity for actors pursuing the extension of social protection on a global basis. The establishment of national social protection floors was included as one of nine key joint crisis initiatives adopted by the UN in response to the negative consequences of the crisis ([20]).

The SPF concept builds on Article 9 of ***The International Covenant on Economic, Social and Cultural Rights*** and can be seen as a recasting of the Social Security Convention of 1952 to address the needs of the highly informal economies of the developing world. Article 9 recognizes all humans' right to social security. Moreover, the Committee on Economic, Social and Cultural Rights published an interpretation of Article 9 where it recognizes that 'the realization of the right to social security carries significant financial implications for States parties, but notes that the fundamental importance of social security for human dignity and the legal recognition of this right by States parties mean that the right should be given appropriate priority in law and policy.' ([21]) This can be interpreted as a move by the UN to shift the focus in the global social protection sector back to the obligations and responsibilities of national governments and to reposition the state as a leading actor in provision, rather than international aid donors. Simultaneously, it represents a pulling away from earlier top-down and donor-led initiatives. In 2012, at its 101th session of the International Labour Conference, the ILO adopted Recommendation 202 (R202) on national floors of social protection.

([16]) Bonnet, Saget, Weber, ILO, 2012
([17]) ILO World Social Protection Report 2014-2015
([18]) ILO (2012). ***Social Protection Floors Recommendation (No 202).***
([19]) Cichon, M., Behrendt, C., and Veronika Wodsak. (2011). ***The UN Social Protection Floor Initiative: Moving Forward with the Extension of Social Security***. (p. 34).
([20]) ILO (2011). ***The Social Protection Floor Initiative***. Available from http://www.ilo.org/wcmsp5/groups/public/ – ed_protect/ – soc_sec/documents/publication/wcms_207781.pdf
([21]) UN Committee on Economic, Social and Cultural Rights (CESCR) (2008). General Comment No 19: The right to social security (Art. 9 of the Covenant), 4 February 2008, E/C.12/GC/19

Box 4: ILO Recommendation 202 on National Floors of Social Protection

R202 defines the social protection floor in terms of four basic social security guarantees:

(a) access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality;

(b) basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;

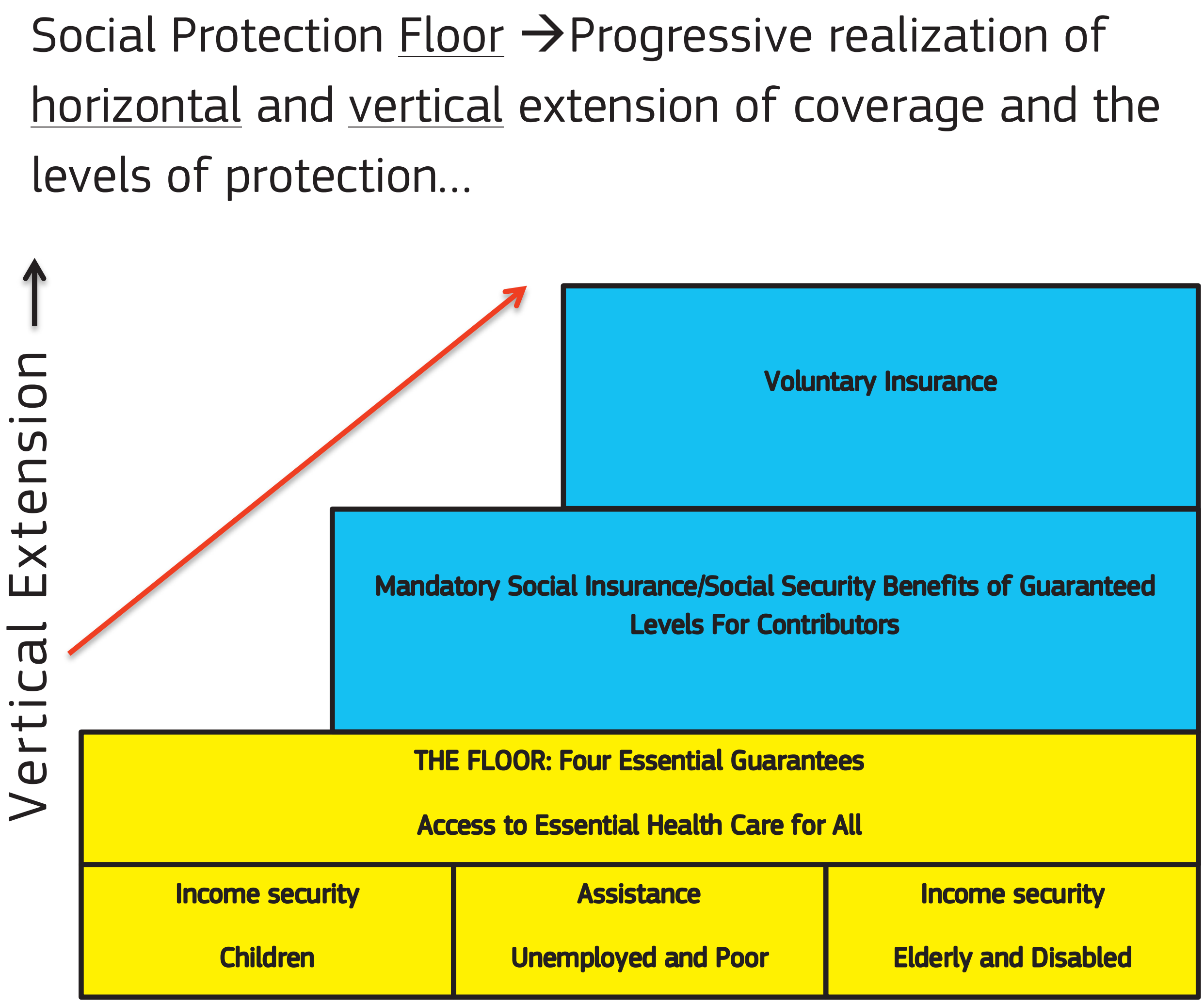
(c) basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;

and

(d) basic income security, at least at a nationally defined minimum level, for older persons.

The basic floor is associated with the concept of a social security staircase whereby a country can over time extend its national social protection systems towards higher levels of provision.

Figure 1: The social protection floor and social security staircase



Based on ILO 2012

The principle of universality is underlined in R202 and it has in turn been interpreted by the UN on the basis of a principle of equality between nationals and non-nationals, so that the guarantees apply to all *residents*, and not just to citizens ([22]). Furthermore, universality should signify equality between formal and informal workers. By including workers in the informal economy, the SPF directly addresses the critical challenges of informality, casualization and precariousness that are rooted in the changes currently taking place in the labour market.

i. National Social Protection Floors

The social protection floor is a guiding principle and not a set definition. This implies that SPFs will be defined on the national level. Each state defines its own social minimums, and defines its own standards regarding scope and levels of income and health security. The only prerequisite is that the national SPF has to fulfil the four guarantees laid out in R202. A national SPF has two main aspects: a legal aspect (guarantees of a social minimum guarantees need to be statutory) and an effective aspect ([23]). The effective aspect of an SPF can be understood as the contents of the floor. The SPF emphasizes flexibility in choice of schemes and benefits, countries should be able to design the structural architecture of their national systems. The SPF also places particular importance on endogenous financing. Financing systems are promoted as an important mechanism towards moving away from donor dependency, securing a domestic buy-in at the same time.

1.5. The Future of Social Protection

The future of social protection must be considered in relation to a number of important positive and negative economic, environmental, epidemiological, demographic, social and political trends. Labour costs in high growth developing countries are rising, creating new opportunities for nations that have been lagging behind. The key example here is China, where the manufacturing sector has begun to experience labour shortages that create upward wage pressure. This has led economists to speculate that China has now reached a 'Lewis Turning Point', following which the wages and living conditions of workers will rise ([24]).

Box 5: The Lewis Turning Point

The classical model of development, created by Nobel Prize-winning economist Arthur Lewis, is based on the concept of a fundamental economic transformation from 'traditional' to 'modern'. The first is represented by the agricultural sector, which engages a major part of the labour force, and the second by the manufacturing or industrial sector. Crucially, economic growth comes from the modern sector with the support of unlimited supplies of labour drawn from the agricultural sector. Initially, low wages generate savings, which in turn finance capital formation for expansion. Eventually a point is reached when no more labour is forthcoming from the underdeveloped, or agricultural, sector and wages begin to rise. This is known as the Lewis turning point. It underpins the intuitive idea that drives development thinking: that growth is essential to enable prosperity for all.

Higher wages in China should theoretically increase the relative (unit labour price) competitiveness of other developing countries and support rising employment and eventually better wages. Yet globalisation has been accompanied by factors such as factor mobility, segmentation (e.g. between formal and informal sectors) and new employment practices, such as crowd sourcing, which contribute to the growing inequality that has come to be such an important element on the post MDG agenda. Within the context of the post-2015 debate, this has led to calls for more coherent strategies at international level, to coordinate macroeconomic policies as well as to jointly agree on approaches to wages, employment and social protection policies to boost household income and consumption ([25]).

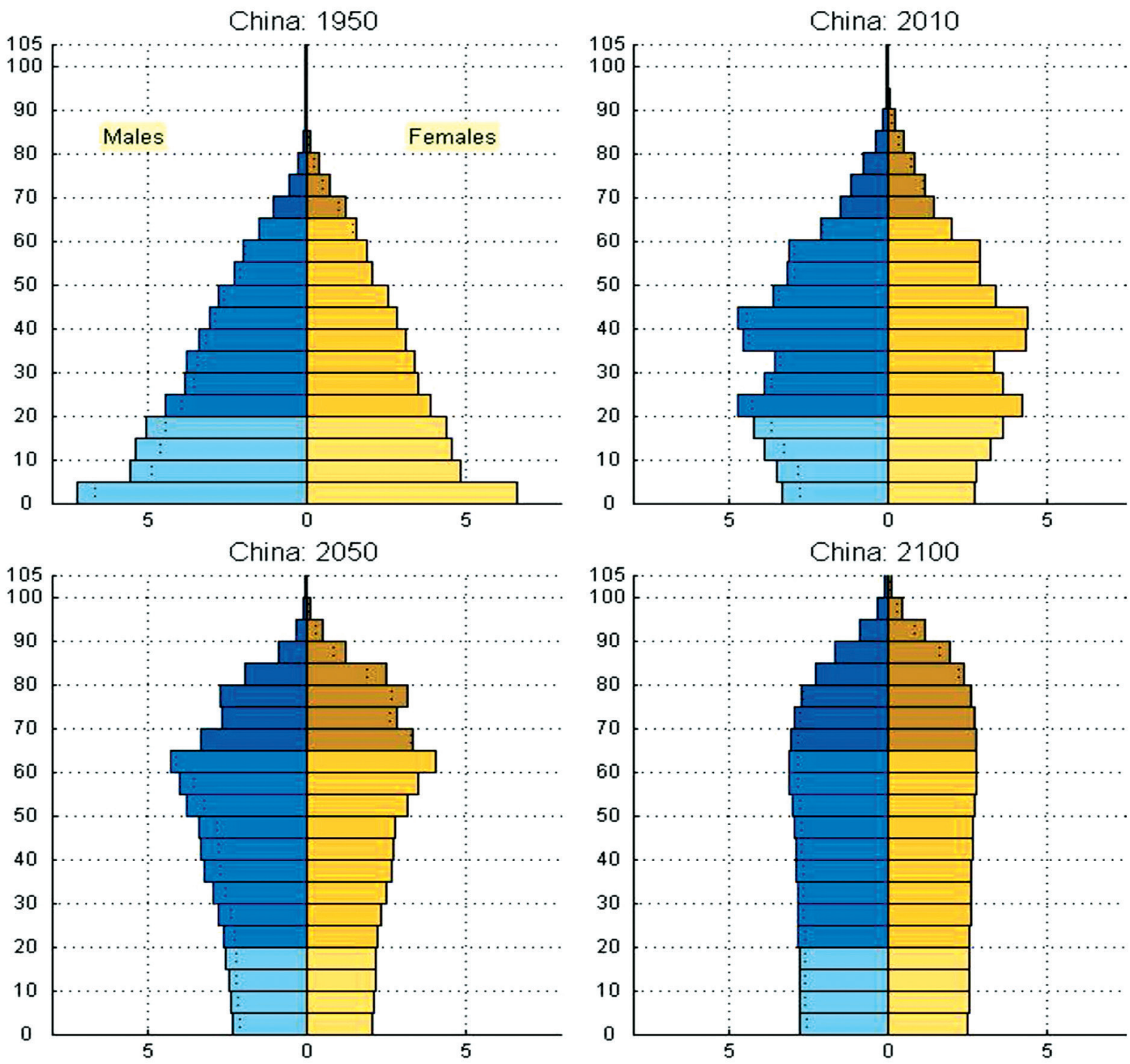
At the same time, the future of overall human well-being is contingent on a number of critical social and environmental factors.

([22]) N.B., who is regarded as a ***resident*** in a country is a political decision, and may vary from country to country.
([23]) Cichon, M., Behrendt, C., and Wodsak, V. (2011). (p. 39-40).
([24]) Andong Zhu and Wanhuan Cai, 2012
([25]) ILO, Global Wage Report 2014/15

Anthropogenic climate change is exacerbating vulnerability to environmental shocks and motivating new approaches to disaster risk management. Particularly in the agricultural sector, which dominates the economies of developing countries and supports the livelihoods of poor households, intensifying shocks create an increasingly risky environment for farmers who already work with a thin margin for survival.

The demographic transition is reshaping the age composition of many developing countries by ageing society and increasing dependency ratios, just as it has done in Europe. Figure 2 illustrates the dramatic effects of 'demographic ageing' in China.

Figure 2: 'China is getting old before it gets rich'

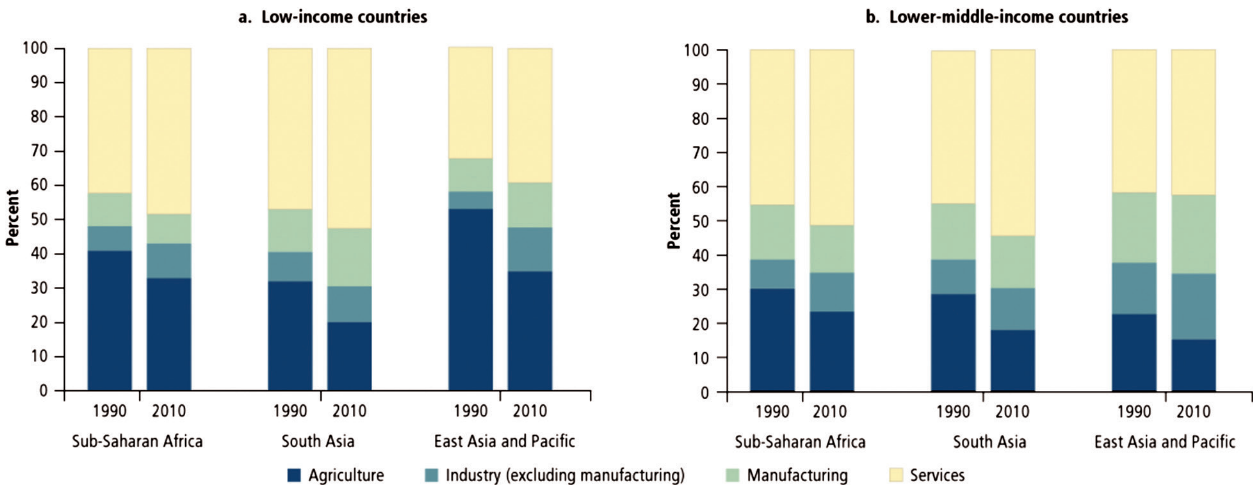


Source, Dewen Yang, WB, 2015 ([26])

At the same time, for many developing countries, non-linearities in this process are creating a temporary demographic dividend as baby boom workers bubble through the population pyramid. Countries such as Mozambique and Vietnam face a falling dependency ratio over the next several decades before this trend reverses. This should create an opportunity to benefit from the increasingly productive economy to invest in long-term initiatives (such as social protection) to better enable future responses to the eventually rising dependency ratio. However a recent seminal WB report points out that 11 million young people are expected to enter Africa's labour market every year for

([26]) Dewen Yang 'Global Trends of Pension Reforms and the WB Proposal for China', Presentation at the launch of the EU-China Social Protection Reform Project, 2015 the next decade, yet the formal sector will not under any projection be able to grow at a rate that will absorb more than a fraction of them. ([27])

Figure 3: Agriculture's share of GDP is contracting, but is not being replaced by manufacturing



Source: World Bank, 2014.

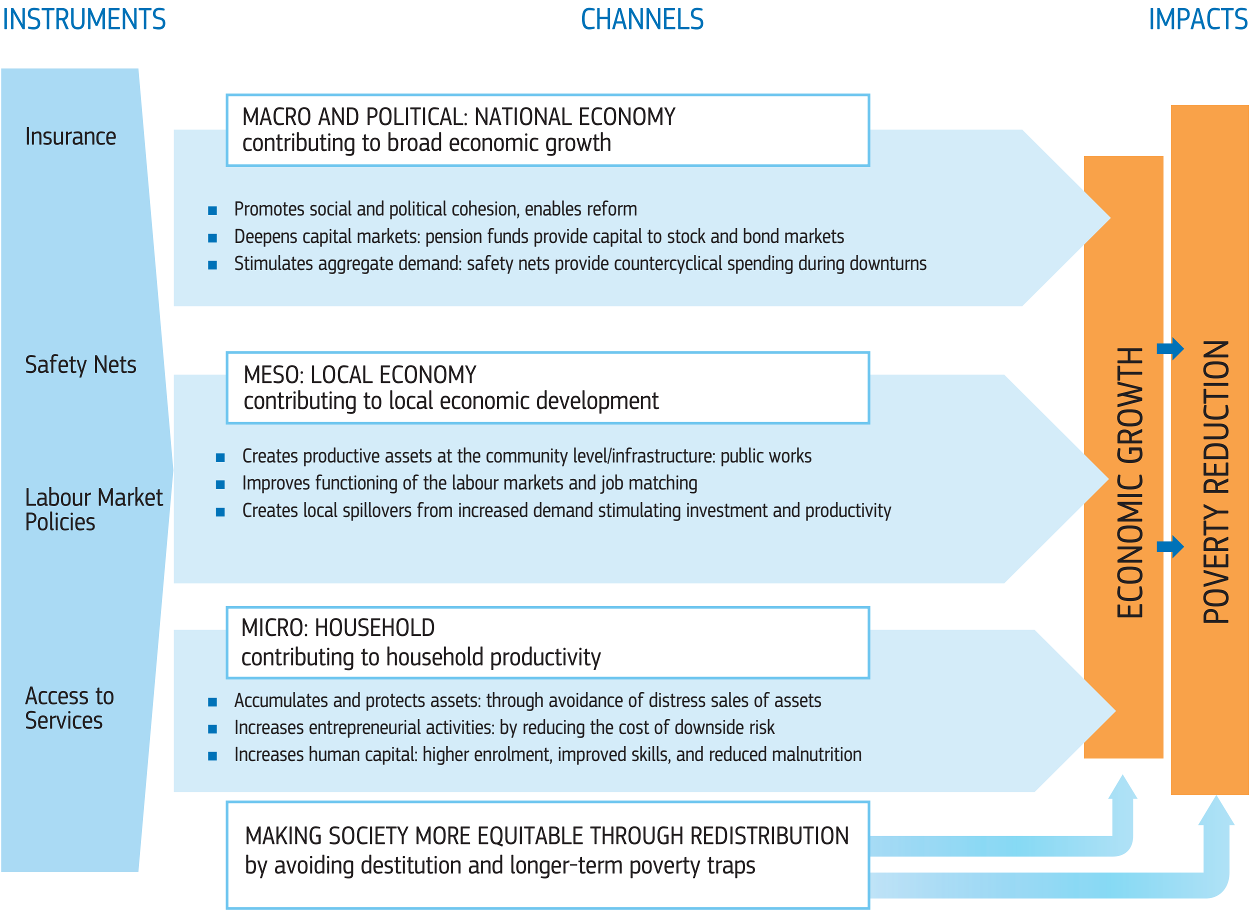
Globalisation and technology propel social change, leading to increasingly fluid family structures within an unstable economic environment. This challenges traditional forms of social protection on which the vast majority of poor people, especially in rural areas, have relied in the absence of government provision. In some countries, HIV-related increases in young adult mortality and rising dependency ratios are fracturing informal support networks and increasing the demand for publicly provided social protection. For example, in Lesotho older people who had expected to rely on their adult children for support in older age were instead facing an unsustainable burden to support their grandchildren as their parents died of AIDS. The Government of Lesotho implemented a universal social pension to bolster informal support mechanisms with a formal dependable cash transfer.

At the same time, one of the world's most vulnerable groups – adolescent girls and young women – faces rising rates of HIV infection. The resulting policy responses are focused more than ever on integrated and comprehensive approaches that cut across the health, education, livelihoods, care and social protection sectors. HIV-sensitive social protection research and policy initiatives, particularly in Africa, are demonstrating that coordinated strategies generate important synergies. In South Africa combining cash transfers with social care initiatives has significantly reduced risky behaviours that leave adolescents vulnerable to HIV infection ([28]).

On the political front, unfounded fears of dependency have finally shown signs of giving way to the increasingly robust evidence on the developmental impacts of social protection. Today, the WB's social protection framework views social protection as an investment. A compelling evidence base documents the human capital development impacts, and an increasingly convincing body of research demonstrates its role in supporting livelihoods strengthening outcomes.

([27]) WB, Youth Employment in sub-Saharan Africa, 2014
([28]) Cluver et al. (2014)

Figure 4: The contribution of social protection to productivity, growth and poverty reduction



Source: WB, 2012

The old scaffolding, which propped up narrowly targeted safety nets, is evolving into a new architecture with more universally accessible floors, staircases and platforms that not only aim to provide paths out of poverty but also lead onto highways to prosperity. South Africa has expanded social protection so broadly that two of every three South Africans live in a household receiving a social grant. In 2013, India expanded its social pension to ensure more universal delivery ([29]), while Mexico introduced a social pension scheme to cover all people 65 years and older ([30]). Rwanda is scaling up universal coverage of a health insurance scheme ([31]). Nepal has introduced a universal child benefit in one of its poorest regions in response to a study that identified households with very young children as the nation's poorest ([32]).

