UNIVERSITY OF NAIROBI

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THE CONTRIBUTIONS OF SOCIAL PROTECTION FLOOR ON NATIONAL ECONOMIC DEVELOPMENT IN KENYA AND OTHER DEVELOPING COUNTRIES

BY LORRAINE AWUOR OWELE

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DECLARATION

I declare that this is my original work and has not been presented in any other University or College for Examination or Academic purposes.

Signature: ___________________________ _______________

Student: **LORRAINE AWUOR OWELE**

REG NO: R50/70627/2007 Date

This project has been submitted for examination with my approval as the university supervisor.

Signature: ___________________________ _______________

SUPERVISOR: PROF. GERISON IKIARA. Date

DEDICATION

This work is dedicated to my family members, friends and work mates. Were it not for their continued support, understanding and constant encouragement, this study would not have been successful.

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It has been an exciting and instructive study period in the University of Nairobi and the researcher feels privileged to have had the opportunity to carry out this study as a demonstration of knowledge gained during the study period. With these acknowledgments, it would be impossible not to remember those who in one-way or another, directly or indirectly, have played a role in the realization of this research project. The researcher would like thank them all equally. First, the researcher is indebted to the all-powerful GOD for all the blessings throughout the study. The researcher is deeply obliged to the supervisors for their exemplary guidance and support without whose help, this project would not have been a success. Finally, yet importantly, the researcher takes this opportunity to express deep gratitude to the loving family, and friends who are a constant source of motivation and for their never-ending support and encouragement during this project.

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ABSTRACT

Social protection can play a key role in reducing poverty and inequality. Growing recognition of this potential impact has led social protection to rise up the agenda of policymakers in the international development community. In recent years, increased social protection coverage in developing countries has been achieved by the expansion of a combination of programmes. The further expansion of social insurance remains a challenge as a result of low participation in the formal economy and the types of risks encountered by the poor.

Initiatives to address these obstacles include the promotion of formal employment, reduction of inequalities in education and extension of coverage through community-based schemes with the support of government. While some degree of private for-profit and non-for profit involvement in social protection provision may contribute to extending coverage, government efforts are central to ensuring that the barriers faced in reaching the poorest are overcome and that access to and quality of services are guaranteed. This stud sought to establish the contributions of social protection floor on national economic development in Kenya.

The study findings establish that social protection lies at the heart of the Kenya social model. The Kenyan experience awards a unique role to national development cooperation in supporting social protection in the country. Finally, the study recommends that, in coordination with other donors, the government should support the efforts of actors in promoting inclusive social protection.

CHAPTER ONE: INTRODUCTION

1.1 Background

Social protection plays an important role in providing income support and services, redistribution and promoting inclusive growth in countries across the world. For example, recent significant reductions in income inequality in Latin America, the world's most unequal region, have been attributed in part to the expansion of public cash social protection (Gasparini and Lustig, 2011). Such trends have increased interest for the development of social protection in other middle- and low-income countries. Among multilateral and bilateral actors in the international development community, social protection has risen up the agenda. Initiatives to promote and coordinate efforts around social protection development have flourished in recent years. International efforts include the International Labour Office (ILO) Social Protection Floor initiative aimed at ensuring minimum social protection floors are adopted by countries world-wide. Regional initiatives include the African Union's Social Policy Framework for Africa, aimed at complementing and strengthening the coordination between national and regional social policy initiative

Contextually, the work of the International Labour Organization (ILO), social protection is associated with a range of public institutions, norms and programmes aimed at protecting workers and their households from contingencies threatening basic living standards. Broadly, these can be grouped under three main headings: social insurance, social assistance and labour market regulation[1]. Social insurance consists of programmes providing protection against life-course contingencies such as maternity and old age, or work-related contingencies such as

[1] Barrientos, A. (2010), Poverty Reduction and Policy Regimes. Social Policy and Development — Paper No.4

unemployment or sickness[2] while social assistance provides support for those in poverty. Normally, social insurance is financed from contributions by workers and their employers, whereas social assistance is tax-financed. Finally, labour and employment standards ensure basic standards at work, and extend rights to organization and voice. These institutions have been fully established in developed countries, but in developing countries their development has been uneven[3].

In the developing countries, social protection has a strong focus on poverty reduction and on providing support to the poorest[4], whereas in developed countries the emphasis of social protection is on income maintenance and on protecting living standards for all but especially workers. The main emphasis of social protection in developing countries is on addressing the causes of poverty and not simply its symptoms[5]. The focus of social protection is not restricted to compensating those in poverty for their income shortfall, but aspires to have a broader developmental role[6]. The emerging social protection paradigm in developing countries is also distinguished by a focus on risk and vulnerability.

