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Poverty and Social Protection:

DFID Approach

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I. Introduction: The Place of Social Protection

The International Development Targets reflect the international development community's commitment to poverty alleviation. The Targets indicate the consensus that poverty needs to be central to all our work, that poverty is multi-dimensional, and that we need to focus on outcomes, in terms of improvements of the welfare of poor people. To achieve the target to halve poverty by 2015, DFID emphasises requirements of economic growth, equity, and security, and the interdependency and complementarity of different kinds of public policies, as well as the interdependent role of market and state, and of justice and economic growth.¹

There is increasing recognition that economic growth on the one hand, and social justice and poverty reduction on the other are not alternatives. Of course, there is much evidence of the importance of economic growth for poverty reduction. Particularly for the poorest countries, to achieve the development targets, there is no alternative but to increase substantially rates of economic growth. To achieve higher rates of growth, better governance is required, economic stability, and an enabling environment for the private sector.

At the same time, there is much evidence, for example from the East Asian miracles, that sustainable economic growth requires the provision of education and health services to the entire population, and in some cases of land reform. Finally, research has shown how important improving income distribution is for achieving the target of halving income poverty by 2015.

DFID supports a rights-based approach to poverty reduction. That is, poverty elimination is not a matter of charity. Decent living standards, access to services and security are part of the fabric of rights of poor people. These rights are enshrined in national laws, and international agreements, covenants, etc., and form the basis on which development organisations formulate their policies. Participation in the formulation of such policies by poor people is an equally important part of a rights-based approach. And the issue of security, in a broad sense, is central among poor people's priorities.

DFID's recent White Paper emphasises that globalisation - which implies increased transnational economic transactions as well as movement of people and ideas - carries enormous potentials as well as risk. Managed well, globalisation has great prospects for poverty reduction.

1. This is similar to the recent World Development Report 2000/1, with its interdependent strategy to enhance opportunity, security and empowerment.

There are also risks, if not well managed, that globalisation might exacerbate global inequality, political tensions, violence and conflict, etc. The financial crisis in Asia indicated the risks associated with a global financial market, and - as the ADB and others have stressed - the need to protect the populations against such risks. In a global environment, the right economic, political and social frameworks are crucial.

This note focuses on social protection. For purpose of the discussion, it is important to emphasise that this is a sub-set of a wider framework of social policies. Other kinds of social policy that are equally important for poverty reduction include those relating to the provision of universal access to basic social services, the attainment of sustainable livelihoods, promoting gender equality, and fostering social integration, among others.

II. What is Social Protection?

Social protection conventionally consists of policies that assist people, households and communities to protect themselves against shocks and risks.² According to Norton et al. social protection “refers to the public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society.”³ Within this latter framework, two partly overlapping issues are central. First, the emphasis on risk and vulnerability. This recognises the dynamic nature of poverty, and - not least as a result of the recent crises in East Asia - focuses our attention on the need to be prepared for crises. This should help us towards a pro-active social policy agenda, one which emphasizes the need to assist individuals, households and communities to manage risk and increase security.

Second, social protection emphasizes the need to provide support to the poorest. The needs, vulnerabilities and capabilities of the poor and the poorest remain central in our approaches, although social protection also helps us to incorporate an understanding of the risks of falling into poverty. For example, there is a need to extend social protection to the majority of the world’s population that is currently excluded from statutory social security.

2. DFID explored the similarities and differences of different agencies’ approaches to social protection in an inter-agency workshop in March 2000. The approaches by ADB, ILO, and World Bank are summarised in the publication Conway et al. 2000.

3. See the summary in Conway et al. 2000. A revised version of this paper is forthcoming as an ODI publication. This also describes the reasons for renewed attention to social protection, including broadening of the understanding of poverty, poverty dynamics and vulnerability, events of economic crises and transition, and debates about globalisation and opening markets.

Poor people are excessively exposed to risk and have little ability to manage this. Their mechanisms of protection are often expensive and may reduce their human capital - child labour as a reaction to households' poverty is an obvious example. Currently DFID's Bangladesh programme is looking at supporting the policies for the poorest 20 per cent of the population that may have profited little from the country's recent economic growth.

III. From Residualism Towards a Mainstreamed Approach

For social policies to be effective, and to have a beneficial impact on wider processes of economic development, they need to be mainstreamed throughout the processes of policy formulation and implementation. Social protection has often been seen as a residual or 'safety net' issue, as dealing only with the negative and unintended outcomes of market processes. Instead, social protection needs to be considered in a proactive way, considering the wider beneficial effects of reducing the vulnerability of the poor, and the potential benefits for companies of reducing risks to which their workers are exposed. Recent evidence on globalisation seems to indicate that governments need to become more proactive in the field of social policy, for political as well as economic reasons. Such policies need to be formulated before crises occur, and adjustment is implemented: preparedness for shocks are crucial for financial sustainability of social protection, as well as to avoid, and limit the damage of crises.