Politicians have begun to recognise the political benefits of social protection, and strengthening the foundations of good governance. In fragile states, social protection is relatively easy to deliver compared to more complex social services. By providing the electorate with developmental public benefits, governments demonstrate their value and cultivate a demand for good governance that strengthens democracy and stabilises society.

These trends are driving the future of social protection, but multiple destinations are possible. Countries with varying social, economic and political contexts will choose appropriate models adapted to their circumstances and preferences. This Concept Paper builds on a vision of common features shared by some of these destinations.

([29]) Minister for Rural Development Jairam Ramesh, Speech outside of Parliament on 7 March 2013, reported by ***The Hindu*** newspaper, 8 March 2013. http://www.thehindu.com

([30]) US Social Security Administration, 2013

([31]) From a speech made by Rwandan Prime Minister Bernard Makuza (2008), at the International Social Security Association (ISSA) ***Regional Social Security Forum for Africa***, 18-20 November, Kigali (ISSA, 2008).

([32]) Samson (2008, 2013)

The SDG vision of a 'future free from poverty and built on human rights, equality and sustainability' ([33]) will only be accomplished with the establishment of effective universal systems of social protection that provide protection against shocks and are integrated within a system of complementary programmes that strengthen human capital development and promote livelihoods engagement. Such systems will need to be adapted to the evolving economies, particularly in respect to working and employment practices, and will need to reflect and harness the potential benefits of the digitalised age.

([33]) Synthesis Report of the Secretary-General on the Post-2015 Agenda, UN (2014)

PART 2: DESIGN AND IMPLEMENTATION OF SOCIAL PROTECTION SYSTEMS

In this chapter, we will look first at the policy basis for social protection systems, considering the three policy frameworks that have evolved into the current principal approaches to social protection. We will then discuss the elements of national policy and policy formulation together with the issues of budget and fiscal space. We will then conceptualize national social protection systems within a national policy framework, introducing the topic of systematisation (which is covered in more detail in the following chapter). Finally, we discuss critical issues at the level of individual social protection programmes, including a range of social protection instruments and technical elements of the implementation systems that are essential to ensure both the efficient and effective functioning of individual programmes. Proper design and implementation at the individual programme level can allow programmes to function as integral parts of a coordinated, and therefore more effective, policy-driven national social protection system.

2.1. Social Protection Policy Frameworks

A country's choice of policy framework reflects a complex interaction of factors that constitute the social and policy context of a nation. The nature of poverty and vulnerability interact with politics and ideology, shaped by the views and decisions of political and civil society champions. This section describes three frameworks that have and continue to influence the development of social protection systems around the world.

i. The Social Risk Management Framework

The theme of the WB's 2000/01 World Development Report was the Social Risk Management model (SRM), which evolved into one of the most influential social protection frameworks of the 2000s ([34]). The SRM framework is founded on two main principles: 'people with low incomes are more exposed to shocks and have fewer market and state instruments to be able to prevent and mitigate risks' ([35]). The SRM concludes that this exposes the poor to risks and vulnerabilities limit their engagement in profitable, but risky, activities – potentially diminishing human capital and productive capabilities. Within the SRM, the provision of *risk management instruments* is one of the most effective strategies to achieve poverty reduction, income stabilization, consumption stabilization and asset accumulation ([36]).

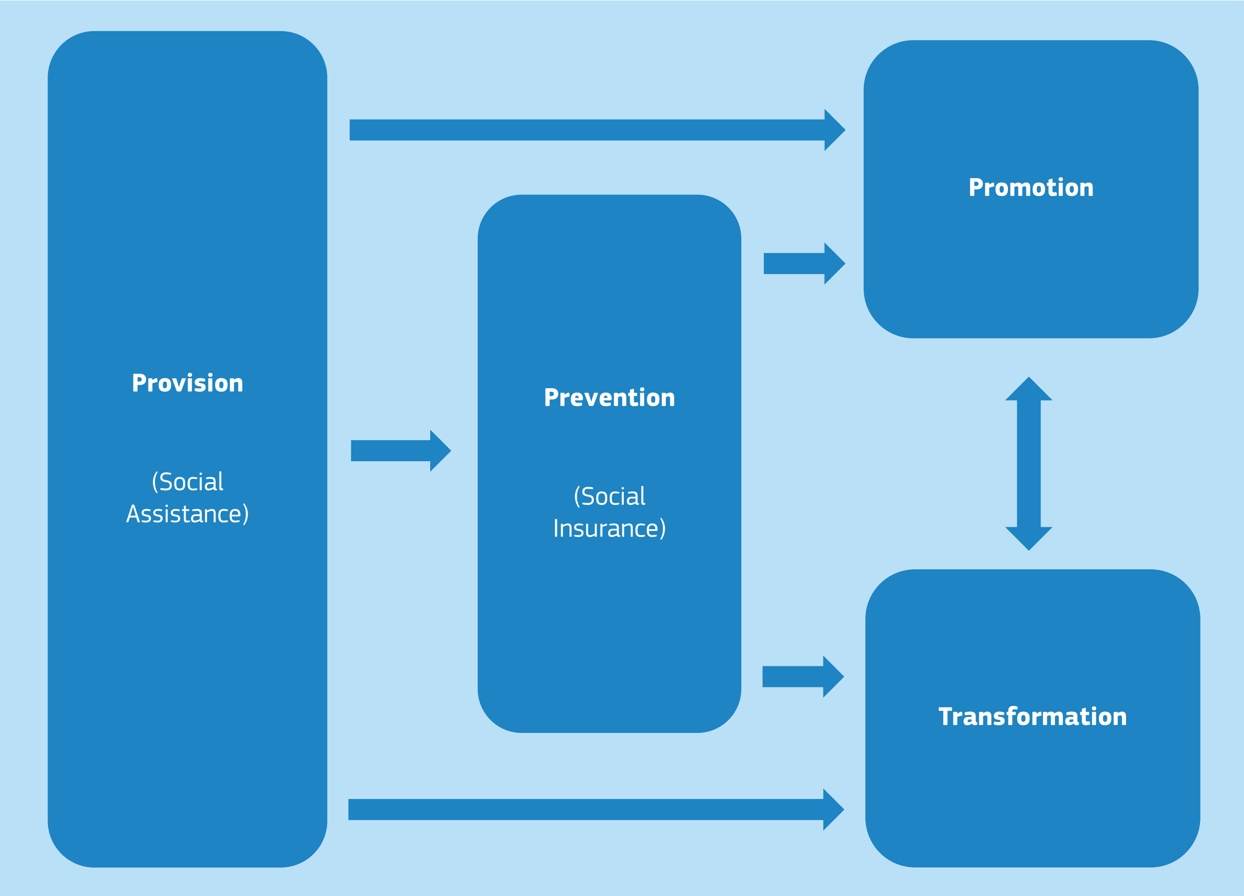
The framework proposes that the development of national social protection systems should begin by profiling risks specific to a particular national context, in order to best understand country-specific vulnerabilities. The SRM framework identifies three main risk management strategies to include in a national social protection system: risk reduction, risk mitigation and risk coping. The WB understands risk reduction as *ex ante* measures to promote livelihoods (such as microfinance or free education), risk mitigation as *ex ante* measures to reduce income variance if a shock occurs (such as insurance or pensions), and risk coping as *ex post* measures to reduce distress (such as food aid and cash transfers) ([37]). The SRM framework uses these three strategies to protect populations against a multitude of shocks, rather than promoting general equity or minimum guarantees.

ii. The Transformative Social Protection Framework

Devereux and Sabates-Wheeler (2004) present the transformative social protection model as an alternative to the social risk management approach. This framework reconceptualises the nature of vulnerability by addressing the increasingly important socio-political drivers that cause and perpetuate poverty and vulnerability to risk ([38]).

([34]) Devereux, S. and Rachel Sabates-Wheeler (2007). ***Editorial Introduction: Debating Social Protection.*** (p. 2).
([35]) Haddad, L. (2007). ***Comment on 'The Role of Social Risk Management in Development: A WB View'.*** (p. 14).
([36]) Holzmann, R. and Kozel, V. (2007) ***The Role of Social Risk Management in Development: A WB View.*** (p. 10).
([37]) Ibid. (p. 10).
([38]) Devereux, S. and Rachel Sabates-Wheeler (2007). ***Social Protection for Transformation***. (p. 24).

Figure 5: The transformative social protection model



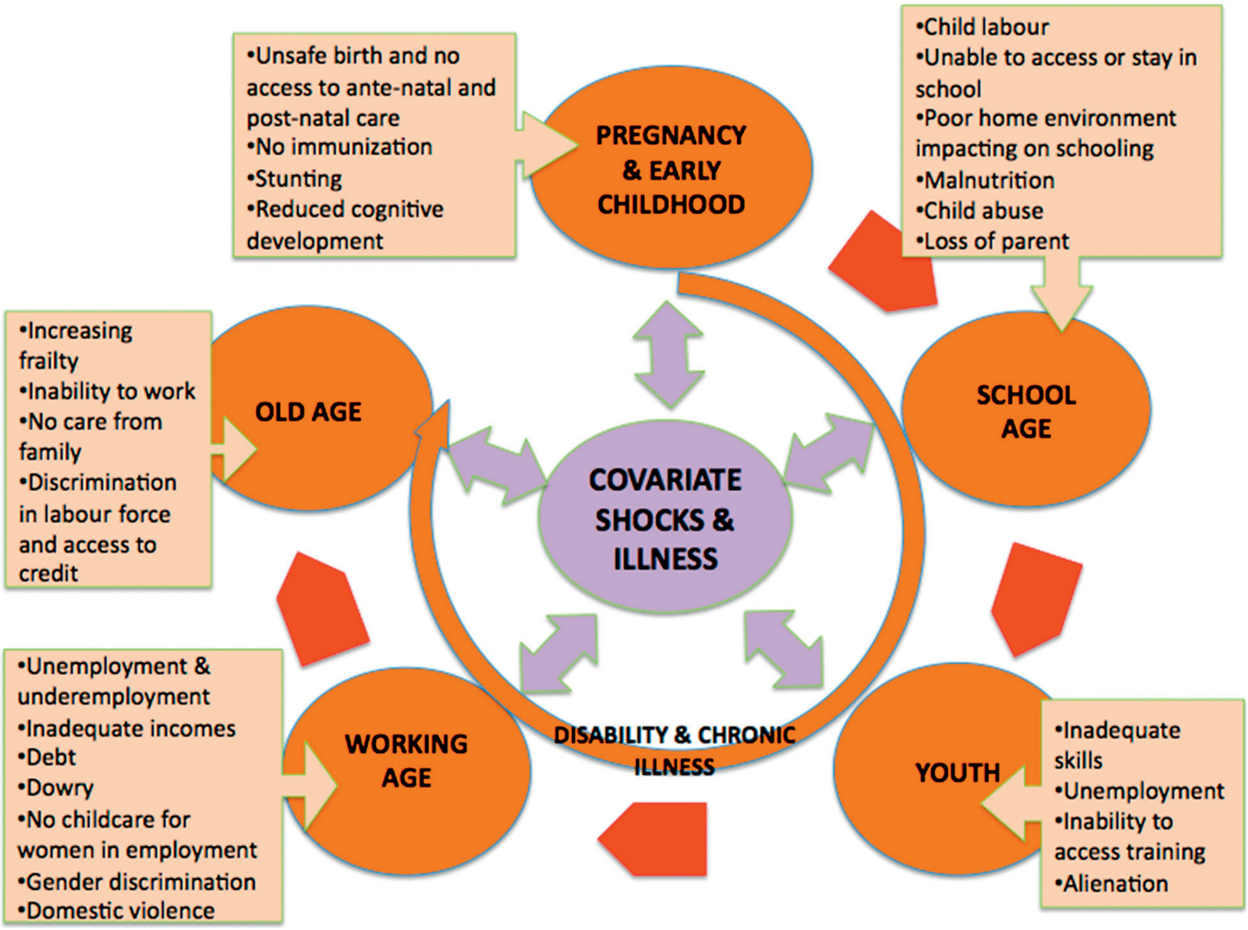
The TSP framework provides a four-component model of social protection tools, as illustrated in Figure 5 above. The first component includes *provision* tools such as social transfers and access to basic social services, particularly for poor individuals and groups who need special care. The second component, *prevention*, includes various measures that can be taken in order to prevent deprivation such as social insurance, informal saving clubs and means of risk diversification ([39]). The third component, *promotion*, consists of livelihood support measures that aim to lift people out of poverty, such as microcredit programmes, public works projects and school feeding programmes. The fourth component, *transformation,* includes social and political instruments intended to empower the poor and tackle social structures that perpetuate poverty and social exclusion. Examples include legislation to support socially vulnerable groups, anti-discrimination campaigns, affirmative action and civil society mobilization ([40]).

iii. The Life Cycle Approach

The life cycle approach to social protection reflects the understanding that individuals face different risks and vulnerabilities at different stages in life and that social protection can be designed and provided to address these risks at each stage.

([39]) Devereux, S. and Rachel Sabates-Wheeler (2007). (p. 25).
([40]) Devereux, S. and Rachel Sabates-Wheeler (2007) (p. 25).

Figure 6: Life cycle risks identified in the Bangladesh national social security strategy

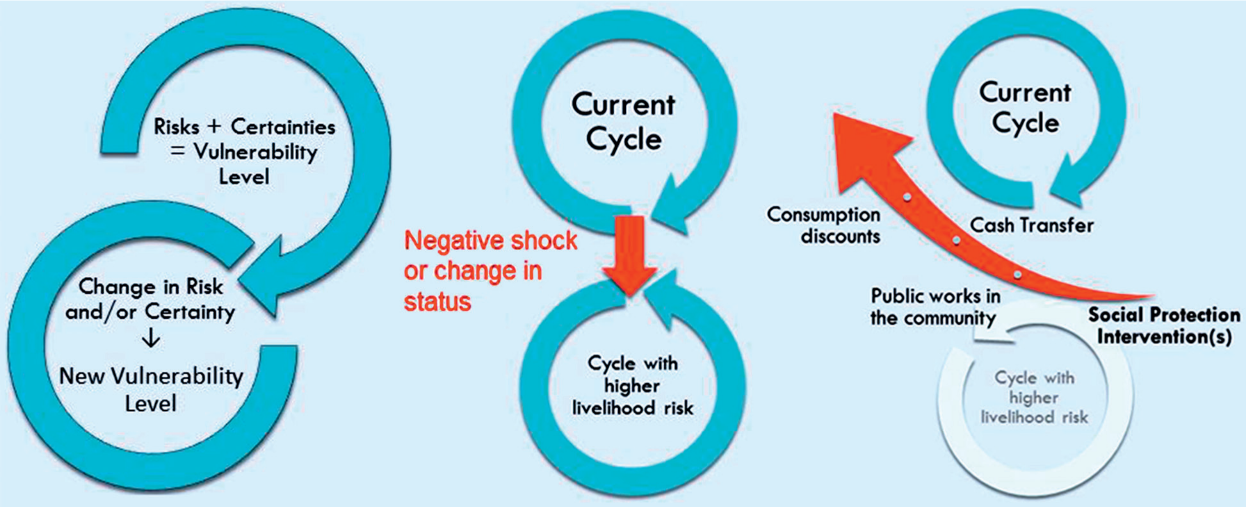


Source: National Social Security Strategy of Bangladesh, 4th draft, June 26 2014

A life cycle can be understood as a period in which an individual's level of vulnerability is constant. An individual enters a new life cycle 'when the set of risks and certainties that define the level of vulnerability, changes in a positive or negative way' ([41]) (Figure 7a). Life cycle changes that result from negative shocks in social or economic status lead an individual to enter a new life cycle marked by higher levels of risk and vulnerability (Figure 7b). Social protection instruments can address shocks as they occur, protecting individuals from negative life-cycle changes. Social protection can enhance existing livelihoods in a way that makes current phases of the life cycle less prone to vulnerabilities (Figure 7c).

([41]) Bonilla García, A. and J. V. Gruat (2003). *Social Protection: A Life Cycle Continuum Investment for Social Justice, Poverty Reduction and Sustainable Development.*

Figure 7: Representation of (a) a life cycle, (b) a negative shock to a life cycle, and (c) the effect of social protection on life cycle vulnerabilities



Source: EPRI diagram illustrating García, A. and J. V. Gruat (2003)

In its essence, this approach goes beyond the concept of 'vulnerability', applied to both individuals and households – and indeed to broader social groupings such as 'community' – towards an approach which links the provision of social assistance to those in need to social insurance to prevent need for all individuals. In this sense, the emergence of life cycle approaches to social protection in the first decades of the 21st century, both in the international agenda of the SDGs and in the national policies of developing countries is at its roots a reunification of the traditional concept of social security enshrined in ILO Convention 102 and the social protection measures targeting poverty that have emerged in development theory and practice. At the heart of this process, the social protection floors concept proposes initially the establishment of a 'basic floor' which provides access to provision of some sort of protection against the various life cycle risks for all and then a process of increasing and improving the levels of provision through climbing what the ILO refers to as the 'social security staircase' ([42]).

2.2. National Social Protection Policy ([43])

Incorporating social protection initiatives within a policy framework ensures the long-term sustainability of social protection and enables more efficient systemization of social protection measures. The long-term sustainability and financing of social protection programmes and systems is ultimately a political decision; these initiatives require the support of both policymakers and the public in order to ensure that there is sustained fiscal and political space for the social protection agenda. Implementing a national social protection strategy requires various steps, including opening the political space for social protection initiatives and linking social protection with other policy actions in order to reach comprehensive outcomes.

i. Building Political Will

Building political will starts with understanding the objectives of supporters and opponents of social protection, as well as the role that non-governmental allies can play in the advocacy, promotion and provision of these policies. Evidence, particular when mobilised by national stakeholders, can strengthen champions and reduce the resistance of political opponents. A social expenditure review can find potential synergies in the financing and provision of developmental initiatives, potentially remedying inefficiencies that can open the fiscal space for comprehensive social protection policies and initiatives. The ILO 'social budgeting' tool builds on this to add a forward looking forecast (the 'social budget') in order to enable well-informed decision-making:

([42]) ILO (2010)

([43]) This section of the concept paper is adapted from presentations 'The Policy Cycle' and 'Institutionalizing Social Protection' given at EPRI's course on 'Designing and Implementing Social Protection Systems' in Brussels (July 2014), Cape Town (June 2014 and prior), Mombasa (June 2013 and prior) and Chiang Mai (October 2014 and prior).

Box 6: What is Social Budgeting?

Social budgeting consists of two basic components. The first is the statistical basis, i.e. the methodologically consistent compilation of the revenues and expenditures of a country's social protection system. We call this component the social accounting system (SAS). The second is the forecast of income and expenditure (budget projection), normally for a medium-term period, and/or simulations of social expenditures and revenues under alternative economic, demographic and/or legislative assumptions. This component is called the Social Budget.

Source: *Scholz, Cichon, Hagemeyer 'Social Budgeting', ILO Quantitative methods in SP series, 2000*

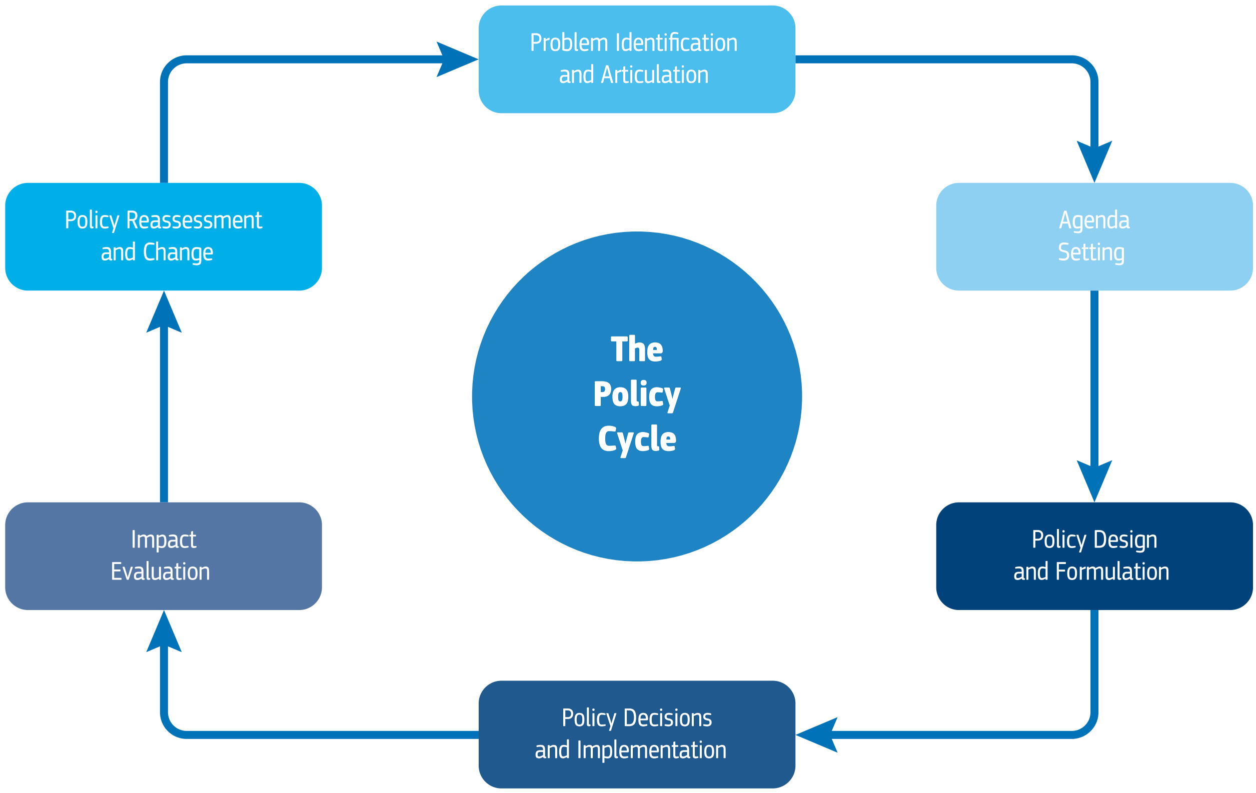
A 'drivers of change' study to evaluate the political context prevailing in the country can be a useful tool. It uses knowledge on historical and current context of the country to show how the short- and long-term effects of social protection policies can shape society in the present and into the future ([44]). By displaying the efficiencies and positive social, economic, and political changes that can arise from instituting social protection policies, these measures can strengthen public and political support.

ii. The Policy Cycle Framework

Conceptualizing the evolution through the framework of a policy cycle helps to clarify the ways in which social protection policies can be implemented and sustained. The policy cycle is composed of six steps: (1) problem identification and articulation; (2) agenda-setting; (3) policy design and formulation; (4) policy decisions and implementation; (5) impact evaluation; and (6) policy reassessment and change. As this is a cycle, it is understood that after policy reassessment it may be necessary for new problems to be addressed; then the policy is adapted to fit the new social, political and economic context. In this way, social protection policies can remain relevant to country context in a sustainable manner.