This is based on the understanding that a primary cause of persistent poverty is to be found in the constraints faced by the poor in taking advantage of economic opportunity, which can be explained, to a great extent, by their vulnerability to the impact of economic, social and natural

[2] Ibid
[3] Ibid
[4] Barrientos, A. and D. Hulme (2005). Chronic poverty and social protection: Introduction.” European Journal of Development Research, Vol. 17, No. 1, March, pp. 1–7.
[5] World Bank, (2001a). Social Protection Sector Strategy: From Safety Net to Springboard. Sector Strategy Paper. The World Bank, Washington, DC.
[6] Barrientos, A. (2010), Poverty Reduction and Policy Regimes. Social Policy and Development — Paper No.4

hazards[7]. In the absence of social protection, hazards impact directly and negatively on living standards of the citizens of a nation. In addition, they motivate risk-averse behaviour among those in poverty, which is detrimental to their long-term welfare, for example, responding to financial crises by taking children out of school or economizing on primary health care. A concern with protecting households against the direct effects of hazards is common to social protection in developed and developing countries, but a concern with minimizing rational but detrimental responses to vulnerability by those in poverty is central to the extension of social protection in developing countries.

Since the dawn of the twenty-first century, strong efforts have been made round the world to accelerate the pace of economic growth and development. Concerns such as poverty eradication, empowerment of women, and improvement in education, health and environmental protection for people living in the developing countries have received increased attention in world[8]. The increasing attention paid to growth, development and social capital in the global arena is silently, but steadily overthrowing the economic and social conflicts that are prevalent in most developing countries like Kenya.

There is a general belief that the economic development of any country depends on the quantity and quality of its resources, the state of technology and the efficient utilization of resources in both the production and consumption processes. Resources-rich developing countries have the responsibility and the challenge to ensure that the benefits accruable from these resources filter

[7] Ibid

[8] Chiekweiro, U. D. (2008) Economic development in Nigeria through the agricultural, manufacturing and mining sectors: an econometric approach. PhD. Thesis University of Pretoria

down to the poor[9]. However, it is evident that Africa is presently riddled with poverty, disease, ignorance, food insecurity and famine, with a large external debt and continued mismanagement of human, material and physical resources[10].

1.1.1 The Social Protection Floor

Social protection is defined by DFID as 'a sub-set of public actions that help address risk, vulnerability and chronic poverty'[11]. It has become central to many policy discussions as both a conceptual approach and concrete set of policies. As a conceptual approach, social protection offers a way of thinking the requirements of groups and individuals to live a fulfilling life, the role of the state in facilitating this, and the vulnerabilities of particular groups or individuals[12].

As a set of policies, social protection consists of interventions which address vulnerabilities and factors which hinder a group or individual's capacity to enjoy a fulfilling life. The social protection floor approach has been developed by the ILO, drawing on the recent experiences of extending protection, mostly in developing countries[13]. It was endorsed by the United Nations Chief Executives Board and by the Heads of State and Government in the 2010 Millennium Development Summit as an integrated set of social policies designed to guarantee income security and access to essential social services for all, paying particular attention to vulnerable groups and protecting and empowering people across the life cycle[14].

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[9] Barrientos, A. (2007) Financing Social Protection, BWPI working paper 5
[10] Ibid
[11] Devereux S. and R. Cipryk (2009) Social Protection in Sub-Saharan Africa: A Regional Overview, IDS/Centre for Social Protection
[12] Ibid
[13] Devereux S. and R. Cipryk (2009) Social Protection in Sub-Saharan Africa: A Regional Overview, IDS/Centre for Social Protection
[14] ILO/WHO (2009) The Social Protection Floor, downloaded at: http://www.un.org/ga/second/64/socialprotection.pdf on 20th October, 2012

It includes guarantees of: Basic income security, in the form of various social social protection (in cash or in kind), such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor; Universal access to essential affordable social services in the areas of health, water and sanitation, education, food security, housing, and others defined according to national priorities[15].

The notion of the social protection floor is anchored in the fundamental principle of social justice, and in the specific universal right of everyone to social security and to a standard of living adequate for the health and well-being of themselves and their families[16]. Provisions made within the framework of the floor relate to a range of rights listed in the Universal Declaration of Human Rights. Typically, social protection programs focus on health, incapacity, old-age, survivors, family, unemployment, active labour market policies (ALMP), housing and other areas of social policy through which lifecycle risks are covered, and poverty and inequality are combated.