An element of such a mainstreaming approach is the integration of social protection policy formulation into government budget processes, and associated political processes. In particular, donors need to make sure that they do not fund projects that are not part of governments' overall planning and budgeting. Support needs to be sustainable in the context of medium term fiscal frameworks.

Social protection policies should help people build up assets that enhances their resilience against future shocks. For this to be effective, policy formulation should start from an understanding of poor people's capabilities and assets, of the risks to which particular groups are exposed as well as their productive contributions. For example, an ageing population may demand increasing funding for old-age provisions, but older persons also provide essential contributions for example in childcare. Transfers between households who run out of food, communal labour for households with sick members, management of common property resources for the dry season, and sharing of

knowledge between farmers about how to protect against bad harvests are all common strategies in semi-arid rural environments. Community organisations exist all around the world that help people cover risks through savings, burial societies, cereal and rice banks. These mechanisms of support are crucial for poor people, and social protection policies should build on them as much as possible.

Specific sets of measures of safety nets have to play an important role in reducing the vulnerability of the poor particularly during short-term crises. But it is equally important to use a social policy lens in discussions about a wide range of policies. For example, planning of the school year may help poor households to match seasonal demand for labour with education of children, and timing of payment of fees can help reduce risk of indebtedness. Labour market policies can help reduce the effect of unemployment on poor workers, and enable them to build up assets that helps them create alternative livelihoods. Finally, as shocks may lead to the marginalisation of individuals or groups, and spirals of deprivation, protecting against such shocks also contributes to social integration.

IV. Targeting or Universalism?

For publicly-funded policies to be affordable and sustainable, it is often important that provisions are targeted to specific groups. Reforms of existing policies may be required to increase the benefits of schemes to poor people. But choices between targeted or universal provisions depend of a whole range of issues, and are context dependent. The same applies to choices between social insurance and social assistance, which cross-cuts the targeting-universalist dimension.

There are good examples of specific schemes that provide solutions for particular forms of crises. Employment guarantee schemes, like the well-known example in Maharashtra in India, do not directly create assets for poor people, but they can provide an essential contribution to reduce the vulnerability during the seasons when agriculture provides insufficient employment. Within such schemes specific measures may help to facilitate the participation of particular groups: child care facilities for example is essential for many women to participate. Micro-finance can help people who have the opportunity to save, to protect themselves against future shocks as well as improve their current situation. Similarly, crop insurance may contribute to help people with some assets protect themselves against future risks. The poorest may not be the main beneficiaries of micro-finance or

insurance schemes, but these may have a crucial role in supporting others build up their assets which in future may stop them from falling into poverty.

But targeting to poor people is not always desirable, or possible. The administrative costs may be too high, and the required information may not be available. Public opposition may make efforts to target food subsidies, for example, difficult to achieve. Policy choices should be based on an understanding of the importance of public policy for communities, and avoid creating social divisions.

It is clear that certain social policies, like basic education and health, need to be based on universalist principles. A rights-based approach pushes us towards supporting universalism as much as possible. As emphasised by the ILO, statutory social security is limited to a very small - and perhaps declining - proportion of the working population in the South, mostly male. Extension of this should be a priority where possible. And even in poor countries some universal schemes may be feasible, like the pension schemes in the Indian states Kerala and Tamil Nadu seem to suggest.

It is important that we learn the lesson from existing successful schemes. For social protection policies, choices between universal and targeted schemes need to be context-specific, and depend on a range of political, fiscal and administrative consideration. But the final aim should be access to provisions and security for the entire population, as a matter of right.

V. Actors in Social Protection

Many different kinds of actors operate in the field of social protection. In most countries around the world, social security provisions form only a very small part of government budgets. And informal forms of social protection, personal networks, religious organisations and on, are often much more important, particularly for poor people.

While public financing constraints are crucial, it is also important to be realistic about what can be achieved through the market. Governments have a central role, particularly in creating the enabling environment for inclusive policies that enable equitable economic growth. Provision of basic health care and education also is likely to be best provided by governments. But communities and civil society also play crucial roles in social protection. Micro-finance is a clear example of the role NGOs can play, and rotating credit funds show the potentials of community-based actions. SEWA in India shows the role trade unions can play, in the informal sector, in providing social

insurance. Company-based health protection schemes are another example of how various agents can play a part in social protection.

A challenge for donors is to support the variety of such support networks, and to help build effective partnerships. Donors work with governments, in implementing regulatory frameworks including core labour standards, as well as implementing particular policies that directly help reduce poverty and vulnerability. At the same time, we can support civil society that greatly contribute to social protection, as well as the private sector in promoting voluntary schemes.

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