([44]) ODI (n.d.) Drivers of change analysis: purpose, limits and relevance to the study. Overseas Development Institute. http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/3932.pdf

Figure 8: The policy cycle



(a) ***Problem identification and articulation***

Problem identification and articulation enables social protection policy to serve its primary purpose of reducing poverty and vulnerability and supporting inclusive, pro-poor economic growth. In addition, social protection policy can also aid in reaching complex developmental outcomes, such as improving nutrition, education, human capital development and labour productivity. Proper identification of a problem and its causes is necessary to ensure that social protection initiatives have their desired effect. For example, widespread poverty originating from a recent natural disaster or from increasing income inequality will require different interventions to yield cost-effective impact.

(b) ***Agenda Setting***

'Agenda setting' sets the process of developing a social protection system in motion. This requires focusing the government's attention on the relevant problems and understanding social protection policy as a potential solution. Financial crises and social or ethnic conflicts can exacerbate poverty and social exclusion and often precipitate political action. Natural political forces may reach for social protection in these cases, but well-managed advocacy and policy-influencing programmes – rooted in solid evidence globally and nationally – can increase the likelihood that policymakers set a clear social protection agenda.

(c) ***Policy design and formulation***

The design of social protection policy requires careful analysis of the historical, social, political and economic context in which it is being implemented. It is during this stage that analysis and research contribute most substantially to ensuring implemented policies can reach their intended goals. This stage of the cycle will need to explore all policy options, analysing the costs and benefits of each approach. Impact evaluations of similar programmes both domestically and internationally will also be helpful in determining policy design.

The policy formulation stage will involve a combination of analysis and politics to determine how the agenda item is translated into an authoritative decision. The final output can be a law, rule or regulation, administrative order, or resolution. There are two steps in policy formulation. First, alternative policy proposals are put forth, claiming to inject rationality and technical analysis within the process. Policy analysts bring these alternatives to the attention of political decision-makers with their recommendations. Second, the policy prescription is chosen among the alternatives. This is usually accomplished by building the support of a majority. What is produced here is a binding decision or a series of decisions by elected and appointed officials who are not necessarily experts, but presumably accountable to the public.

(d) *Policy decision and implementation*

Once the decision has been made to implement a social protection policy, policy makers must agree an implementation approach. Implementation is typically carried out through either a top down (from central government) or bottom up (from communities and local municipalities) approach. In order to properly implement a new policy, the complexity of doing so must be adequately understood and the course of implementation needs to be clear in terms of context, content, commitment, capacity, clients and coalitions.

Government might delegate a project management approach within a specific set of institutional arrangements. For example, government might nominate a ministry or establish an agency to administer the policy, taking direction from government as articulated in the policy, but likely filling in gaps with respect to intent, goals, timetables, programme design and reporting methods. The agency's mission should align to the social protection policy. The implementation model will require a management information system (MIS) and a monitoring and evaluation model.

(e) *Impact Assessment*

An impact assessment examines the effect of the policy on society and provides evidence to determine whether it is succeeding in achieving its objectives. A quality impact assessment will make use of a mixed methods approach to evaluation – conducting the assessment on both quantitative and qualitative fronts. The quantitative basis will gather data on the policy, either from the MIS or from a survey. This analysis will look at trends and changes in key indicators to assess the impact of the programme on an aggregate scale and measure impact relative to a counterfactual that quantifies what would have resulted in the absence of the programme. The qualitative component of the assessment will make use of tools such as focus group discussions and key informant interviews to add substance and context to results from the quantitative evaluation. The inclusion of both of these components of evaluation allows for a full understanding of the successes and shortcomings of the policy in place.

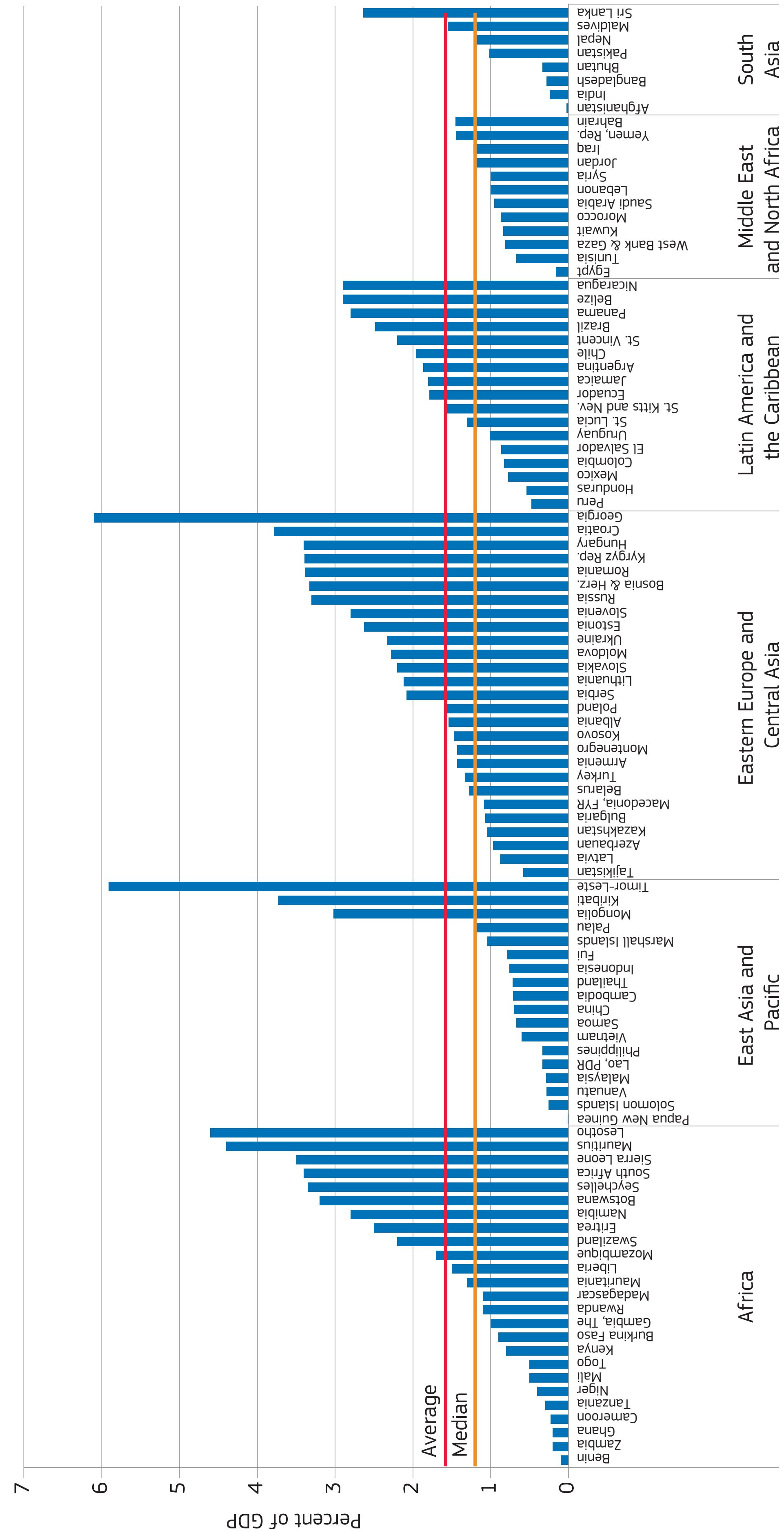
(f) *Policy Reassessment and Change*

The step of policy reassessment and change recognizes that the policy exists in a dynamic environment and must adapt with this environment in order to stay relevant and effective. Changes in policy may become necessary in response to social, political or economic environment changes.

2.3. Financing Social Protection

Both the fiscal and political sustainability of social protection initiatives rely on financing. The design and implementation of social protection programmes will play a large role in determining the affordability and sustainability of an overarching system. Creating the fiscal space for social protection initiatives relies heavily on demonstrating the broad developmental impact of social protection.

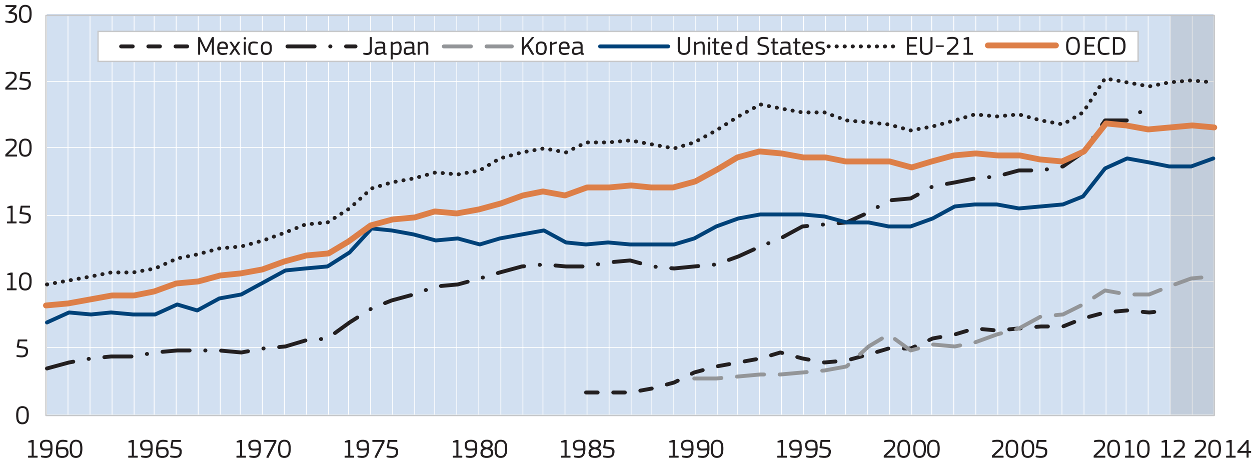
Figure 9: Social protection spending as % of national income in low-income and lower-middle income countries



Source: World Bank (2014)

Figure 9 depicts social protection as a percentage of national income (GDP) for a variety of low- and lower-middle income countries. The average country spends around 1 % of national income, although upper middle-income countries often spend much more. South Africa spends around 4 % of national income and Mauritius nearly 8 %. Richer, developed countries spend much more, as Figure 10 below illustrates. Creating the fiscal space for social protection within the budgets of national governments will be essential in promoting inclusive, pro-poor growth within developing countries for years to come.

Figure 10: Social protection spending as % of GDP in developed countries



Source: OECD Social Expenditure Database

When considering the financing of social protection, it is important to remember that public-expenditure based financing only applies to one part of the overall social protection system. Social insurance mechanisms involving contributions by individuals, both on a voluntary basis and as employees, together with contributions by the private sector will usually be the basis for social health protection and for pensions and work-related benefits for the majority of those working in formal sector occupations. Systematisation involves bringing together the entirety of the system, informal and formal, into a coherent, adequate and sustainable whole. The economies of many developing countries, in particular those of sub-Saharan Africa, are characterised by high levels of informality and low rates of economic transformation coupled with high population growth. Formal, contributory, social protection schemes therefore cover only a small percentage of the population.

For this reason, in the case of most low-income countries and many lower-middle-income countries, the development of social protection, in particular with the engagement of development partners, has focused on the provision of social protection for the poorest sectors of the population, for whom coverage is often entirely lacking or only intermittently available in the form of various time-bound poverty-focussed social transfer programmes, often funded by donors. The main focus for developing social protection systems will therefore tend to be on the evolution of the non-contributory part of social protection provision (including social grants for poor households and for children, free access to health services and social pensions) from a current situation which is often unstable with regard to financing and incomplete with regard to coverage, to sustainable, budgeted system. At the same time, however, there will often be a commensurate need to reform contribution based systems, in particular schemes, such as pensions, where government also contributes, to make these more sustainable and to free up funds for funding other parts of the system.

Countries with low growth rates and economies characterised by low manufacturing components of GDP or lack of resources are usually advised to be wary of introducing entitlements into their budgets. But growth rates in sub-Saharan Africa have been high in recent years. This suggests an increasing capacity to affordably expand social protection systems. This capacity can only be realised if strong systems for domestic resource mobilisation in combination with effective social protection systems are established.

The financing of social protection depends on sound fiscal policy, which must take into account the future liabilities to be paid for through future taxation. Social protection payments, like pensions, can become 'entitlements,' meaning that once included in law, eligible individuals become entitled to the benefit, which is strongly non-discretionary. A strong tax system is an essential complement to any social protection strategy.

(ii) *Increasing Government Revenue*

Experience shows that progress can be made in most SSA countries in raising revenue, given strong political will. Olivier (2013) ([45]) gives the example of Mozambique as an example of a country that has experienced positive changes in revenue ratios and where specific supporting policies can be identified.

Box 7: Importance of Supporting Policies – Evidence from Mozambique

An important driver behind healthy revenue collections in Mozambique has been the tax reform launched by the authorities since 1996. It centred on improving administrative efficiency, broadening the tax base and moderating tax rates to improve collection. Legislative changes went hand-in-hand with policy reforms. The Assembly of the Republic of Mozambique now has exclusive authority to define the foundations of tax policy and the fiscal system. There have been significant institutional and administrative changes too. The authorities' commitment to enhancing further tax administration is evident in formalising anti-corruption units, establishing the Central Revenue Agency (CRA), the tax tribunals, adoption of a new tax code for municipalities (introduced in 2004), adoption of the new electronic financial administration system (e-SISTAFE), and strengthening the Treasury Single Account (TSA), amongst others.

Source: *Olivier et al. 2013*

Generally speaking, the lower the tax revenue as a proportion of GDP, the greater the opportunity available to boost government revenue. Direct taxation, in the form of corporate or personal income tax, exists in all countries, but its potential has not yet been fully exploited. Many major taxpayers are benefiting from rising commodity prices but are not paying taxes commensurate to their income. Establishing broad-based corporate income tax, extending personal income tax to liberal professions and other sources of income, and fine-tuning tax policy and administration ([46]), would all help a number of countries raise additional revenue. Ideally, social protection measures work hand-in-hand with tax reforms that increase the tax revenue of a country while simultaneously decreasing the tax rates facing individuals. South Africa scaled up social protection after the country's first democratic elections in 1994, employing this sharing of public benefits to strengthen tax morality. South Africa improved tax compliance, broadened the tax base and increased tax revenue while reducing tax rates.

At the same time, 'SSA countries face difficulties in raising direct tax revenue owing to the importance of the informal economy, which accounts for the majority of the workforce. In such contexts tax collection from employment offers only very limited opportunities for raising significant government income, especially in low-income countries in which the extent of the informal economy is very considerable, as for example in Zambia where it accounts for more than 80.6 % of the total workforce.' ([47])

VAT may have more obvious revenue potential than income tax, but realising this requires expanding the base – through both policy change and improved compliance – rather than by increasing standard rates. In lower-income countries where VAT revenue performance is weakest, broadening the base and improving compliance might raise something of the order of an additional 2 % of GDP ([48]). Levying excise taxes on a few key items in a manner commensurate with revenue needs and wider social concerns presents further potential in some countries. All excise revenue comes from fuel, tobacco, alcohol and other drinks, cars and, increasingly, mobile phones. In this last-mentioned sector, the auctioning of licences is in principle the best way of taxing the potentially substantial rents.

Another potential avenue of revenue mobilisation is taxation of natural resource extraction ([49]). A resource tax is particularly relevant for mineral-rich developing countries, enabling them to increase fiscal space with relatively little extra public administrative capacity for tax collection. The current reliance of many sub-Saharan African countries on non-renewable natural resources as their main source of wealth makes this option seem particularly attractive.

([45]) Final report ***Study on Social Protection in sub-Saharan Africa***, Olivier, M., Andrianarison, F., McLaughlin, M., European Commission, 2013

([46]) Horton, M. (2006) Role of Fiscal Policy in Stabilization and Poverty Alleviation. Chapter from Post-Apartheid South Africa: the First Ten Years. International Monetary Fund.

([47]) Ibid.

([48]) IMF, 2011.

([49]) Ortiz.I, et al, 2011

Olivier (2013) gives the example of the Bolivian dignity pension to illustrate the use of a tax on hydrocarbons to fund a social pension, guaranteeing a monthly income for life for all residents aged over 60 ([50]).

(iii) *Reallocating Public Expenditure*

Reallocating expenditure from lower to higher priorities and from less productive to more effective and productive programmes is another key mechanism for creation of fiscal space.

Box 8: The Creation of Fiscal Space

Creation of fiscal space can be effective through two main mechanisms:

(i) improving the efficiency of expenditure in terms of strengthening the linkage of expenditure allocations to policy priorities, thereby improving cost effectiveness;

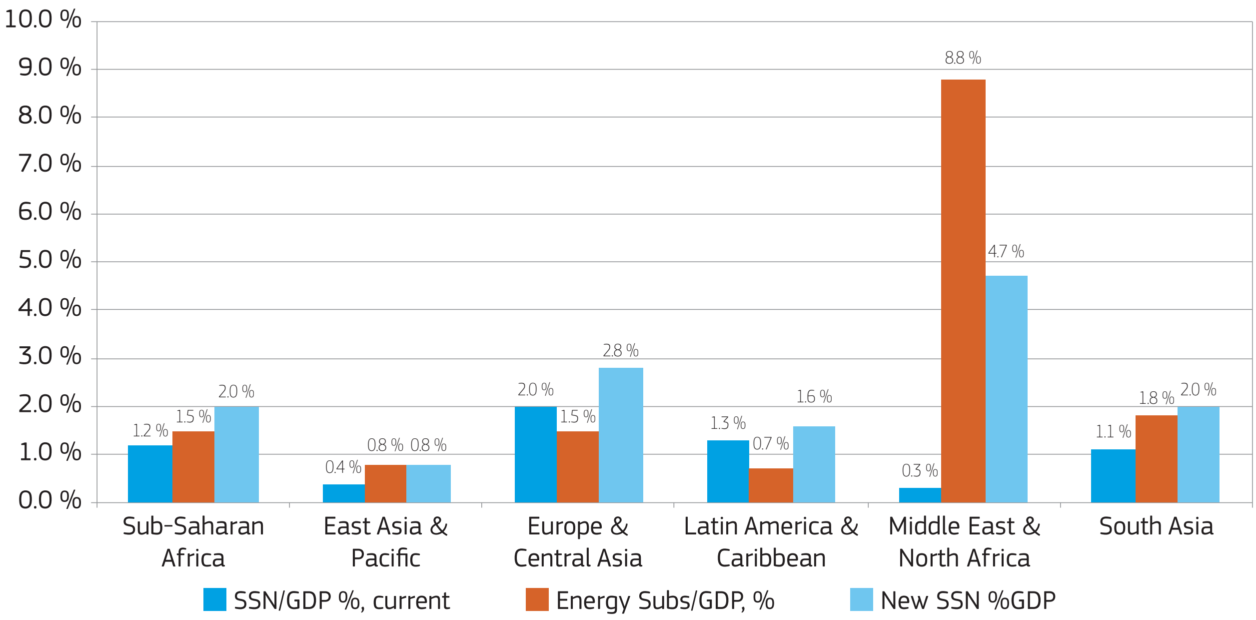
and

(ii) enhancing operational efficiency in terms of an improved mix of inputs and cost-efficiency.

The main potential unrealised gain in most developing countries is reallocating resources wasted on consumer subsidies, extensive exemptions and on transfers to finance the structural deficits of public pension funds. In Bangladesh, the pension for retired government employees takes up 24 % of the social security budget. In contrast, the old-age allowance, a means-tested, non-contributory social pension payable to the poor takes up 3.9 % ([51]).

Energy subsidies in sub-Saharan Africa (SSA) are costly, untargeted and inefficient but still absorb a large share of scarce public resources. According to IMF estimates, fuel subsidies – which include fuel tax revenue lost through less than full reflection of international prices in domestic prices and direct price subsidies allocated in the budget – totalled close to 2.0 % of GDP on average in SSA in 2011.

Figure 11: Current social safety net (SSN), energy subsidy and new social safety net spending/GDP



Source: Authors and Weigand and Grosh (2008), and IMF (2013).
*Note: * New SSN Spending assumes 50 % of Energy Subsidies Reallocated to SSNs.*

([50]) Olivier, M., Andrianarison, F., McLaughlin, M, *Study on Social Protection in Sub-Saharan Africa*, (2013), Final Report,, European Commission
([51]) Bangladesh Draft National Social Security Strategy (2014)

Another potential area for enhancing domestic resource mobilisation is the proliferation of tax exemptions (especially in the form of 'free zones', reduced corporate tax rates, tax holidays, and investment codes). The revenues foregone are often substantial and can amount to several GDP percentage points. An IMF study ([52]) estimates that revenue foregone from customs exemptions ranges, in terms of the proportion of GDP, from 1.44 % in Benin, 2.04 % in Chad, 4.48 % in Burundi, 3.42 % in Senegal, to 6.15 % in Republic of Congo. 'Exemptions contract the revenue base, complicate tax systems, and open the door to political capture. More important, the evidence shows that the benefits from preferential exemptions go mainly to the wealthy (since they spend more on all items). Avoidance of any system of exemption – from all taxes – that jeopardises revenue and good governance can benefit the poor by using the additional tax revenue to finance targeted spending on programmes such as social protection.' ([53])

Discretionary expenditure and expenditure, above all, on defence are also areas with a large potential for enhancing fiscal space for social protection.