The core idea is that no one should live below a certain income level and everyone should at least have access to basic social services. The social protection floor relates strongly to the Decent Work Agenda; to succeed in combating poverty, deprivation and inequality, it cannot operate in isolation[17]. In order to realize poverty reduction effectively, its strategies must be accompanied by others, such as strengthening labour and social institutions and promoting pro-

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[15] Devereux S. and R. Cipryk (2009) Social Protection in Sub-Saharan Africa: A Regional Overview, IDS/Centre for Social Protection

[16] Ibid

[17] Devereux S. and R. Cipryk (2009) Social Protection in Sub-Saharan Africa: A Regional Overview, IDS/Centre for Social Protection

employment macroeconomic environments. A number of countries have already incorporated the main elements and practical aspects of the floor into their social protection systems. In middle- and low-income countries, there are strong indications that access to social security programmes is closely linked to a reduction in poverty and inequality, along with other social transformations. Studies have shown that modest cash social protection programmes for older people and children have the potential to close the poverty gap significantly[18].

The effectiveness of social protection floor-type measures in reducing poverty, containing inequality and sustaining equitable economic growth is already well acknowledged in developed countries[19]. In OECD countries, it is estimated that levels of poverty and inequality are approximately half of those that might be expected in the absence of such social protection provision. This significant poverty reduction in such countries reflects the combination of both social protection floor measures and more comprehensive forms of social security. This signals the need for each country, having put in place measures representing a solid floor, to then take the next step of developing the vertical dimension of social protection.

1.1.2 National Economic Development

Economic development encompasses progress in providing livelihood on a sustainable basis, access to education and basic healthcare for the majority of the population[20]. The meaning of the term "development" becomes clearer with the understanding of the term "economic growth". By economic growth, economists generally mean the increase over time in a country's real output

[18] ILO/WHO (2009) The Social Protection Floor, downloaded at: http://www.un.org/ga/second/64/socialprotection.pdf on 20th October, 2012
[19] Ibid
[20] Belshaw, D. & Livingstone, I. (eds) (2002). *Renewing Development in Sub-Saharan Africa: Policy, Performance and Prospects.* London: Routledge.

per capita. Though other measures can be used, output is most conveniently measured by the gross national product (GNP) which implies that economic growth is measured by the increase in a country's per capita GNP[21].

Economic growth is thus sustained expansion of production possibilities measured as an increase in the real GDP over a given period. Rapid economic growth maintained over a number of years can transform a poor nation into a rich one. Malizia and Feser[22], growth and development are complementary, because one makes the other possible. Growth is an increase in output while development is a structural change, for example technological or legal[23]. Growth expands the economy, while development must lead to more equal distribution of income and wealth. Overall, growth and development lead to a greater range of economic choices.

According to the United Nations Development Programme[24], development should focus on human development. The UNDP argument stresses that economic growth must be managed and wealth distributed for the benefit of the majority of the country's people. Central to this process of human development is the enlargement of people's choices, most crucially in the areas of being able to live long and enjoy healthy lives to have access to education and to the varied resources needed for a decent standard of living.

1.2 Problem Statement

Depending on their financing, design, and implementation, social expenditures affect economic performance with the underlying hypothesis being that social protection can enhance economic

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[21] Ibid
[22] Malizia, E. E. & Feser, E. J. (2000). *Understanding Economic Development*. London: Rutgers.
[23] Ibid
[24] UNDP, (1992). United Nation Development Programmes (*UNDP) Publication*. Washington DC: UNDP.

activities that lead to greater economic output and growth meaning that it is an investment rather than expenditure[25]. The SPF must be evaluated in a development context: Without a social protection floor, many people will not reach a level of skills and productivity to enter the formal economy but will remain trapped in informality and low productivity. Investing in a basic level of social protection that triggers a virtuous cycle of improved productivity and employability will ensure the sustainability of statutory schemes by enabling more and more people to move into contributory systems.

Social protection programmes can be a powerful tool in the battle against poverty and inequality as they can tackle multiple dimensions of poverty and exclusion. Social protection should ensure that all people have access to essential goods and services, removing social and economic barriers to access, and therefore is an important means to foster equality and social solidarity in a society. Social protection can play a fundamental role in creating more inclusive and sustainable development pathways by liberating people from the fear of poverty and privations and by helping to break the inter-generational cycle of poverty. Social protection is an essential investment that contributes to economic growth and makes growth more pro-poor while directly reducing poverty. It not only tackles income poverty but also provides an effective, tangible and direct conduit to maximize human development objectives, including better nutrition, health and education outcomes.