(iii) *Enhancing Operational Efficiency*

For many developing countries, there is a challenge to improve the cost-efficiency of social transfers at the operational efficiency level by reducing the cost-transfer ratio. The multiplication of small 'pilot' schemes and finite-duration, limited coverage programmes that litter the landscape of social protection is to a large extent the result of the haphazard manner of implementation, sometimes in post-emergency or post-conflict situations and more often than not, in the absence of any coherent, government-owned policy. Such programmes are characterised typically by high start-up and roll-out costs and lack of economies of scale. Systematisation within a framework of government ownership and national policy offers a solution to this unsustainable panorama.

It has traditionally been argued that development of industry and trade and economic competitiveness are necessary structural changes that must take place before state expenditure on welfare can be expanded. Low per capita growth rates combined with high fertility rates constitute a 'low level equilibrium trap', and this in turn severely constrains government fiscal policy. A high economic growth rate based on natural resource extraction offers at best a partial solution to the problem of financing social protection. Social protection must be seen as a potentially strong complement to economic policies and cannot substitute for the lack of such policies.

(iv) Funding from borrowing and donor funding

In many cases, donor-funded social transfer schemes are temporary social protection measures in post-emergency situations. Often, these have not appeared in any budget and have not been treated as public money. The categories of the population concerned have been the victims of particular, though often recurring, covariate shocks, such as flooding and famine. To move from this scenario to one in which social protection is funded entirely by governments implies the need for an agreed strategy over a relatively short term to replace grant sources with tax sources. This would arguably be difficult for countries with relatively weak fiscal management. Alternatively, it would only be feasible at the margin on a small scale in relation to the total budget.

The fact that the benefits in terms of human capital development and contribution to sustainable growth that accrue from social protection are long-term makes it particularly difficult for low-income developing countries to base the extension of social protection on borrowing (e.g. from the WB) or through grant funding from donors of a finite duration. This fundamental problem lies at the heart of the failure of so many pilots to be taken to scale.

The Communication on Social Protection in EU Development Cooperation is unequivocal in stating that the expansion of social protection should be based on 'the ability to raise tax revenues or mobilise contributions rather than rely on debt or donor finance' and therefore sets a policy direction that is based on working towards the development of systems based on domestic funding. At the same time, however, it also concedes that 'the funding of social protection benefits or transfers may be justified in fragile states and post-conflict situations in particular cases where social protection may play a critical role in helping affected populations to recover assets.'

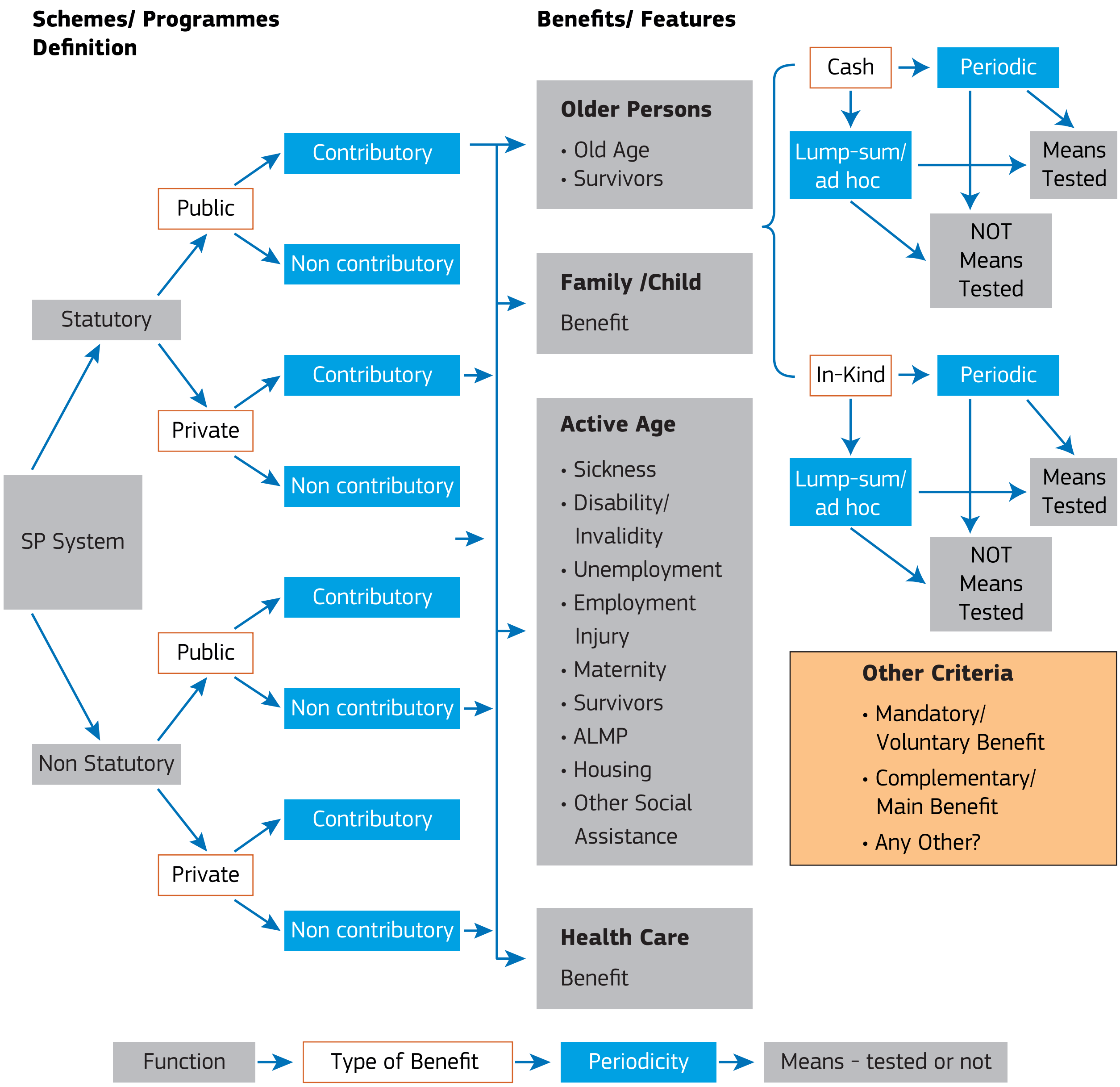
In summary, there can be a case for funding social protection on the basis of borrowing or donor funding, but the long-term fiscal implications can be daunting for low-income countries, while the political consequences of establishing entitlements on a basis of finite-term financing are a reason for caution.

([52]) Montagnat-Renier et al, 2012
([53]) Olivier et al., 2013

2.4. Designing Social Protection Systems ([54])

Social protection policies are implemented through a collection of programmes that deliver benefits, goods or services. Ideally these programmes fit together coherently within a unified, integrated social protection system and adapted to the country context and population needs. A schematised social protection system covering all stages of the human life cycle within a social protection floors framework is shown in Figure 12.

Figure 12: Life cycle social protection system



Source: ILO 2013.

In reality, what prevails in most developing countries is a proliferation of different programmes and schemes, many of them initiated and implemented by donors and NGOs and not properly incorporated into national policy, planning or budgets. For example, according to its National Social Security Strategy there are 95 programmes financed through the budget under the social security system in Bangladesh. In most cases, therefore, 'design' of social protection systems will not involve conceptualising an entire social protection system from the beginning, but a strategic plan for 'systematising' existing programmes and schemes in order to build coherence within a policy framework, with the fundamental aim of providing effective eradication of poverty, protection against risk and vulnerability and

([54]) This section of the concept paper is adapted from presentation on 'Social transfer programme design' given at EPRI's course on 'Designing and Implementing Social Cash Transfers' in Chiang Mai, Thailand, 6-17 October 2014.

a productive workforce (within the constraints imposed by demographic, economic and fiscal factors, and the existing segmentation of the economy) and the creation of decent and productive work.

In order to achieve impact, the design of a social protection system must be sensitive to the specific social, political and economic context in which it operates. At the same time, the system will contain a set of programmes providing various benefits, addressing different risks at different stages in the human life cycle. In most cases, the overall system will be partial; a critical policy consideration of the process of systematisation will be the coverage (in terms of number of beneficiaries receiving the benefit), adequacy (in terms of the portion of the identified need that is covered by each benefit) and efficiency (in terms of ability of the administrative and institutional framework to deliver the benefit) of each programme. Associated with these underlying considerations when designing social protection systems, three broad design components must be addressed in respect to the programmes within it: where in government social protection systems are housed, targeting mechanisms and conditionalities. These three components of design will influence the success of the programme through determining its sustainability and impact.

i. Institutional Home

One of the first questions that must be addressed in designing a social protection system is who, at an institutional level, will manage the design, implementation and ongoing operation of the associated programmes. Countries adopt a diverse range of models, with responsible institutions including the relevant social development ministry, the ministry responsible for finance, local government, community development or human capital (e.g. health or education) or an executive agency including the office of the presidency, vice-presidency or prime minister. In some countries, a separate agency reports to a committee of relevant ministries. Each model has advantages and disadvantages, and the design of the appropriate management structure involves trading-off key ingredients of successful programme management. In particular, the best arrangement will involve leadership with the following characteristics:

- a sincere and durable political commitment to social protection;
- the political influence to secure resources and defend the programme's priority;
- the institutional capacity to deliver an administration-intensive programme.

Frequently, candidate institutions for the leadership role have only one or two of these critical ingredients. This creates a challenge in terms of identifying the one with that comes closest to the required set of characteristics, while identifying a process to build the required capacity.

Box 9: Institutionalizing Social Protection within a Government Ministry - example from Kenya

Kenya initiated its social protection programmes from the Ministry of Home Affairs, driven by a champion who could mobilise international resources that built capacity and political will for scale-up. The programme proved so successful the government has reorganised line ministries to better accommodate the cross-cutting role for social protection, but consolidation has proven challenging. South Africa's Ministry of Social Development (formerly Welfare) built a substantial social security system with national, provincial and district structures, but demands for efficiency and developmental impact led to the establishment of a semi-autonomous delivery agency and increasing moves towards cross-cutting coordination within a development-planning framework. Brazil's initially fragmented programmes were driven by champions in different ministries, but similar demands led to consolidation within a ministry structure that coordinates linkages to developmental programmes across ministries.

The alternative is to structure a coalition of institutions responsible for planning, leading and delivering social protection in a comprehensive manner. A decade ago, the former model was more common, with political champions driving social policy innovation in many countries. In many cases, development partner support entrenched responsibility for programmes in a diverse array of ministries and agencies – depending on the location of the champion. Today, the coalition approach is proving effective in a growing number of countries, with the planning ministry together with a key leadership office (presidency, vice-presidency, prime minister) taking responsibility for coordinating social protection initiatives.

Box 10: Roots of Development Planning Approaches – examples from Mexico and Brazil

In Mexico, in the mid-1990s, the finance ministry led the development of a multi-sector social cash transfer programme (*Progresa*), which was implemented by a new, decentralized agency established to coordinate with social development, health and education ministries for core delivery elements.

Brazil's social welfare ministry maintained leadership of its *Bolsa Familia* social cash transfer initiative, but consolidated a number of smaller programmes to create a more comprehensive programme. Brazil pioneered the idea of 'complementary programmes' that has evolved into the development planning approach. While social protection in Brazil is largely coordinated by a social ministry, a group of high-level ministry officials recently wrote that future 'socio-economic development will depend very much on greater integration of social protection policies, strengthening the design of multi-sectoral approaches to social development.'

Temin (2008) argues that 'the integration of services and transfers is a key aspect of the social protection policies in Chile, Brazil and South Africa. The experiences of these countries demonstrate the importance of an integrated national plan that uses finances and resources for the poorest and most vulnerable.' South Africa has led the development of an evidence base for unconditional cash transfer programmes strengthening pro-poor and inclusive growth, with research on positive growth effects. Social protection represents one of the central pillars of the country's national development plan, which was launched in early 2013. Likewise, Thailand's National Socio-Economic Planning Board (NESPB) is assuming an increasing role in leading social protection, heading reviews of associated strategies and working with international development partners to conceptualise the role for comprehensive social security within its larger development strategy.

Figure 13 below illustrates an emerging model for organising the management arrangements for social protection. The organisation takes the shape of a diamond, the top level of which depicts two key roles (often assumed by different offices or ministries within government) including political leadership and socio-economic planning. In Mexico, during the implementation of *Progresa* and later *Oportunidades*, the president provided solid political leadership while the Ministry of Finance integrated the programmes into larger development plans. In Brazil, the president provided political leadership, but planning and overall coordination fell to the social welfare ministry. In Nepal, the chairperson of the planning commission in 2009 carried the political weight required to substantially expand a comprehensive social protection system, and his organisation managed the planning and policy processes required to secure funding and coordinate implementation.

The second level represents a committee of relevant line ministries who are either centrally involved in social protection design and implementation or whose activities interact substantially with the larger socio-economic agenda. Typical candidates include ministries of education, health and social development (or welfare) but may also include gender, agriculture, children or others depending on the ministry structure of the country and the nature of the social protection system. In Mexico, an independent agency coordinated the ministries, while in Brazil and South Africa, the coordination was less formal. In Bangladesh, Nepal, Tanzania, Uganda and other countries, the national planning commission coordinates a formal steering committee of social ministries. For example, since 2009, the National Steering Committee on Social Protection (NSCSP), comprised of representatives from a variety of different government ministries, coordinates social protection programmes in Nepal. The committee works in conjunction with the Social Protection Task Team, a committee comprised of national development stakeholders ([55]). In Kenya, the National Social Protection Council (NSPC) coordinates and oversees the development, implementation, and integration of social protection.

([55]) Upreti, KC, and Mallet, et al. (2012). Livelihoods, Basic Services, and Social Protection in Nepal. Nepal Center of Contemporary Research, 38.

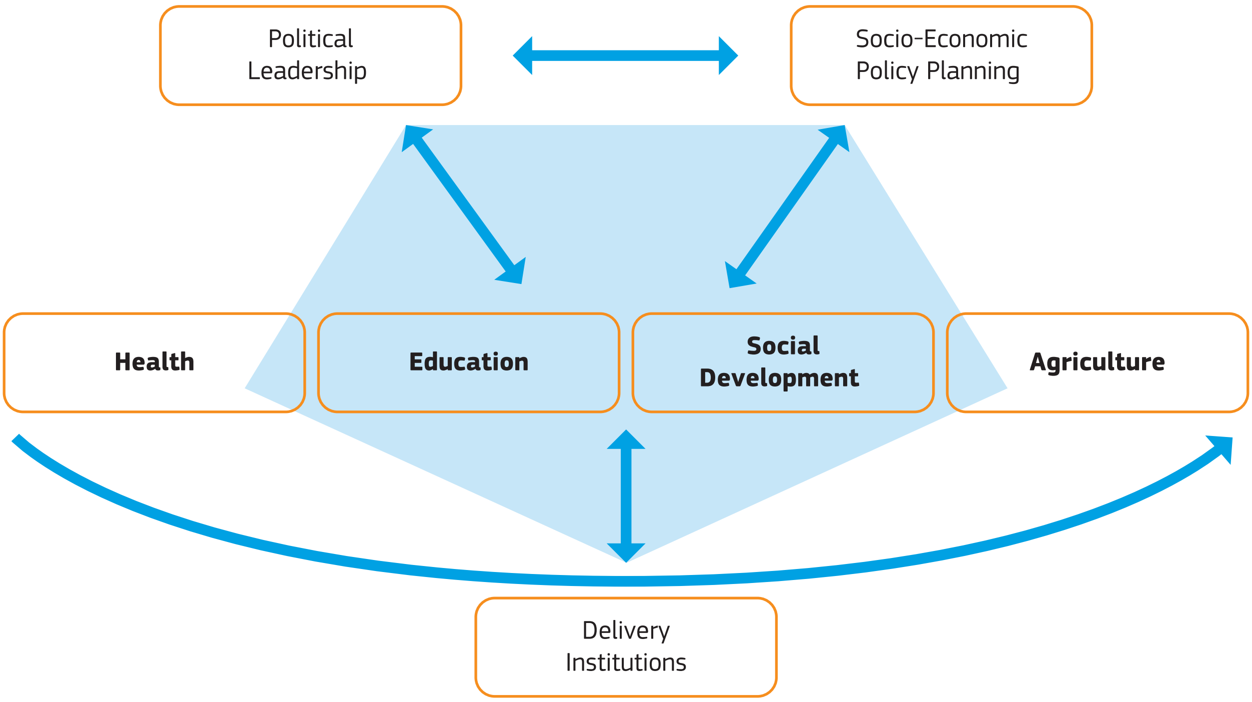
Box 11: Coordination of line ministries to provide Social Protection - example from the Philippines

In the Philippines, the National Economic Development Authority, the National Anti-Poverty Commission, the Department of Finance and the Department of Budget and Management supported the planning of the *Pantawid Pamilyang Pilipino* Programme ('Four Ps') cash transfer programme, which is now implemented by the Department of Social Welfare and Development (DSWD) working together with the Department of Health, the Department of Education, the Department of the Interior and Local Government, local government authorities and the Land Bank. The government also commissioned the National Project Management Office (NPMO) to support regional and municipal offices to organise the execution of the programme. The DSWD also works closely with community-based organisations and institutions in order to ensure the proper implementation of the programmes.

Source: *Fernandez and Olfindo (2011).*

The third level of the structure is the cutting point of the diamond – the institution responsible for delivery of social protection benefits. Consolidation of delivery mechanisms within a single institution promotes cost-effectiveness and value-for-money and minimises the risk of programme fragmentation. The delivery institution either serves the individual line ministries responsible for specific programmes or delivers as part of its governmental mandate. For example, South Africa's Social Security Agency (SASSA) delivers a range of social grants through individual ministries in some other countries. Nepal's Ministry of Local Development and Rwanda's Ministry of Local Government each serve as the government ministry charged with delivering both social protection programmes as well as a range of other developmental services. Coordination under one ministry not only improves overall efficiency, it also strengthens cross-sectoral support and provides for more comprehensive social protection and better linked complementary services. In Brazil and Mexico, delivery is decentralised to municipalities and local delivery institutions. In South Africa, SASSA maintains local branch offices for administration but coordinates with private financial institutions to make payments. In Nepal and Rwanda, the respective delivery ministries work through district-level and village-level structures.

Figure 13: Institutional arrangements for social protection



ii. Costing

Three components determine the cost of social protection programmes: coverage, benefit size and administration. Coverage refers to how many people the programme will reach, and that can be estimated based on the design of the programme. The benefit size, reflecting the amount of social transfer or the value of other benefits, depends on the competing forces of adequacy, affordability and acceptability. Administration costs depend on key design features such as targeting, conditionality and the pace of scale-up. With certain forms of social protection instruments that target on the basis of age, such as child grants or old age pensions, it is possible that costs could rise or fall in the future depending on demographic changes. This can have broad implications for the future cost of the programme. For example, in an ageing society, social pensions will become increasingly expensive and child grants will become more affordable as the share of older people increase relative to the share of children in the population.

In practice, the costing of a national social protection system will need to follow the consolidation or rationalisation of existing programmes. It will need to take into account all sources of financing, i.e. those based on government provision and those based on contributions; it will need to take into account key predictions with regard to demographic trends, macroeconomic projections and sources of financing. Various tools have been developed by development partners and international organisations to support such processes ([56]), but ultimately each government will need to consider its own unique situation and to develop its national system accordingly.

iii. Targeting

Targeting represents one of the most challenging elements of social protection design and implementation, with the complex and fluid nature of poverty leading to a large degree of movement in and out of poverty ([57]). Targeting generally involves the use of administrative mechanisms to more effectively reach poor households, although not all approaches directly target poor households. There are many typologies of targeting approaches, each with very different institutional arrangements. EPRI's framework, for example, identifies four categories of targeting methodologies:

(1) **Individual or household assessments** involve evaluating incomes, expenditures, assets or personal characteristics. These include **means testing:** based on an assessment of income, assets or wealth of applicants (including unverified means-testing) as well as **proxy means testing** which is based on a statistical estimate of the probability a person or household is poor based on analysis of characteristics expected to be highly correlated with deprivation. Institutional arrangements for this class of targeting approaches usually require a centralised policy and management unit that defines the assessment mechanisms and usually maintains a management information system (see relevant section below) that records targeting criteria and often generates targeting decisions.

(2) **Categorical targeting** involves identifying easily distinguishable attributes that characterise poor households and the provision of benefits to those who share those traits – such as children, older people or people who live in low-income areas. This last category is sometimes referred to as **geographical targeting**, which is based on location or residence. Institutional arrangements for categorical targeting vary – from decentralised and informal arrangements with no centralised information system (such as Nepal's senior citizens' allowance) to the same kinds of institutional arrangements employed for individual and household assessments.

(3) **Self-targeting** attempts to target the poor by making the resource provided relatively unattractive – so that only the poorest will want it – but this mechanism is often costly and inefficient, because the required institutional arrangements (for example queuing mechanisms) undermine the core social protection objectives.

(4) **Community-based targeting** can involve any of these other mechanisms, but the determinations are made at a community level. Institutional arrangements for community-based targeting are highly variable – sometimes involving strong national mechanisms for policy formulation, training, quality control and information management while other times delegating decisions to local communities with little oversight.

([56]) One such tool, the ILO's 'Social Budgeting' tool has been mentioned above (Box 6).
([57]) Targeting Poor and Vulnerable Households in Indonesia, WB (2012)

Box 12: Using multiple targeting methodologies – example from the Philippines

Increasingly, targeting approaches include a combination of the above methodologies, resulting in a complex interaction of institutional arrangements. The *Pantawid Pamilya* programme in the Philippines uses geographical and community-based targeting along with proxy means testing. The National Statistics Coordination Board (NSCB) uses the results of a survey conducted by the National Statistics Office to target the poorest municipalities and then identifies the poorest households within the selected municipalities based on poverty proxies. The programme authorities then post the list of selected households in the district hall for community approval before eligibility is finalised. The targeting system serves a number of government institutions, including the Philippine Health Insurance Corporation (PhilHealth), the Department of Agriculture (DA) and the Department of Health (DOH) as well as the International Labour Organisation (ILO).

Source: *Fernandez and Olfindo (2011).*

The issue of appropriate targeting approaches generates heated debate. Even apparently straightforward design decisions can become much more complicated during implementation. Some areas of social protection lend themselves naturally to categorical targeting. Pensions to provide income security in old age can theoretically be made an entitlement to people over a particular age, while various forms of support for infants and children can also be defined by age. Still, questions arise concerning the universality of the pension – should a social pension, based on taxation be made a universal benefit for all or should it be awarded only to old people who are poor or to those who are not in receipt of a contribution-based pension (as in Tajikistan)? In the former case, some form of means test to identify who should qualify for this benefit will be required and the issues associated with targeting will inevitably arise.

Underneath these questions there lies a fundamental debate between universal provision, based on universal entitlement and targeted provision based on poverty reduction and vulnerability concerns. We find ourselves confronting once again the ideological dichotomy that has been described through a historical perspective in the first part of this paper. For the European Union, universal provision is a general principle associated with the fundamental values of solidarity and social cohesion, but the Communication on Social Protection in EU Development Cooperation is careful to point out that this does not lead to a pre-determining of the individual social protection systems of Member States, which are a matter for national policy. At the same time, in respect to developing countries, the Communication makes it clear that universal provision is an aspiration, while accepting the reality that, above all in the context of prevailing high levels of informality in their economies as well as the scale of what is required to address poverty and vulnerability, what matters first is to establish efficient and effective systems under sustainable national ownership. Once in place, an effective system can be extended on a programmatic basis.

Targeting is also contentious because it is notoriously difficult to develop effective systems. A 2004 WB study, as well as its follow-up in 2014, found high rates of targeting error in most programmes evaluated. This section identifies two key criteria for guiding decisions on targeting approaches: (1) how effective is targeting at reaching poor households and excluding the non-poor, and (2) what does it cost to implement this effective approach compared to what is gained? The WB report and a subsequent study identified high rates of targeting error regardless of the approach adopted and the institutional arrangements employed. One consistent theme has emerged from this work and a series of capacity-building exercises that bring together government policymakers: monitoring targeting outcomes is the key institutional mechanism for improving efficiency and effectiveness, regardless of the choice of approach or implementation arrangements. Regular monitoring provides a measure of both targeting errors and costs, providing an evidence base that can motivate targeting improvements.

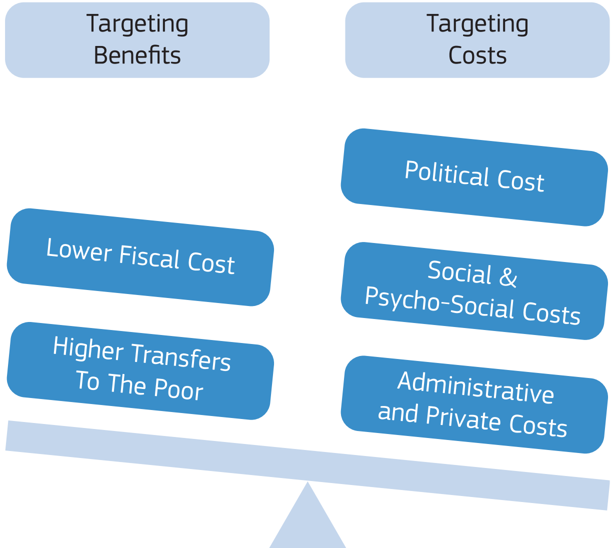
The process of targeting often requires a large amount of information to be collected – although this varies by targeting mechanism – in order to identify the eligible and screen out the ineligible. This can absorb a substantial portion of the programme's budget. Targeting is often perceived as a costly activity and greater accuracy requires higher costs ([58]). Any assessment of targeting cost-effectiveness must weigh up this 'trade-off' between rising expenditure against improved accuracy in terms of the identification of the 'correct' beneficiaries.

A full cost analysis of targeting should cover all these costs and consequences: administrative costs, private costs (opportunity costs, travel costs, etc.), social costs (e.g. erosion of community cohesion), psycho-social costs (such as

([58]) Besley and Kanbur (1990) hypothesised that targeting costs rise faster than targeting accuracy.

stigma and loss of self-esteem), political costs (loss of political support) and incentive-based costs (e.g. behavioural change to meet eligibility criteria). An assessment of the cost effectiveness of targeting must weigh the benefits of targeting against the full range of costs, many of which can only be quantified with great difficulty. The decision to target should reflect a benefit-cost analysis that selects a targeting approach (which can include a combination of methodologies) that minimises the full cost of targeting, and then weighs these costs against the benefits of targeting. Figure 14 below illustrates this approach. The benefits can be assessed in one of two ways: (1) for a given level of benefits delivered to poor households, effective poverty targeting reduces the fiscal cost of the programme; or (2) for a given allocation to a benefit programme, effective poverty targeting increasing the potential benefits to be delivered to poor households. The costs include the full set of components discussed in the previous section.

Figure 14: Weighing cost-effectiveness as a core criterion for selecting a targeting approach



iv. Conditionality

Conditional social transfer programmes offer benefits on *the condition* that beneficiaries comply with certain active requirements, such as school attendance, nutritional outcomes or visits to a health care provider. The expectation is that these requirements can induce broader developmental impacts than a cash transfer or programme provision would do on its own. Conditional cash transfers have been proven to be remarkably effective across the world ([59]), but whether it is the conditionality that is driving impact is still unclear.

Conditional programmes include five components that influence the impact of the programme: (1) the benefit, (2) human capital services, (3) developmental awareness, (4) monitoring, and (5) punishing the poor ([60]). **The benefit** often drives much of the resulting impact. Sometimes, however, instituting a conditional social protection programme will encourage a government to roll out **the human capital and social services** on which the programme is conditioned. These social services can greatly improve human capital and therefore increase the developmental impact of a conditional programme. When South Africa instituted its unconditional child support grant, it simultaneously rolled out more schools and clinics ([61]). Both conditional and unconditional programmes can scale up in line with expanded social services.

The effect that conditions have on **developmental awareness** can also drive the impact of these social protection programmes. Sometimes, a conditional programme creates developmental awareness and other times it does not. Messages that are delivered with cash or in-kind benefits or services have a greater impact on individuals than were the message delivered on its own, as it affects the credibility of the message. So if a cash transfer is given on the basis that all children in a household are immunised, it may be the fact that the idea of immunisation was presented with cash that drove compliance, rather than the condition itself. This could confound any attempt to attribute developmental impact to the conditionality.

Monitoring associated with conditional programmes can also have a profound effect on developmental outcomes. The programme monitoring that is necessary to track compliance with the conditionality can influence behaviour on its own. When individuals know that their compliance is being monitored, they often change their behaviour ([62]). This effect can confound the attribution of developmental impact.

([59]) Fizbein, A. and Schady, N. (2009). Conditional Cash Transfers: Reducing Present and Future Poverty. A World Bank Policy Research Report. World Bank.
([60]) World Bank. Third International Conference on Conditional Cash Transfers, Istanbul, Turkey, 26-30 June 2006.
([61]) Department of Social Development, South African Social Security Agency and Unicef. 2011. Child Support Grant Evaluation 2010: Qualitative Research Report. Pretoria: Unicef South Africa
([62]) Levitt, S. and List, J. (2011) Was There Really a Hawthorne Effect at the Hawthorne Plant? An Analysis of the Original Illumination Experiments. American Economic Journal: Applied Economics 3 (January 2011): 224-238 http://www.aeaweb.org/articles.php?doi=10.1257/app.3.1.224

The last component in a conditional social protection programme is **the penalty for the poor**. Some argue that penalties need to be implemented immediately in order to associate non-compliance with the loss of the benefit. This stresses the infrastructure required to manage conditional programmes and can undermine rights-based responses.

2.5. Social Protection Instruments

The systematisation of social protection involves the integration of social protection instruments into a broader policy framework. Instruments that are incorporated into a social protection system must be properly designed and contextualized in order to achieve developmental outcomes. There are various instruments that can be incorporated as a part of a social protection system, but the broadest categorizations of social protection instruments consist of (1) cash transfers, (2) insurance mechanisms, and (3) social services. Social health protection is added as a separate instrument (4) in view of its special characteristics as an integral part of the health system of a country. These instruments have clear linkages, and therefore can be offered as stand-alone products, can be offered in tandem with each other, or can be integrated as a part of a comprehensive social protection system.

i. Cash Transfers

Social cash transfers are defined as 'regular, non-contributory payments of money provided to individuals or households, with the objective of decreasing chronic or shock-induced poverty, addressing social risk and reducing economy vulnerability' ([63]). Cash transfers can take a variety of forms – they can be targeted or universally provided, conditional or unconditional. Cash transfers serve a risk management function in that they reduce the poverty resulting from shocks, reduce vulnerability and strengthen the coping mechanisms of individuals, communities and nations. Further, social cash transfers can promote productive risk-taking, such as enterprise development or investment in human capital, which can stimulate the economy on a local and national level. Countries have incorporated cash transfer programmes as a part of wider social protection strategies – South Africa couples guaranteed access to basic social services with cash transfers ([64]) and Brazil supplemented cash transfers with important policy reforms and investments in basic health and education ([65]). By including cash transfers within a wider system of social protection provision, countries can ensure that resources and infrastructure are adequately available to lift wide portions of the population out of poverty.

Many cash transfers are poverty targeted, so if the income of an individual or a household falls below a certain threshold they are eligible for the cash transfer. Cash transfers can also be incorporated into a life cycle approach to social protection provision. These cash transfers can either be poverty targeted or universally provided. Examples of cash transfers widely implemented that focus on providing support for specific risks across the life cycle are: (1) family allowances or child grants, (2) old-age pensions, (3) disability grants and (4) public works programmes.

A key aim of systematisation will be to consolidate and rationalise what is often a complex plethora of small, localised cash transfer schemes with financing based on a multiplicity of sources – government, development partner, NGO, etc. – into a policy-driven government owned and financed system that ensures adequacy of provision and coverage together with sustainability.

Family Allowances or Child Grants

A family allowance or child grant is provided to individuals and households with children that reduce poverty and vulnerability and improve the access to basic services of children. These grants are particularly important in ensuring that a child's cognitive development is provided for, allowing for them to accrue more human capital and be a more productive worker later in life – providing a positive economic impact on the national level. This is especially important in countries where a large portion of the population are currently children – investment in early childhood development will see that the country will benefit from this demographic dividend as the population bulge enters working age. Examples of child grants include South Africa's Child Support Grant, Nepal's Child Grant, and Kenya's Cash Transfer for Orphans and Vulnerable Children.

([63]) Samson, M., van Niekerk, I., and Mac Quene, K. (2006) Designing and Implementing Social Transfer Programmes. Economic Policy Research Institute, Cape Town. (pg. 2)

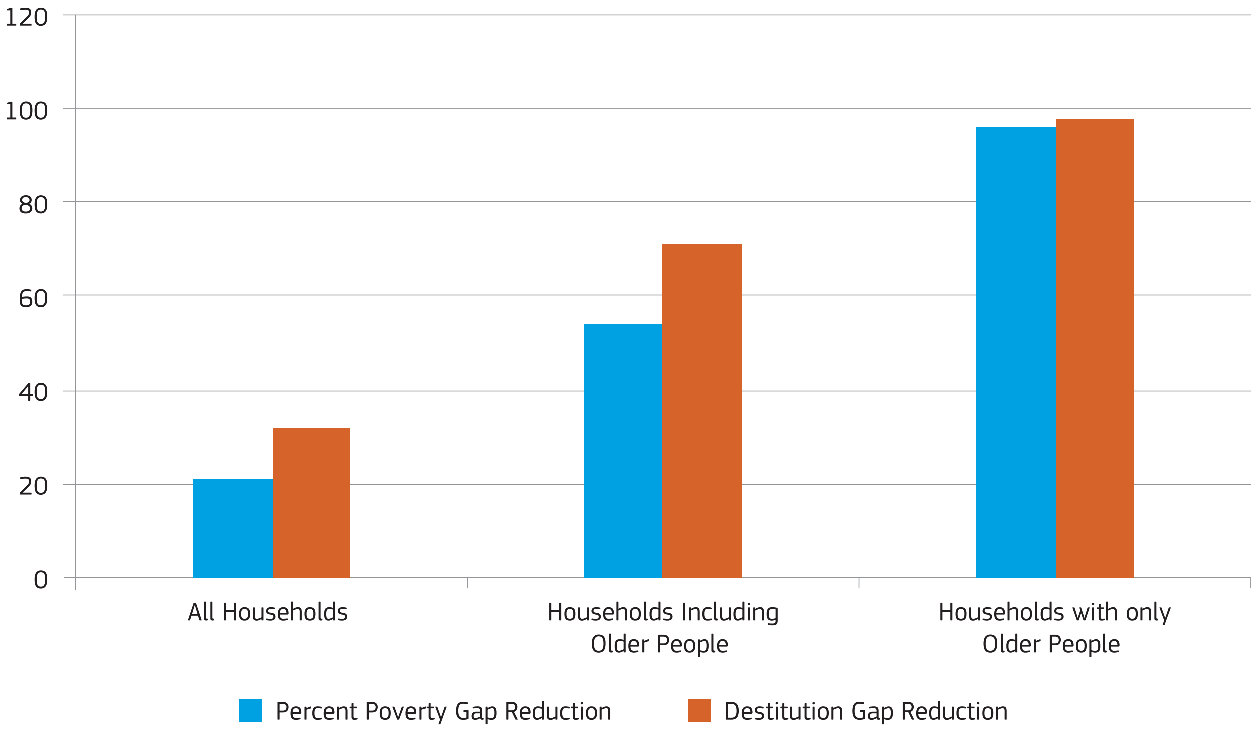
([64]) Ibid (pg. 2-4)

([65]) Inter-American Development Bank (2004) Brazil: Support for the Social Protection System (loan proposal)

Non-contributory Old Age Pensions (Social Pensions)

Old Age Pensions are transfers provided to individuals in old age, helping to secure a minimum income when individuals are past working age. Social pensions are pensions paid without any contribution from the beneficiary, usually on a means-tested basis (often using a proxy means test) to those who are elderly and poor. They are particularly important as they can protect the dignity of older persons; otherwise this population often faces deep poverty and is sometimes regarded as a burden by their families. Social pensions have also been shown to offer benefits within households, as older persons often share their pension with the rest of the household, families will no longer have to pay as much to support the care of older household members, and when individuals are secured a minimum income later in life they are more likely to spend more of their income productively earlier in life ([66]). Examples of social pensions exist in countries such as Thailand, South Africa, and Nepal, among others. Figure 15 demonstrates the ability of South Africa's non-contributory pension to reduce poverty and destitution amongst households including older persons.

Figure 15: Impact of a non-contributory pension on poverty in South Africa

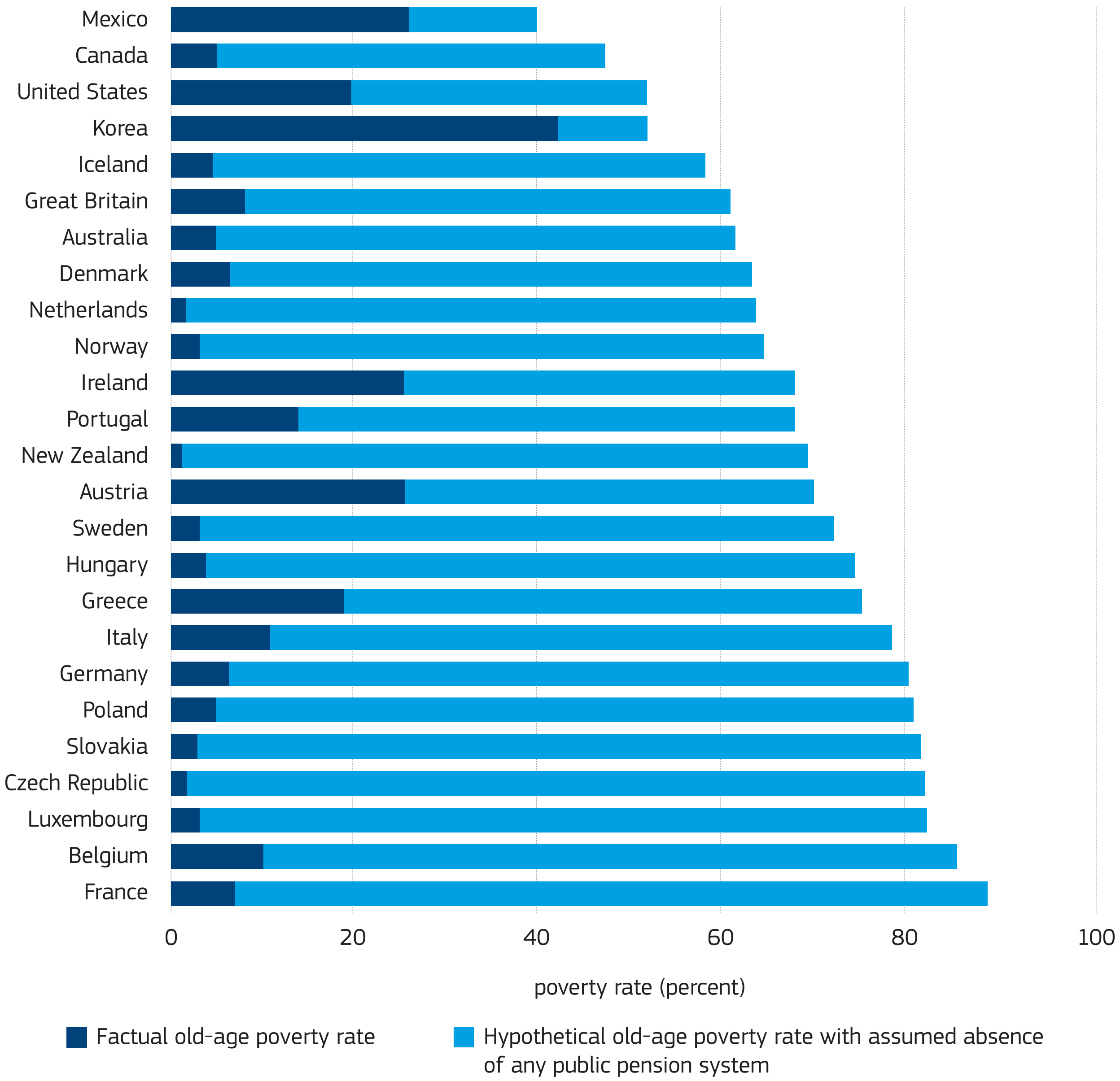


Social pensions are effective in providing reliable income support as part of a life cycle approach, allowing individuals to better protect themselves against contingencies that are correlated with old age. This is illustrated in Figure 16 ([67]), which demonstrates how social pensions have greatly reduced the incidence of old age poverty in OECD countries.

([66]) Willmore, L. and Kidd, S. (2008) Tackling Poverty in Old Age: A Universal Pension for Sri Lanka.

([67]) Kidd, S. and Whitehouse, E. (2009) Pensions and Old Age Poverty. Chapter 3 of ***Closing the Coverage Gap: The Role of Social Pensions and Other Retirement Income Transfers***. The World Bank.

Figure 16: Factual versus hypothetical old-age poverty rates with and without the public pension system in place, OECD countries



Source: Kidd and Whitehouse (2009), own modifications

Disability Grants

According to the UN Convention on the Rights of Persons with Disabilities, 'Persons with disabilities include those who have long-term physical, mental, intellectual or sensory impairments which, in interaction with various barriers, may hinder their full and effective participation in society on an equal basis with others.' ([68]) In this case, a cash transfer can address the diverse needs of these individuals, as well as secure a minimum for these individuals who may not be able to fully participate in the labour market. Examples of disability grants include Brazil's Continuous Cash Benefit Programme ([69]), South Africa's disability grant ([70]), and Ghana's disability grant ([71]).

([68]) United Nations (2006). Convention on the Rights of Persons with Disabilities. www.un.org/disabilities/convention/conventionfull.shtml
([69]) Medeiros, M., Diniz, D., and Squinca, F. (2006). Cash Benefits to Disabled Persons in Brazil: an Analysis of the BPC – Continuous Cash Benefit Programme. International Poverty Centre Working Paper No 16. International Poverty Centre. http://www.ipc-undp.org/pub/IPCWorkingPaper16.pdf
([70]) South African Social Security Administration. Social Grants: Disability Grant. http://www.sassa.gov.za/index.php/social-grants/disability-grant
([71]) United States Social Security Administration. Ghana. Social Security Programs throughout the World: Africa, 2013. http://www.ssa.gov/policy/docs/progdesc/ssptw/2012-2013/africa/ghana.html

Public Works Programmes

Public works programmes (PWP) are programmes that 'involve the regular payment of money (or in some cases, in-kind benefits) by government or non-governmental organisations to individuals in exchange for work, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability.' ([72]) Examples of Public Works Programmes include South Africa's Expanded Public Works Programme (EPWP) ([73]), Bangladesh's Cash-for-Work and Food-for-Work public works programmes ([74]) and Ethiopia's Productive Safety Net Programme (PSPN) ([75]).

Public Works Programmes are particularly appropriate for addressing transient poverty, such as poverty that is contingent on seasonal work, when there is a climatic or economy shock, or cyclical economic downturn. It is during these instances and others where the link between poverty and unemployment is particularly strong that public works programmes are able to function best. In these contexts a PWP is often seen as functioning as a productive safety-net, providing a benefit in the form of cash or food, for example during a drought that may have destroyed a harvest, while also serving to build assets which will enhance the livelihoods of the beneficiaries. The key feature of the major well -known schemes listed above has been that they exist on a long-term basis, so that those who are seasonally affected, for example by climate-related shocks, can drop into them and that they can be scalable. For example, during the 2011 drought in the Horn of Africa the Ethiopian Productive Safety Net Programme was able to absorb an additional 3.1 million people and effectively stave off what would otherwise have been a humanitarian emergency. In India the Mahatma Ghandi National Rural Employment Guarantee Act of 2005 has established the World's largest PWP as a legal entitlement, guaranteeing the right to work in line with the national constitution that guarantees the right to life with dignity to every citizen of India.

However, public works programmes have their drawbacks: they are expensive and difficult to administer, which can tax government capacity; they are not appropriate for many of the most vulnerable as they serve the working age population rather than children and the elderly that are often dependent on others for their livelihoods; and PWP often only serve beneficiaries for a short duration, often until the project they are working on is completed, and this undermines the delivery of a sustainable social impact. At the same time they are often associated with Active Labour Market Programmes, many of them aimed at inserting young people into the labour market and in this respect their results have been at best mixed. This is often because the number of people participating in a PWP often far exceeds the number of permanent unskilled or low-skilled jobs available in the labour market ([76]).

ii. Insurance Mechanisms

Insurance mechanisms serve as risk management tools – they increase the security of individuals by providing protection against the effects of economic and social shocks. Insurance provides livelihood security through pooling the risk of the insured – individuals pay into the same fund, and when one individual is affected by a shock they are paid out from the fund. Ideally, funds are large and the risks facing individuals are uncorrelated. This means that insured individuals will not be affected by shocks at the same time, ensuring sustainability of the fund. Issues arise with insurance mechanisms when risks are correlated or systemic – such as in the case of natural disasters. These sorts of risks are more difficult to insure against. However, insuring against contingencies that affect individuals across the life cycle – such as health, unemployment, and life insurance – enable a pooling of risk even at community level and enable important options. However, because insurance works over the long-term it does not have the immediate impact on poverty that is provided by other social protection instruments.

Although insurance is often provided through private means, social insurance provided by government can further extend affordable social security coverage. With social insurance, there is a commitment made by government to protect against and mitigate the risks faced by all members of society, but particularly the poorer and more marginalized members of society that are unable to attain insurance through the private market.

Another form of insurance that is particularly apt at reaching poor and vulnerable populations is micro insurance. Micro insurance can be defined as 'protection of low income people against specific perils in exchange for regular

([72]) Samson, M., van Niekerk, I., and Mac Quene, K. (2006). (pg. 12)
([73]) Expanded Public Works Programme. Department of Public Works: Republic of South Africa. http://www.epwp.gov.za/
([74]) National Social Protection Strategy of Bangladesh (2014). General Economics Division, Planning Commission. Government of the People's Republic of Bangladesh. http://www.plancomm.gov.bd//upload/2014/NSPS.pdf
([75]) World Food Programme (2012) Ethiopia: Productive Safety Net Programme. Fact Sheet. https://www.wfp.org/sites/default/files/PSNP %20Factsheet.pdf
([76]) McCord (2012)

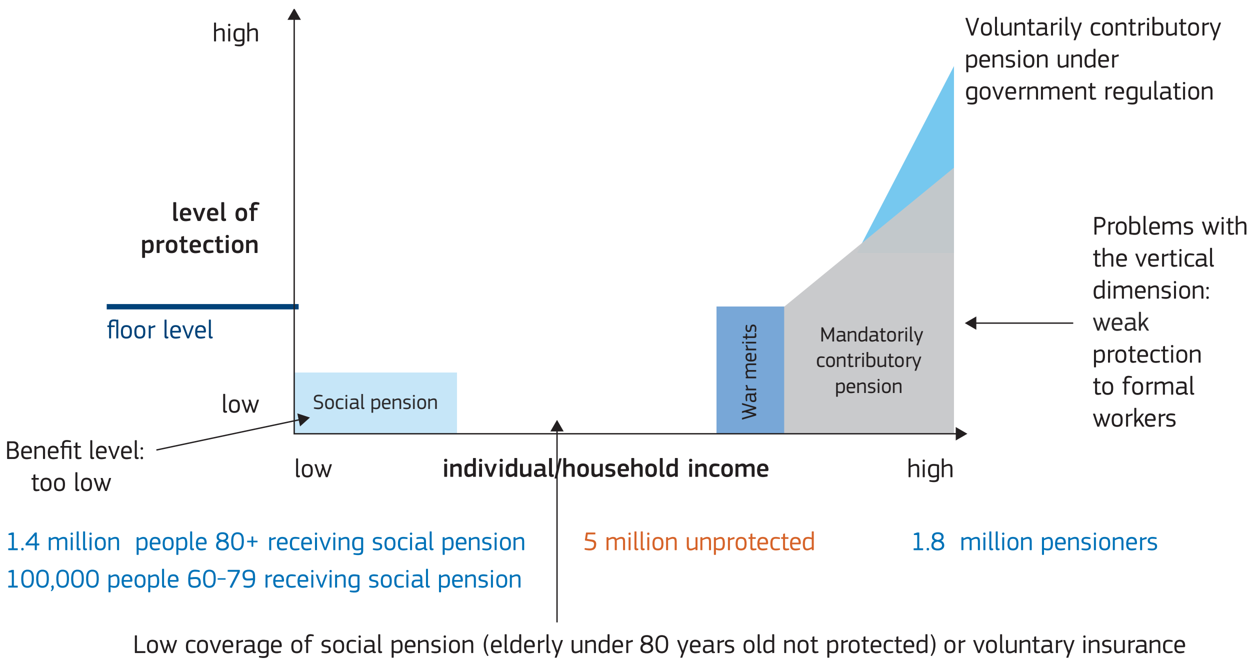
premium payments proportionate to the likelihood and cost of the risk involved,' ([77]) but there is variation on this definition in practice. It functions in fundamentally in the same way as more common forms of insurance, but differs in that micro insurance seeks to serve populations with higher levels of risk and vulnerability, makes use of non-traditional distribution models to reach more marginalized populations, incorporates simple and easily understandable policies, and deals with smaller premium levels collected at times accommodating clients' cash flows ([78]).

(Contributory) Pensions

The most important insurance mechanisms within a social protection system, apart from social health protection which is dealt with separately below, are those related to employment, old age and related benefits (survivor pensions, invalidity benefits, maternity grants, etc.). These are in the vast majority of cases funded through a combination of contribution mechanisms involving individual workers, employers (private sector and government) and government. In fact the largest element in many social protection budgets is taken up by the payment of pensions to government employees and the reform of formal pensions systems can therefore often be an important element in the overall reform of the social protection system.

Contributory pensions schemes are amongst the oldest forms of social protection, usually based on a three-way division between the beneficiary, the employer and the government. A common approach to systematising pensions is to use a multi-tier system, which combines a contributory pension of this kind for those in formal employment with a social (non-contributory) pension for the poor and, at the other end of the scale, voluntary private pension schemes for enhanced benefits for those who can afford them. Often there is a grey area with regard to the large number of people in developing economies who are not employed in the formal sector, but do not qualify as poor enough to benefit from social pensions. As a consequence, governments face the challenge of encouraging them to join contributory schemes voluntarily. This is illustrated in the case of Vietnam in Figure 17.

Figure 17: The Vietnam Pension System



Source: Dr Nguyen Ngoc Quynh, UNFPA presentation at 'Thanks, Otto!' conference, Berlin, October, 2014.

The importance of pensions in the long term is a vital element in a government's social protection policy in view of population growth, increasing longevity and the consequent phenomenon of demographic ageing; as a consequence, there are increasing dependency ratios between those of working age and those no longer of working age dependent on pensions financed either through taxation or contributions by those in work. More than any other social protection instrument, therefore, pension policy is critically associated with employment and the questions of formalisation and economic diversification as part of development strategy.

([77]) CGAP Working Group (2003). Preliminary Donor Guidelines for Supporting Microinsurance.
([78]) Lloyd's 360 Risk Insight (2009) Insurance in developing countries: Exploring opportunities in micro insurance. Lloyd's and Micro insurance Centre.

Box 13: The consequences of demographic ageing in Vietnam

Vietnam has an estimated population of around 92 million with an annual population growth of 1.03 %. The total fertility rate (TFR2) decreased from 5.25 in 1975 to 3.8 in 1989 and to 2.03 in 2009. Indeed, the population is still young as the median age is 28.7 years and nearly one quarter of the population is aged 0-14 years (cp. CIA). But results from the population projections by the General Statistics Office for the period 2009-2049 indicate that the percentage of the elderly aged 60 and over will triple in that period (from 8.69 to 26.10 of the total population). Vietnam started its ageing phase when over 60-year-olds accounted for more than 10 % of the total population in 2012, 5 years ahead of prediction. The country's fast ageing process poses a serious long-term problem as the ongoing discussion about 'getting old before getting rich' points out. Currently, there is a total labour force about 53.9 million people (aged 15 and above), and an effective unemployment rate of 2.22%. But in 2012, only 10.4 million workers were enrolled in compulsory social insurance, less than 20% of the total workforce (ILO 2013). Informality is the norm, not the exception. Both, compulsory as well as voluntary social insurance is under-performing massively.

Source: *Matthias Meissner **Old Age Protection for informal workers – feasible or too far away?**, GIZ Discussion Papers in Social Protection, 2014*

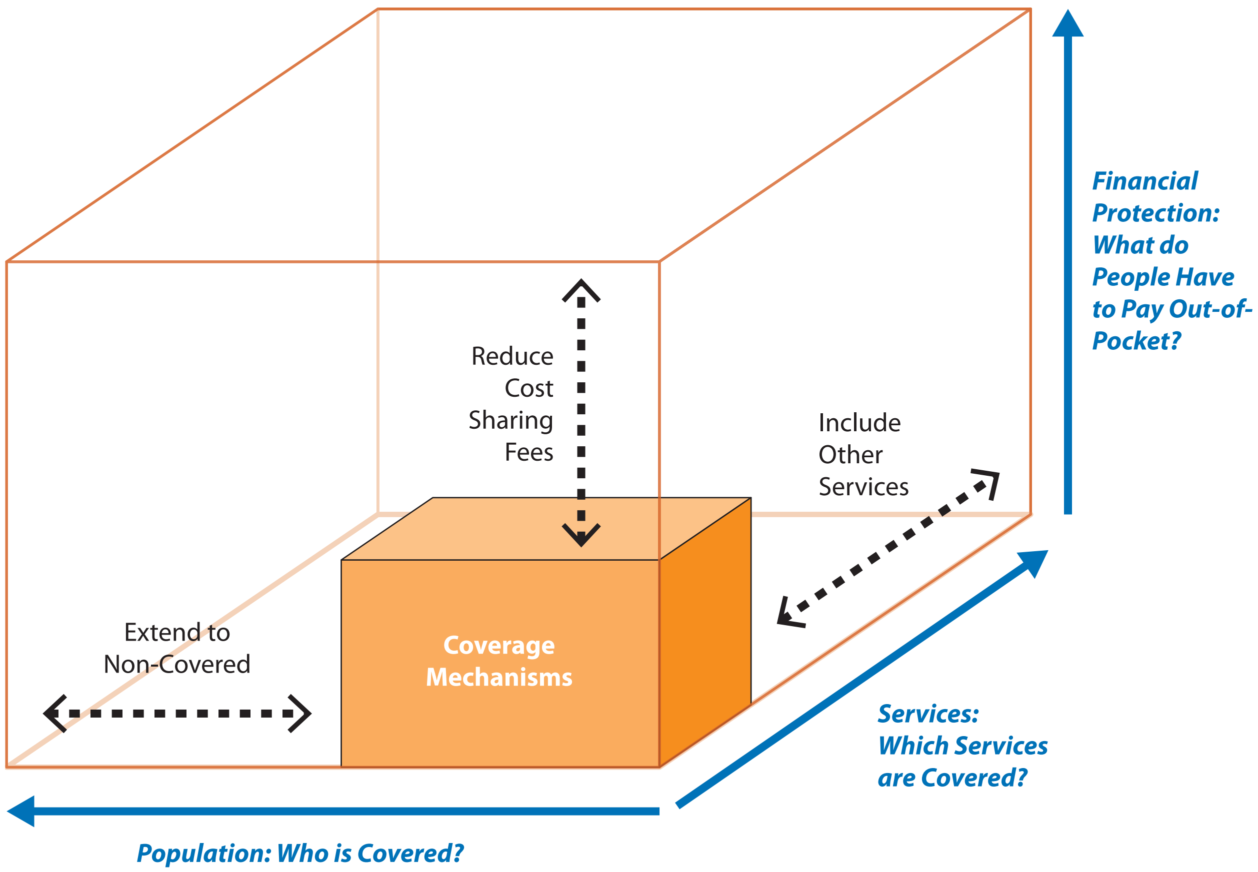
iii. Social Services

Ensuring quality social services for all, particularly the most vulnerable, builds human capital, strengthens livelihood opportunities and improves health and well-being. Social services delivery also complements other social protection instruments as part of an integrated, comprehensive system. For example, the provision of childcare facilities can be a strong support for women's participation in the labour force, which in many cases is an essential source of income for themselves, their children and their families.

iv. Social Health Protection

Social health protection is the first pillar of the social protection floors. The wording of ILO Recommendation 202 is somewhat different with respect to health than it is for the other three pillars, all of which are expressed in terms of 'income security'. In contrast, in the case of health, the expression used is 'access to a nationally defined set of goods and services, constituting essential healthcare'. The provision of health services is usually based on a complex combination of mechanisms, from private insurance, to free at point of delivery access to basic services for the poor, while the issue of access to health services cannot be separated from the issue of the existence of those services and their adequacy or quality in terms of skilled personnel, equipment and pharmaceuticals.

Figure 18: Access to health goods and services



Source: J.Kutzin, WHO, Financing for Universal Health Coverage, EU Health and Education Regional Seminar, Addis Ababa, 2013.

Social health protection is usually addressed within the framework of health sector reform, often within the World Health Organization's 'Universal Health Coverage' framework.

Box 14: Universal Health Coverage

The goal of universal health coverage is to ensure that all people obtain the health services they need without suffering financial hardship when paying for them. This requires:

— a strong, efficient, well-run health system;

— a system for financing health services;

— access to essential medicines and technologies;

— a sufficient capacity of well-trained, motivated health workers

Source: *WHO http://www.who.int/universal_health_coverage/en/*

It is important, however, to ensure that protection against health risks is not divorced from the rest of the social protection provision. Important linkages can be made; for example beneficiaries of the LEAP social transfers programme in Ghana are also entitled to free membership of the National Health Insurance Scheme. An impact evaluation of the scheme has recorded significant benefits from this linkage, including a significant increase in the number of children enrolled in the National Health Insurance Scheme with a commensurate drop in the likeliness of illness preventing regular school attendance, together with an increased number of beneficiaries seeking preventative care, especially for young girls aged between 0 and 5 – which is crucial given the importance of this stage of life for cognitive development and longer term well-being ([79]).

2.6. Implementation Systems ([80])

A decade ago, delivery systems for social protection programmes tended to be *ad hoc* and haphazard. Management information systems (MIS) were often paper-based and payments mechanisms relied on physical delivery of cash at pay points. The greatest challenge was dependably and reliably delivering the social protection benefit, and the South African Social Security Agency's motto 'The right payment to the right person at the right time' was only an aspiration in many countries. Today, technology has reshaped the delivery landscape. Single-registry management information systems and electronic payments systems create opportunities to move beyond just delivering the benefit and actually helps develop the beneficiaries' capabilities, particularly through the associated access to financial, information and communications services. This progress has required a supporting institutional framework that increasingly supports cross-sectoral cooperation.

i. Single registry management information systems

Countries that adopt large-scale programmes are increasingly recognising the benefits of a centralised 'single registry' (*Cadastro Único*, or *Cadúnico)* MIS, similar to that pioneered by Brazil's *Bolsa Familia* cash transfer programme. In 2001, the federal government of Brazil launched a major effort to construct a single beneficiary registry database and a system of unique social identification numbers (NIS). Previously, each programme operated its own system for targeting beneficiaries (all via unverified means testing). Data collection and beneficiary registry are still decentralised to the municipalities, but operation and maintenance of the database are centralised at the federal level, with oversight provided by the Ministry of Social Development, and system management and operation is conducted by the *Caixa Econômica Federal* (CEF).

Single registry systems have subsequently been adopted in other countries, including Chile, Colombia, Mexico and the Philippines. South Africa has used a single registry for decades, but recently renovated it. Low-income countries are also moving towards single registries, recognising the important efficiency gains and cost-saving benefits. For example, Ghana has developed a single registry system modelled after *Cadastro Único* and collects standardised information on beneficiaries of its LEAP cash transfer programme. In Ghana, the single registry system has helped to build support and legitimacy for the programme; in an interview the coordinator of LEAP said it 'facilitated the recognition that the Ministry of Finance and the other stakeholders have for the programme.' ([81])

Single registries provide several benefits, they can:

- provide data for all programmes, at lower administrative cost if they are based on high quality data;
- provide a consolidated source of information on what programmes and social assistance a household is receiving, to aid in the coordination of programmes;
- reduce and prevent the duplication of benefits (e.g. the same household receiving benefits from more than one municipality);
- reduce fraud and corruption;
- allow for the monitoring of time limits and graduation criteria;
- be linked to other government efforts, such as bringing more households into the formal banking system.

However, the adoption of a single registry must be carried out with some key considerations. Evaluations of Brazil's *Cadastro Único* has highlighted some important areas that must be addressed with a single registry ([82]). They must have clear objectives. The system must be updated regularly and frequently to keep the system dynamic rather than

([79]) LEAP Briefing Paper (2012), Government of Ghana http://www.unicef.org/ghana/gh_resources_LEAP_briefing_paper.pdf
([80]) This section of the concept paper is adapted from presentation on 'Social transfer programme implementation' given at EPRI's course on 'Designing and Implementing Social Cash Transfers' in Chiang Mai, Thailand, 6-17 October 2014.
([81]) http://www.ipc-undp.org/publications/cct/Interview_Lawrence_Addo_Ghana.pdf
([82]) Reforming Brazil's Cadastro Único to Improve the Targeting of the ***Bolsa Familia*** Program (2005)

static, allowing for demographic (e.g. birth and death) and geographic updates, as well as changes in the welfare of households. The registry and other MISs must have systems for auditing and quality control. Key potential users (such as the programmes or regional government) must have access to the data. Logistically, MIS must have reliable and user-friendly software systems.

Box 15: Implementing a single registry MIS – example from Indonesia

Indonesia is already moving in the direction of a single registry such as *Cadastro Único*: a unified registry has been mandated in the RPJM, with a Presidential Instruction outlining the steps required. In 2011, Statistics Indonesia conducted PPLS11, a large-scale updating of its list of poor households. This is a significant expansion from previous lists, increasing the number of households surveyed from around 19 million in 2008 to 25 million, or just over 45 % of the population. In the Indonesian context it is particularly important that a unified registry stays current because of the fluid nature of poverty.

Source: *World Bank (2012)*

It is rare for the ministry responsible for a social protection programme to possess the technical expertise required to design, implement and administer the required MIS. In Brazil, the state rural development bank (*Caixa Econômica Federal*) takes responsibility for the management of the 'single registry'. In South Africa, a national agency responsible for information systems (the South African State Information Technology Agency) manages the social cash transfer MIS. For smaller scale projects, a range of private consulting companies offer services designing and implementing *ad hoc* systems, but the high fixed costs of system design and the lack of technological sophistication in contracting institutions often make these private sector solutions very expensive. In response to these challenges, the UK Government's Department for International Development (DFID) sponsored initiatives to promote 'open source' management information systems for cash transfer pilots as part of the initial design work of the Hunger Safety Net Programme (HSNP). However the impact of the initiative has been limited.

The optimal institutional arrangement for pilots may involve an 'open source' package provided freely as a public good, but at national scale, countries usually require robust custom-built systems integrated with other national information management systems, including civil registration, public payroll and other financial systems. Institutional responsibility for this kind of system varies across countries, depending on the overall information management strategy of the respective governments and the extent to which social protection programmes are integrated and linked to complementary interventions.

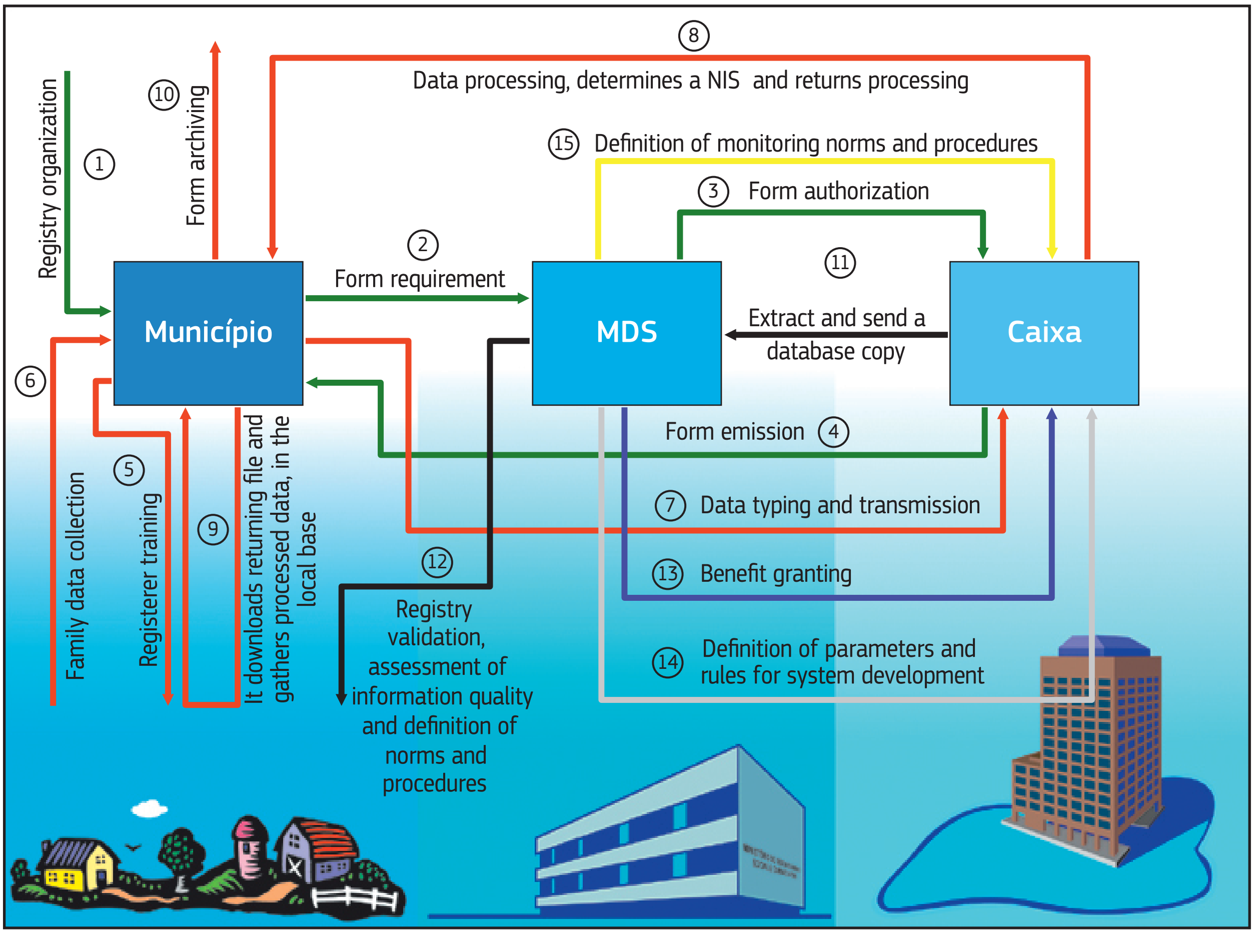
Three categories of management information systems that can be considered 'single registries' have evolved to support different institutional arrangements for organising social protection ([83]). The **most basic category** involves a system that solely manages internal programme operations. Examples include the management information systems for the ***Bono Juana Azurduy*** cash transfer in Bolivia, the ***Familias en Accion*** conditional cash transfer in Colombia, the *Red de Oportunidades* programme in Panama, the ***Juntos*** conditional cash transfer programme in Peru and South Africa's SOCPEN system. This category of system can be housed effectively in a specialised unit within the programme's administration, although in some cases the system management function may be outsourced to a specialised government agency (as is the case in South Africa).

The **middle category** involves a MIS that manages both the cash transfer programme as well as related services. Examples include the ***Programa Solidaridad*** in the Dominican Republic, the ***Mi Familia Progresa*** programme in Guatemala, the ***Programa Oportunidades*** in Mexico and the **PATH programme** in Jamaica. This second category of system involves a coordination of functions for a particular social protection programme with related ministries and other organisations, requiring inter-institutional exchanges of information. For example, the MIS for the Dominican Republic's ***Solidaridad*** conditional cash transfer programme enables the Ministry of Health and the Ministry of Education to access the system to register compliance with conditionalities. However, this system is limited to the management of ***Solidaridad***.

([83]) Verónica Silva Villalobos (with Gastón Blanco and Lucy Bassett) 2010. Management Information Systems for CCTs and Social Protection Systems in Latin America: A Tool for Improved Program Management and Evidence-Based Decision-Making. World Bank, Latin America and Caribbean Region, Social Protection Sector. The discussion in this section of these three categories expands on the discussion in this paper.

The **most advanced category** of systems provides an integrated solution managing the entire social protection system, including complementary programmes. Examples include the single registry model in Brazil for ***Bolsa Familia*** described at the beginning of this section (and illustrated in Figure 19 below), as well as Chile's ***Solidario*** programme and the Philippines' ***Pantawid Pamilya*** programme (described above in the targeting section). Most recently, in 2015, Bangladesh has set the development of a single registry MIS as a key priority for its National Social Security System, to be based on 'scheme-specific MISs that communicate with each other and deliver comprehensive information across government.' ([84])

Figure 19: Bolsa Familia's design for its single registry database (CADUNICO)



SOURCE: MDS, Government of Brazil (2008)

A system that serves the entire social protection system must either have modules in each of the component programme administrations, or else stand alone in a coordinating institution that can manage across the entire system. Chile developed a legal framework to cover both intra-institutional and inter-institutional roles for the MIS, enabling the cash transfer initiative to more effectively link with early childhood development interventions and scholarship programmes. A major advantage of these integrated systems is that they provide beneficiaries with a single entry point for all of the nation's social protection programmes as well as associated complementary interventions. This maximises the developmental impact of the system.

ii. Payments systems ([85])

The choice of an appropriate delivery system depends on the specific type of social protection programme adopted. This section focused on the delivery of social cash transfer programmes, since they represent the fastest growing instrument in developing countries. While cash remains the most common payment arrangement for social cash

([84]) National Social Security Strategy (NSSS) of Bangladesh, 4th Draft,June, 2014.
([85]) This section draws heavily on EPRI's collaborative work with Bankable Frontier Associates (BFA), including BFA's chapter on financial inclusion in EPRI's policy guide ***Designing and Implementing Social Transfer Programmes***., Second Edition (2011).

transfer programmes in developing countries, new possibilities for financially inclusive payment arrangements are opening up. Enhanced payment options can create stepping stones to financial inclusion. While it is not always feasible to provide financially inclusive options, government programme designers and implementers have the opportunity to explore inclusive options early in a design or review process, and a wealth of global evidence supports this opening ([86]).

Bankable Frontier Associates has developed a 'best practices' model for governments to use in linking social protection payments mechanisms to financially inclusive delivery systems ([87]). The first step requires a feasibility study of introducing financially inclusive arrangements in a particular context. Feasibility depends on the objectives and scope of the social protection programme as well as the country context for financial services. Contingent on a positive outcome from the first step, the next step develops a detailed inclusive payments strategy by: (1) profiling the beneficiaries; (2) examining more closely the available infrastructure (including utilities and financial services); and (3) identifying potential service providers. Cost estimations of available distribution channels, the involved technologies, the fee structure and the risk of losing funds during the process (leakage) are included in this step. The next steps depend on the nature of the policy process: government-financed initiatives will require legislation or policy development, while development partner-funded interventions may require competitive proposals. The result usually evolves into a public-private initiative in which financial services institutions deliver social protection benefits in line with government mandates. The next step involves monitoring the implementation of the funds transfers throughout the payment process, which is necessary to assure compliance by the service provider and satisfactory receipt of the intended benefit by the beneficiary. Periodic review of the payment arrangements in an existing programme means returning to the considerations of the second step, and reassessing whether the arrangements are still appropriate. In larger programmes, it is often useful and appropriate to have more than one payment option at the same time: new approaches may be piloted on a sub-group of recipients to test acceptance and robustness. This both serves as a backup and enables evolution towards more effective and sustainable approaches over time.

Financial inclusive payment options also deter corruption; the fewer hands that money passes through, the fewer chances that arise for some 'skimming off the top' or outright theft. For example, money can be distributed using the postal service or existing banks to reduce the involvement of local officials. South Africa re-organised provincial social grant delivery mechanisms into a more comprehensive national system operated by the South Africa Social Security Agency (SASSA). This streamlined operations and realised substantial economies of scale, while also increasing bargaining power with private sector service providers. Brazil also centralises key payment functions through a national bank.

Financially inclusive payments arrangements are increasingly feasible in developing countries. Among these, financially inclusive approaches that offer more and better services to recipients are increasingly being offered. Experience with developing countries that have implemented electronic payments arrangements that include enhanced financial, communications and information services have found that they can reduce overall programme administration costs over time and enhance the impact on beneficiaries ([88]).

Today, cash transfer programmes often aim to 'push' the benefits out to participants using various technological channels, including mobile phones, bank accounts, smart cards and other electronic media. This lowers administrative and private costs, improves reliability, reduces corruption and enables the payments system to achieve complementary developmental impacts by providing financial, information and communications services.

Currently, the optimal institution for delivering payments in most national contexts is likely to be a private (or in some cases public) bank or a non-bank institution with proficiency in providing financial services at scale to low-income clients. Examples include Grinrod Bank in South Africa in partnership with Cash Paymaster Services (CPS), Equity Bank in Kenya, *Bancodel Ahorro Nacional y Servicios Financieros* (BANSEFI) in Mexico and *Shri Mahila Sewa Sahakari* Bank Ltd (SEWA) In India. In the Philippines' *Pantawid Pamilya* programme, grants are paid directly through beneficiaries' Land Bank of the Philippines (LBP) accounts. LBP is a public financial institution (owned by the Philippine Government), which specialises in services relating to rural development. The responsible ministry is working to expand payment options, including through the national telecommunications company Telecom's GCASH Mobile programme, which uses mobile phone technology to provide financial services to households.

([86]) Bankable Frontier Associates (2011), 'Financially Inclusive Payment Options' in ***Designing and Implementing Social Transfer Programmes***. Second Edition (2011). Economic Policy Research Institute Press.

([87]) Bankable Frontier Associates (2011)

([88]) Bankable Frontier Associates (2011)

People living in remote places may be severely challenged by technology dependent payment systems. The *Pantawid Pamilya* programme was initially rolled out in urban areas using ATM cards for payments. This approach presented an enormous challenge to the majority of poor beneficiaries in remote, rural areas, in particular indigenous people, in provinces where the only ATM machines were located in the provincial capital, many hours of very expensive travel away from their homes.

iii. Monitoring and Evaluation ([89])

Building appropriate monitoring and evaluation (M&E) systems provides an essential element for protecting the success of social protection programmes. The main aim of evaluation is to assess whether or not programmes achieve their core objectives. Effective monitoring and evaluation, however, can also enable improvements in programme design and implementation, strengthen political will for expansion and sustainability and contribute to the global evidence base.

Monitoring is the process of identifying and tracking performance indicators and reviewing the programme's implementation. It is an ongoing process over the life-time of the programme. In Brazil, municipalities receive incentives for performance, through which BFP monitors and tracks performance at the local level. Monetary incentives for municipalities to implement the BFP take into account the number of registered beneficiaries but do not track their access to or participation in social services.

Evaluation links causes to outcomes through the objective and systematic assessment of the programme's impacts. Mexico set the gold standard for programme evaluation, using randomised control trials (RCTs) to rigorously attribute a range of poverty reduction and human capital development outcomes to the *Progresa* and *Oportunidades* social cash transfer programmes. The designers of these programmes understood impact assessment as an essential tool to strengthening the operations of the programmes as well as generating credible evidence and rigorous proof of the programmes' achievements. The Government of Mexico even enacted legislation requiring the evaluation of all social programmes. The Government of Brazil established the Secretariat of Evaluation and Information Management to provide monitoring and evaluation for 21 different programmes employing a harmonised approach. Colombia's National Planning Department helps to implement programme impact assessments while simultaneously managing responsibility for policy design. Likewise, South Africa's Performance Monitoring and Evaluation unit in the Office of the Presidency coordinates impact assessments and other reviews nationally (most recently including a 20-year review of social protection in South Africa). Chile's Ministry of Social Development, however, adopted an internal approach, creating the position of Under-Secretary of Social Evaluation to comply with legal obligations to support M&E and improve its quality ([90]).

Increasingly, social protection programmes are aspiring to an even higher standard. While appropriately designed and effectively implemented RCT evaluations provide the most credible evidence of attributable impact, they do not always provide answers to the most important questions policymakers are asking. Critics of this approach question the 'external validity' that affects the ability to generalise the study's findings and deliver policy relevant conclusions. An alternative is an integrated qualitative-quantitative evaluation that combines rigorous attribution strategies with qualitative assessments that explore the transmission mechanisms of impact, and helps to answer questions about why the programme works (or does not) and how to improve programme performance. South Africa's impact assessment of the child support grant adopted this approach and led to significant policy reforms and renewed policymaker support for the programme.

Monitoring and evaluation serves multiple functions, Broadly, it is important that the institutional set-up encourages large-scale and frequent reviews of the social protection system, with a healthy debate within ministries and nationally regarding issues such as targeting and the benefit level. South Africa is an example of a country where there have been frequent reviews and healthy debate, leading to an expansion of programme coverage, increases in benefit amounts and significant reforms in cases where the programme has not operated effectively. For example, an evaluation of the social grant system's targeting process led to substantial reforms of the associated means test. For evaluations to yield substantial gains, policymakers must be willing to 'fine-tune' or adjust a programme's operations whenever necessary in order to improve its performance.

([89]) This section of the concept paper has been adapted from Chapter 15: 'Monitoring and Evaluation' from ***Designing and Implementing Social Transfer Programmes***. See: Samson, M., van Niekerk, I., and Mac Quene, K. (2006) Designing and Implementing Social Transfer Programmes.

([90]) Cecchini, Robles and Vargas (2012), The Expansion of Cash Transfers in Chile and its Challenges: Ethical Family Income, 5, http://www.ipc-undp.org/pub/IPCPolicyResearchBrief26.pdf

Global experience with social protection evaluation highlights the importance of an eclectic approach to monitoring and evaluation. A variety of methodologies serve the diversity of objectives policy analysts seek to meet. Good assessments are rooted in a thorough understanding of the social protection intervention and the context of poverty it addresses, and the groundwork for monitoring and evaluation begins with the initial design documents for the programme. Quantitative and qualitative techniques complement each other, and rigorous analysis must grapple with the omnipresence of the potential for error.

The illuminating power of effective monitoring systems and rigorous impact assessments provides the essential evidence linking programme performance to improvements in design and implementation and serves as a hallmark for social protection policy and programme development globally. Positive evaluations can mobilise political support and expand the resources available for scaling up scope and coverage. Monitoring and assessment can identify problems and propose solutions, and the evidence generated can serve not only the programme but also the global community involved in designing and implementing social protection programmes.

PART 3: STRENGTHENING SOCIAL PROTECTION SYSTEMS

3.1. Introduction

The two previous sections of this paper explore how the policy choices underlying normative social protection frameworks influence operational design and implementation decisions that determine the character of a country's social protection system. Two additional factors affecting policymaking need to be considered:

— the investment in building internal coherence among social protection instruments and programmes;

— the policy commitment and action building cross-sectoral linkages that can strengthen social protection's long term developmental impact.

The term 'systematisation' carries an inherent implication that social protection instruments and programmes can be integrated into a more comprehensive system of policies and programmes that not only tackle poverty and vulnerability over the life cycle but also strengthen pro-poor and inclusive economic growth and social development. Systematisation embeds social protection within a larger developmental framework, enabling other social and economic sectors to strengthen social protection outcomes, while facilitating social protection's role in reinforcing developmental impacts.

In the majority of developing countries, social protection systems have begun as a set of transfer programmes at sub-national scale – through pilots and programmes that scale up gradually over time. Various factors drive this trend, including financial and capacity resource constraints, and sometimes wavering political will. In many countries, the development of a policy-relevant evidence base relaxes all three constraints – increasing both national and international financial commitments, strengthening capacity through learning-by-doing processes and demonstrating the achievement of core policy objectives and as a result reinforcing political will for scale-up. A complicating factor has usually been the simultaneous existence alongside these poverty targeted programmes of more conventional social security systems, involving pensions and health insurance and other benefits for government employees and those in formal employment in the private sector.

The choice of a normative policy framework to guide the process of converting a disparate bundle of programmes into a national system will play a key role in determining the expansion path of the social protection system. For example, a poverty targeted safety net approach may begin with limited cash transfer pilots targeted to the very poorest in a few geographical areas and scale up to a single-instrument social protection system with high exclusion error, low benefits and limited inter-sectoral impact which costs a fraction of 1 % of national income. Alternatively, a more universal rights-based framework may similarly begin with a cash transfer pilot, but targeted geographically and categorically, and scale up to a system of cash transfers, social services-oriented programmes and other interventions with comprehensive impacts and costing more than 2 % of national income.

Both the developmental impacts that may have been achieved and the documented evidence of this influence the expansion path. Limited interventions may fail to demonstrate substantial impacts and lose the political support required for their sustainability. More comprehensive frameworks, increasingly driven by approaches aimed at systematically bringing together all aspects of social protection and, indeed, combining poverty-targeted transfer programmes with life-cycle schemes, can generate greater impacts across a range of policy objectives and with effective evidence-building mechanisms can expand the country's fiscal and political space for scale-up and sustainability.

Systematisation builds on a historical legacy of political and bureaucratic champions successfully innovating effective social protection programmes that have gradually scaled up to national scale systems. The transition from a programme focus to a system orientation has changed the institutional landscape. Increasingly, planning commissions/ministries in developing countries are assuming responsibility for integrating comprehensive social protection responses into national socio-economic development plans. A comprehensive developmental approach will recognise that policies that strengthen social protection's livelihoods impacts and foster pro-poor and inclusive economic growth and development yield the greatest impact when coordinated within a larger planning framework.

Today, global development partners and many developing country policy frameworks recognise social protection as an investment, and a growing global evidence base rigorously attributes economic growth impacts to social protection. An OECD report in 2009 documented social protection's broad socio-economic development impacts by demonstrating its linkages with pro-poor and inclusive growth ([91]). Subsequent studies have corroborated these key findings: social protection promotes human capital and other productive investment, strengthens households' abilities for productive risk-taking, provides opportunities for livelihoods development and employment, increases national economic resilience, promotes social cohesion and builds opportunities for pro-poor economic reforms.

3.2. Development Planning Frameworks

'Systematisation' can be seen as a response to the demands of policy makers demanding greater developmental impact from social protection programmes. Brazil explicitly built developmental and cross-ministerial linkages into social protection programmes ([92]) and has provided technical support to South-South capacity building initiatives in several countries, notably Ghana and Mozambique. Ghana's **Livelihoods Empowerment Against Poverty (LEAP)** programme links the country's social cash transfers with a social health insurance programme to generate a systematic approach with more comprehensive poverty and human capital outcomes. Mozambique is expanding its social protection system with more integrated instruments linking diverse ministries, with an increasing focus on promoting livelihoods by 'considering broader macroeconomic areas for social investments to raise overall living standards (such as in agriculture, food security and employment-generating activities)' ([93]).

A number of other countries – including Bangladesh, Cambodia, Indonesia, Nepal, Rwanda, South Africa, Tanzania and Uganda – are building social protection systems that embed instruments within a larger development planning framework aiming to improve cross-cutting social and economic impacts ([94]). The approach balances economic and social spending priorities to jointly achieve pro-poor and inclusive economic growth and development, aiming to strengthen coherence within the social protection sector while maximising linkages between social protection and other developmental sectors.

The growing role of this planning framework as an approach to social protection systematisation complements the trend towards the adoption of national social protection strategies in order to better achieve these broader objectives. Strategy-building processes involve the development of national social protection policies, more integrated cross-ministerial relationships within government and between government and other partners, and a strengthened emphasis on policy coordination. The development planning framework concept embeds the social protection strategy within a larger social and economic policy-planning context. Figure 20 below illustrates the model, based on Uganda's framework for its 2010 national development plan that integrated social protection within its development planning process ([95]).

([91]) OECD (2009). Social Protection and Pro-Poor Growth. Paris: OECD.
([92]) MSD (2007). Presentation at the course ***Designing and Implementing Social Transfer Programs***. Cape Town.
([93]) Unicef Mozambique. 'Media Centre' 01 July 2012. http://www.unicef.org/mozambique/media_9455.html
([94]) Samson (2012), Samson et al. (2013).
([95]) The figure is only illustrative – Uganda's actual matrix, for example, had hundreds of columns and dozens of rows.

Figure 20: Systemisation and the development planning approach to social protection

Policy Instruments (Inputs)							Development planning matrix		
Social Protection		Other sectors							
Cash transfers	Health Insurance	Education/training	Social services	Financial inclusion	Livelihood support	Infrastructure			
							Poverty reduction	Social protection	Policy objectives (Outputs)
							Risk management		
							Social inclusion		
							Human capital development	Other	
							Increased employment		
							Economic growth		

This framework employs the classic input-output matrix from the development planning models common decades ago, but departs from the conventional approach by defining 'inputs' as the set of government policies, programmes and instruments that governments utilise to achieve national policy objectives (the 'outputs' in the planning matrix). Both 'inputs' (strategies, programmes, instruments) and 'outputs' (policy impacts) can be organised by social and economic sector within the matrix, strengthening the coherence of the integrated plan. The approach aims to build both 'intra-sectoral' and 'inter-sectoral' linkages in order to maximise the achievement of policy objectives at minimum cost.

Intra-sectoral linkages reflect the internal coherence of social protection systematisation, which generates both efficiencies and more comprehensive impacts. As Figure 20 illustrates, integrating social cash transfers with social health insurance (as Ghana does) yields important comprehensive impacts. Catastrophic health disasters in many countries are the main type of shock that can trap poor households into extreme poverty, in spite of their access to social cash transfers. Benefits of typical cash transfer programmes are simply too small to cover the costs of catastrophic health shocks. Social health insurance programmes often exclude the poorest households because they lack the cash to pay the premiums required for participation.

Integrating cash transfers with social health insurance works much more effectively than the individual instruments on their own. Social cash transfers better enable poor households to afford the premiums social insurance products require, and sometimes programme officials make the participation decision for the entire beneficiary base – enrolling all cash transfer programme participants into the social health insurance scheme. The social health insurance scheme protects poor households against severe medical shocks for which cash transfer programmes provide limited relief. The intra-sectoral linkages provide more effective social protection, helping to protect the productive assets of the poor from distress sales in the face of catastrophic health shocks, and as a result preventing a decline into deeper poverty and sustaining more resilient livelihoods.

Systematisation also strengthens inter-sectoral linkages, as Figure 20 also illustrates. Social protection instruments often reinforce a range of developmental impacts not necessarily characterised as social protection outcomes:

improved educational outcomes, better health and nutrition, stronger livelihoods development and more broadly promoting pro-poor and inclusive economic growth. Social protection instruments often work by improving poor people's access to markets. Cash transfers expand the effective demand for market goods and services, enabling people to meet their basic needs while promoting economic activity. At the same time, a range of policy sectors can contribute to social protection objectives. Human capital investments reduce the risk of long-term poverty and livelihoods interventions expand and diversify household economic opportunities that reduce poverty and vulnerability.

3.3. Implementation Arrangements

Systematisation requires a national coordinating mechanism that prioritises and integrates social protection policies and practices within a larger planning framework. This is often a country's national development plan, coordinated by a national planning commission, agency or ministry (or a similar authority, sometimes situated in the Ministry of Finance). The resulting integrated and comprehensive systems approaches improve impact and value-for-money by maximising the likelihood of achieving the critical policy objectives while minimising associated risks and costs, and the resulting transparency reinforces the government's credibility, enabling the government to expand its policy options.

Integration is also critical at local level, where delivery of social protection takes place. Even when national policies are coordinated, communicating and implementing these policies at local level remains challenging, particularly given the local capacity constraints that many developing countries face. 'Single window service' government offices, which enable people to access various public departments from a common location, both lower the private costs of programme participation and create conditions that facilitate inter-governmental cooperation. These have proven successful in Brazil, India, South Africa, Tajikistan and other countries, in particular by reducing programme fragmentation, improving the coordination of complementary programmes and empowering local government authorities.

Effective delivery of social protection requires the building of stronger linkages across levels of government and within local governance structures. Local capacity constraints remain one of the most frequently cited constraints to scale-up in many developing countries. Some countries tackle this challenge by charging the ministry responsible for local government with responsibility for coordinating social protection delivery. Rwanda's Ministry for Local Government (MLG) and Nepal's Ministry for Local Development (MLD) manage delivery of their respective social protection programmes, coordinating national ministries, linking national and local authorities and integrating services at local level. In Nigeria, key stakeholders are assessing how intergovernmental fiscal reform can empower local authorities and create mechanisms to share the cost of social protection financing and better enable programme scale-up.

The 2015 Bangladesh National Social Security Strategy (NSSS) sets out to systematise social protection across all these factors in order to broaden the scope and coverage of the existing safety net programme (to include social insurance and employment policies) and improve programme design in order to help lower income inequality and contribute to higher growth by strengthening human development.

Box 16: Key Priorities in the Bangladesh National Social Security System (2015)

The Bangladesh National Social Security System identifies the following key system-level priorities:

— A vastly simplified institutional arrangement that allows proper planning, implementation and M&E of the NSPS.

— The professionalisation of staff so that there is a cadre of public servants who are experts in the delivery of social protection schemes at both national and local levels.

— Effectiveness in identifying recipients for social protection schemes.

— Upgrading the MISs so that they are able to underpin the effective and efficient delivery of transfers and promote cross-governmental coordination and monitoring of performance.

— Strengthening payment mechanisms to minimize corruption and to use the social protection system to promote financial inclusion, in particular among poor and vulnerable families.

— Establishing an effective grievance and complaints system so that all citizens have recourse to appeal decisions on selection and can notify the competent authorities about instances of misconduct and failures in the delivery of the promised benefit.

Source: *Government of Bangladesh* ***National Social Security Strategy****, 4th draft, June 2014*

A key aspect of the systematisation process proposed in the Bangladesh NSSS is a three-phase evolution of management arrangements. The first of these, the 'Consolidation Phase', from 2014-2020 will involve grouping the ministries involved in implementing social security programmes into five thematic clusters, each with a lead coordinating ministry, reporting to the central monitoring committee of the Cabinet Division. The Second 'Coordination and Implementation of Social Security Programmes' phase, from 2021-2025, will see a 'High-powered Social Security Agency assuming coordination and supervisor functions. Finally, in the third 'Implementation of Life Cycle Programmes Approach and other Social Security Programmes' phase, from 2026 onwards, a Ministry of Social Security will be established to be responsible for all life cycles based social security programmes.

3.4. Evidence-based Processes

An evidenced-based process for informing strategic policies typically underpins the process of systematisation. Within the social protection sector, experimental methodologies have contributed substantially to the evidence base, but rarely from a systems perspective. The typical 'gold standard' evaluation design uses randomised control trials (RCTs) that focus on rigorous attribution of well-defined (and often simple) outcomes to pilot interventions which can be randomly assigned to households or communities. These methodologies, while powerful in certain respects, are limited in the face of the complex questions systematisation poses ([96]).

A systematic approach to social protection requires more appropriate tools better suited for building evidence about complex interventions and the inter-related impacts that they generate. Such evidence-building tools should be applied at different levels: (1) at a micro-level, a tool for identifying how to integrate the most appropriate combination of multi-sectoral interventions to produce comprehensive social and economic outcomes at individual and household levels; and (2) a macro-level assessment tool that enables policymakers and planners to coordinate policies across sectors to more effectively and efficiently achieve a range of policy objectives.

One option at the micro level is a more flexible approach to evaluating social policy pilots. This approach, termed an 'evidence-building pilot', relaxes assumptions and protocols required for experimental pilots in order to better enable a learning-by-doing process ([97]). Evidence-building pilots can better enable policymakers to evaluate how multiple

([96]) See Samson (2014), UNRISD for a more in depth discussion of the limitations of existing social policy evaluation approaches. This section extends the analysis to explore evaluation issues for social protection systems approaches.
([97]) Samson et al. (2015) UNRISD.

interventions interact to generate impacts supporting many of the policy objectives that drive national strategies. Box 17 describes an evidence-building pilot in South Africa that aims to achieve complex outcomes reducing youth unemployment.

Box 17: An evidence-building pilot tackling youth unemployment in South Africa

Youth unemployment represents one of Africa's biggest challenges, with rural youth unemployment rates in the poorest areas of rural South Africa exceeding 90%. The government's Department of Social Development with funding from the Ford Foundation is implementing an evidence-building pilot linking the country's Child Support Grant programme to a set of complementary interventions strengthening access to financial services, building savings, offering youth development activities and bridging to further education and employment opportunities. The pilot's evaluation strategy integrates an adapted randomised control trial methodology with qualitative approaches, enabling lessons learned during implementation to refine the programme's design and improve delivery. The assessment process compares alternative designs to identify the best combination of interventions for achieving a range of social and economic outcomes, including increased household savings, better educational outcomes, reduced vulnerability to HIV infection and more sustaining livelihoods opportunities.

Source: *Samson (2014)*

As governments and their development partners take forward the post-2015 global development agenda, comprehensive and integrated evaluation approaches offer more potential than ever before. Social protection has historically been one of the most evaluated sectors and social protection systems therefore offer particularly fertile ground for building, testing and scaling up evaluation approaches.

A macro-level assessment tool will expand the development-planning framework to better inform policymakers of the economic trade-offs underlying policy choices. This framework should recognise how the magnitude of a specific social protection programme or scheme's social and economic impacts depend critically on the complementary programmes in other sectors that also affect the social protection objectives. The macro-level evaluation framework provides two essential elements of evidence that policymakers require:

(1) ***The expected impact of a specific social protection investment***, given the profile of other relevant investments government is making in other social protection instruments as well as across the range of other policy sectors. This better enables policymakers to choose optimal combinations of interventions to maximise cost-effective impact ('value-for-money'), and as a result maximising the likelihood of policy success at minimum cost.

(2) ***More complete measures of the full range of social protection impacts*** across policy sectors. While social protection mainly produces impacts in terms of reducing poverty, vulnerability and social exclusion, it also strengthens a range of household-level (human capital development, livelihoods promotion) and macro-level developmental outcomes (social cohesion, macroeconomic stability, more resilient economic reforms, pro-poor economic growth). A comprehensive assessment framework better enables these benefits to be fully estimated, providing more useful and relevant information to policymakers who make decisions on social protection trade-offs (along with trade-offs across a range of other social and economic sectors).

3.5. Donor coordination

Better coordination of development partner support is essential in order to enable governments to develop and implement nationally owned social protection strategies. Fragmentation of donor support even within the social protection sector can foster an unhealthy competition among role-players within government that undermines prospects for comprehensive and integrated approaches. Coordinated development partner support conditional on comprehensive approaches can create powerful incentives while resourcing the necessary innovation. Evolving institutions such as the Social Protection Inter-agency Co-operation Board (SPIAC-B) offer the potential to break down political resistance across organisations and motivate more integrated and comprehensive approaches within countries.

Box 18: The Social Protection Inter-Agency Coordination Board (SPIAC-B)

The board was established in July 2012 in response to a request from the G20 that called upon international organizations that provide social protection financing and technical advisory services to developing countries to improve coordination of their efforts.

The board is co-chaired by the ILO and the WB and includes in its membership several agencies, funds and programmes of the United Nations, international financial institutions and bilateral development agencies. It also welcomes as observers a variety of non-governmental organisations and think tanks working on social protection issues.

The SPIAC-B is a light, lean and agile coordination mechanism that aims to better organize the efforts of the international development community at the global and country levels on social protection initiatives. The board brings together leaders and technical experts to discuss the latest developments in the world of social protection and coordinate efforts in developing countries.

The board's secretariat rotates between the two co-chairing organizations – the ILO and the WB – and has been based in the ILO Office for the United Nations in New York.

SPIAC-B builds upon the work of the UN Chief Executives Board Social Protection Floor Initiative (SPF-I), and provides a broad and holistic approach to coordination and information sharing, including a focus on both expanding and deepening social protection coverage.

Overall, the board focuses on the four key areas of promotion, policy coherence, coordination and knowledge sharing.

Source: *SPIAC-B Brochure*

Social protection has demonstrated substantial impacts in supporting the achievement of most of the MDGs, even without appearing as a specific goal or target ([98]). The more comprehensive approach guiding the post-2015 development agenda has already seen Social Protection feature as a specific target for three of the proposed SDGs and as an implied target for two other SDGs in the final report of the Open Working Group ([99]), reflected in the UN Secretary General's report of December 2014. It is safe to assume that, in general, social protection is likely to play an even more important role in achieving the global and comprehensive outcomes under consideration ([100]).

On 30 June 2015 a joint statement by the heads of the World Bank and ILO announced the launch of a "joint mission and plan of action: Universal social protection to ensure that no one is left behind." In it the two leading agencies in the field categorically defined social protection as "a primary development tool and priority within the SDG framework" and went on to make the following unequivocal statement in respect of the role of social protection systems in development:

"Social protection systems that are well-designed and implemented can powerfully shape countries, enhance human capital and productivity, eradicate poverty, reduce inequalities and contribute to building social peace. They are an essential part of National Development Strategies to achieve inclusive growth and sustainable development with equitable social outcomes."([101])

Systematisation provides a way forward to support this process, by supporting the concept of the Social Protection Floor, by offering a framework for building and evaluation cross-sectoral initiatives, by strengthening inter-agency cooperation and harmonising country led approaches and by ensuring that social protection is not presented as a 'magic bullet for development,' but as a set of interventions that integrate with environmental and climate change initiatives, food security interventions, the HIV/AIDS response, and other essential developmental sectors in support of the achievement of the shared prosperity that leaves noone behind to which the SDG framework aspires.

([98]) Samson (2009, 2011); ECA, ILO, Unctad, UNDESA, Unicef (2012)
([99]) See Box 1 above.
([100]) ECA, ILO, Unctad, UNDESA, Unicef (2012)
([101]) http://www.ilo.org/global/about-the-ilo/who-we-are/ilo-director-general/statements-and-speeches/WCMS_378984/lang--en/index.htm

3.6. International and EU Support for the Systematisation of Social Protection

Increasingly, governments in developing countries are seeking to systematise social protection in order to achieve greater developmental impact, in many cases directly inspired by ILO R202 on National Floors of Social Protection. Development partners and international agencies are also focusing their efforts increasingly on support for systematisation.

i. The ILO and the Assessment-Based National Dialogue

The ILO has developed the assessment-based national dialogue approach (A-BND) to support the establishment of social protection floors and has engaged with a number of national governments, such as Thailand and, more recently the Philippines, to support its implementation.

The A-BND comprises a procedure to assess the state of national SPF policies, identify coverage gaps and plan the structural architecture of the national social system. It can be seen as providing a forum through which a country supervises and coordinates its SPF process. Such a forum is particularly useful in contexts where there tend to be a multitude of actors present in the social protection sector. An A-BND should consist of different actors such as ministers, development partners, civil society, workers and employers. The ILO has invented a step-by-step plan for how the A-BND operation can be carried out (See Box 19) and, associated with it, a specific costing tool which enables countries to estimate present and future costs related to the implementation of the SPF. This tool, called the rapid assessment protocol (RAP), helps countries analyse the financial sustainability of potential social protection policy reforms and assess the costs of addressing existing policy gaps. The RAP incorporates a step-by-step methodology for conducting a rapid assessment using household level data from the specific country to micro-simulate future social protection schemes, enabling policymakers to assess the hypothetical impacts of alternative schemes.

The fourth and final step of the A-BND is the creation of a report that contains findings from step one, two and three. The report will serve as a baseline for the country's social protection floor with the intention that the country can compare its social security system to this baseline as time passes.

Box 19: The Assessment Based National Dialogue (ABND) process

- Identify policy gaps and implementation issues;
- Recommendations for further design and implementation of social protection provision to guarantee a social protection floor (SPF) for 'all residents and all children';
- Estimate the projected financial commitment needed in each country to implement proposed policies for closing the SPF gaps. (ILO rapid assessment protocol (RAP) costing tool to estimate the cost and affordability of implementing social protection recommendations in each country);
- Process takes over 1 year and entails bilateral consultations, tripartite workshops and technical seminars to progressively devise a shared vision of the social security situation, the identification of policy gaps and implementation issues and to draw appropriate policy recommendations for the achievement of a comprehensive social protection floor in line with international labour standards.

Source: *Social Protection Assessment Based National Dialogue Good Practice Guide, ILO http://secsoc.ilo.org/abnd/*

ii. The Inter-Agency Social Protection Assessment (ISPA)

A major move in the direction of coordinated donor support for the systematisation of social protection through national strategies and polices direction, under the auspices of the SPIAC-B, has been the development of the Inter-Agency Social Protection Assessment (ISPA). For its part DEVCO is now implementing a programme to support Social Protection Systems in partnership with the OECD and Finland.

The ISPA is a multi-agency initiative under the Social Protection Inter-Agency Board (SPIAC-B) that aims to develop a unified set of assessment tools and outcome metrics to provide systematic and comparable information that will enable a country to assess its social protection system, improve its performance and analyse trends over time. These tools are being developed jointly by a group of development partners with a view to providing an integrated assessment framework that helps to better coordinate technical support in the field of social protection. ISPA tools aim to avoid fragmentation in three dimensions: system, programme/scheme, and service delivery. The tools identify strengths and weaknesses to enable countries to improve their SP systems, and bring them into line with best practices. Specifically, the tools can be used to:

- help identify improvements in performance and delivery of programmes;
- identify where efficiency gains can be realised;
- identify gaps in policy, programme and administrative arrangements missing from a harmonised system;
- ensure synergies across areas of SP and coherence with other policy areas;
- benchmark performance within a country over time.

Each ISPA tool consists of the following elements that guide the user in the application: a 'What Matters' guidance note, a data collection instrument (questionnaire), an assessment methodology, a country report template, and implementation guidelines. All of these tools have been developed by inter-agency working groups through periodic meetings and workshops, as well as through country pilots to verify their content and approach. Currently tools are under development on the following themes:

- Core diagnostic (CODI)
- Public works programmes
- Identification
- Payment systems
- National dialogue and policy

The ISPA is in the process of establishing an executive governing body that aims to facilitate the achievement of its goals by harmonizing technical approaches across different development partners and providing an enabling environment for coordinated work at country level. The ISPA governing body will: (i) provide a framework to plan and coordinate the development and harmonisation of assessment instruments; (ii) assure quality; (iii) authorise the promotion and dissemination of the instruments and information; (iv) offer training on the tools; (v) support the joint application of the tools by development partners; and (vi) support technical reviews of instruments to guarantee their validity.

Once this framework is in place and the first generation of tools have been developed, they will be made available via a website for government's and development partners to use and their use will be actively promoted.

The core diagnostic (CODI) and the national dialogue and policy tools are particularly relevant for looking at the overall social protection system of a country and the process undertaken in order to develop a national system. They are therefore particularly appropriate for use by national governments and development partners seeking to support national governments in taking forward the development of comprehensive national social protection systems

iii. The EU Social Protection Systems Programme (EU-SPSP)

The **EU SP-SYSTEMS Programme** (EU-SPS) is a new EU Action co-financed and managed by the European Commission ([102]), the OECD ([103]) and Finland ([104]). The programme aims to support low and lower-middle income countries (LIC/LMIC) in building sustainable and inclusive social protection (SP) systems. The programme will be implemented in partnership with national and regional social protection authorities, think tanks and expert institutions in 10 partner countries from 2015-2018. The goal is to support the development of nationally-owned social pro-

([102]) European Commission (International Cooperation and Development), DEVCO B3
([103]) OECD Development Centre
([104]) Ministry for Foreign Affairs of Finland (MFAF), and the Finnish National Institute for Health and Welfare (THL)

tection systems in order to provide the basis for universal access to nationally defined SP-floors and progressively higher levels of protection, delivering better levels of protection for all people throughout their lifetimes and reducing vulnerability and inequality.

The EU SP-SYSTEMS Programme will support country driven analyses, tools development and capacity building for national SP policy and implementation planners, service and care providers, and their national and international partners. The programme will work with national expert institutions that will be permanently available to support national policymakers' and practitioners' efforts in this area.

The Programme will be implemented in ten partner countries, mainly LICs/LMICs in Africa and Asia, to be selected according to predefined criteria and in-depth consultations. The selection will be demand-driven and well coordinated with and supportive of the joint plans of the ISPA network.

3.7. Key Considerations for Supporting National Social Protection Systems

Whether or not 'off the peg' tools such as those being developed by ISPA are used to support the process of systematising social protection, in line with the 2012 Communication on Social Protection in EU Development Cooperation, a number of key considerations should guide the activities of development partners, in particular the EU, in supporting the systematisation of social protection through national social protection strategies, policies and plans:

■ Support for national ownership

Systematisation involves the transformation of social protection provision from a patchwork of variously funded and highly unsustainable programmes that partially address the needs of small subsectors of the population for different finite periods into comprehensive systems providing protection against life-cycle risks that not only support the elimination of extreme poverty but also prevent people from falling into poverty and support inclusive growth. This can only take place if it is fully embedded in meaningful national budgeting and planning processes. Such processes will involve the development of a national strategy or policy, usually under the auspices of one particular ministry among many with interests in different areas of provision and will also involve consultation and dialogue with civil society and citizens. Following the drafting of an initial strategy, it will need to be 'bought into' by other key players – typically ministries with overlapping responsibilities – passed into law and budgetised.

These processes can be challenging, especially if the ministry championing the new national strategy is not particularly powerful. It is essential that development partners provide harmonised support for the national processes that are involved, rather than disrupting it by pulling in different directions based on specific interests within individual bilateral programmes.

Technical cooperation can, moreover, focus on key areas in support of nationally owned processes:

■ Support for analysis and assessment, including the analysis of affordability and financial sustainability

National governments face challenges across a number of essential areas which will need to be assessed in the course of developing the strategy or policy that will form the basis for taking forward the systematisation of social protection: legislative framework, strategy and objectives; existing policies and programmes, demographic trends, existing needs, poverty and vulnerability; policymaking processes, including dialogue; policy implementation and capacity; public finance management, including taxation and domestic resource mobilisation options; information and awareness-raising; monitoring and evaluation systems.

■ Support for consolidation and coordination

A proliferation of small programmes paying small benefits will inevitably have serious gaps in coverage and adequacy, while also failing to be either cost-effective or sustainable. At the same time, coordination horizontally across departments and ministries and vertically through central and local government will be vital if a national social protection system is to function properly.

■ Capacity building to support effective implementation

All levels of government will require enhanced technical and administrative capacity to support the effective implementation of social protection systems including the introduction of electronic and other means for identification and registration processes, payment systems, management information systems and monitoring and evaluation.

Monitoring progress

Target 1.3. of the SDGs in particular will require countries to monitor the extent which universal social protection systems corresponding to the social protection floor concept of a basic 'floor' of protection across the life cycle for all and a systematic process of deepening the quality of protection over time, are put into place, and the effectiveness of the system in eliminating poverty. Development partners can play a useful role in supporting the capacity of partner countries to undertake this monitoring. At the same time, the indicators used for the SDGs should provide a basis for monitoring progress associated with donor support, in particular in relation to budget support.

3.8. Conclusion

The systematisation of social protection begins with a strategic policy choice that guides the design and implementation of core instruments. For example, the decision to adopt a more universal rights-based framework, such as the life cycle model, is often rooted in a recognition that social protection is not a set of discretionary government delivery options but one of the central components of a national strategy that effectively tackles poverty and vulnerability while promoting household resilience and pro-poor and inclusive economic growth and development. The OECD's 2013 Development Co-operation Report ([105]) reviews countries that have successfully achieved the Millennium Development Goals and concludes that 'rights-based approaches reach poor households more effectively while minimising administrative, social, political and particularly economic costs, enabling social protection to generate maximum growth and development impacts.'

The appropriate design and effective implementation of social protection programmes in line with the national social protection strategy is only the first step. Policymakers and development partners can promote coherence within the social protection and wider social development sector by coordinating instruments and programmes to ensure they reinforce each other ('intra-sectoral linkages'), which may be most effectively done by employing a life cycle approach.

Furthermore, the national planning process should ensure that cross-ministerial coordination integrates instruments and programmes across sectors ('inter-sectoral linkages'). By enabling social protection programmes to reach beyond their core objectives of tackling poverty, vulnerability and social exclusion and to extend to strengthening other developmental sectors, systematisation will greatly reinforce social protection's pro-poor and inclusive growth impacts.

Throughout the developing world countries are engaged in developing coherent national social protection strategies and policies in support not only of the fight against poverty and vulnerability, but also, in the context of the post-2015 agenda and the Sustainable Development Goals as part of a planning process to ensure inclusive and sustainable growth on the basis of full economic participation of the entire working age population on a basis of productive and decent work and adequate protection for those unable to work, including the very young, the old and those affected by illness or disability.

The Communication on Social Protection in EU Development Cooperation commits the EU to supporting nationally owned social protection systems and floors and this commitment is reinforced in the Development Cooperation Instrument, which specifies 'the setting up and strengthening of sustainable social protection systems, including social insurance schemes for those living in poverty, and with fiscal reform' supported by 'strengthening the capacity of tax systems' to enhance 'equality and wealth distribution.'

This Concept Paper has sought to describe and to explicate both the substance of social protection systematisation - in terms of what this involves - and the reality in practice - in terms of what is actually taking place - within its historical, political and economic context. In so doing it aims to provide a reference tool for EU Development Cooperation in support of national social protection systems and systematisation.

([105]) OECD (2013) Development Co-operation Report 2013, *Ending Poverty*

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