Only if people have access to educational opportunity, quality and affordable health care, adequate and nutritious food, secure shelter and basic income security, they was able to become or remain productive members of the workforce, or remain dignified members of a society that

[25] Damerau, Thomas (2011) Social Protection: A necessary condition for Economic Growth? A Guidance for Governance Decisions under Theoretical Uncertainty the Graduate School of Governance – Maastricht University

are not dependent on accidental charitable support even if no longer active in the labour market, and only then will societies be able to sustainably reduce poverty, inequality and to ensure social peace and inclusive development. All these are important ingredients of national economic development. In Kenya, the social protection schemes available to a majority of the public included National Hospital Insurance Fund (NHIF) and the National Social Security Fund (NSSF). These are important social protection floors operating in Kenya for the benefit of all including the poor. This study will seek to establish the contributions of social protection floor on national economic development in Kenya.

1.3 General Objective

The overall objective of this study is to establish the contributions of social protection floor on national economic development in Kenya.

1.3.1 Specific Objectives

i. To establish the understanding of the current social protection floor interventions, interests and objectives of the state actors and sub-state actor in Kenya.

ii. To investigate into framework adhered to and pillar of the social protection in Kenya.

iii. Examine the various policies as well as practical initiatives that guide in Kenya intervention activities in Kenya.

1.4 Justification

The academic justification for carrying out the study is based on the apparent gap in the literature on social protection programmes have played an indispensable role in filling gaps in a situation the poor are being left behind in the process of economic expansion. Social protection programmes are specifically designed to provide welfare support to households to empower them to take care of their own essential needs and reduce their levels of poverty, starvation, hunger and enhance their children's access to basic social services such as schools and health centres. Grassroots norms and values in Kenya ensure that the village community needs to place part of its limited resources at the disposal for the most vulnerable. In economic terms, net income social protection from poor to ultra-poor households are not efficient and effective and do not contribute to growth and poverty reduction in Kenya. The drain on limited resources thus generated holds back the village as a whole to develop resilience, build up community infrastructure and invest in productive assets. Through MDGs and social protection floors, the country was able to improve the living standards of its population hence impact the country's economic development.

The Government of Kenya has been developing a Social Protection Policy with focus on the poorest and most vulnerable people within society. Limited studies have been conducted on this area in Kenya despite its importance. Due to the importance of social protection flows on the level of economic growth in a country, this study sought to establish Kenya specific information on the effects of MDGs on the national economic development.

1.5 Hypothesis

The hypotheses of this study are:

i. The actors in the social protectionism process are serving the interest of nation citizen through which national developments are scored.

ii. There is a gap of proper framework and pillar of the social protection system adhere to in Kenya.

iii. The norms regarding social protection interventions in the region are an issues of concerns which need to be addressed through concrete policies as well as practical initiatives.

1.6 Theoretical Framework: Social action theory

Originally developed by Max Weber, social action theory proposes an opposite viewpoint to the systems approach. It seeks to analyse why the actors in the system take certain lines of action as well to understand the actors' own definitions of the situation they are in. Social action, it is argued, arises out of the expectations, norms, values, experiences and goals of the individuals working within the organization. It is a bottom-up, rather than top-down method of the systems analyst.

An example of this approach to industrial relations is taken by Morley, Webb and Stephenson (1988) from a social psychological perspective. They focus in particular on explaining the role of bargaining and arbitration in the resolution of conflict. They argue that negotiation is a fundamentally social activity and advocate exploring the ways in which negotiators work out what is going on, and why. They also advocate that negotiation is more than a process of bid and counter-bid, it is a social process in which collective images are created and changed.

The economic literature linking both economic growth and social protection is relatively extensive. Social protection runs in and is a simultaneous system that coexists with other economic processes in an economy. In the classical approach of Smith, Ricardo and Marx, the growth rate is determined by the savings rate and, consequently, a higher social protection that redistributes income (in detriment of savings) would deter economic growth. Under his assumptions, social protection does not directly affect long-term rates of growth because, according to this type of models, economic growth rates are determined by demographics and technological change because the output level per worker in steady state is determined by the rate of investment, the growth rate of the labour force and the productivity of these inputs[26]. Moreover, the savings rate is independent of the income distribution and the propensity to save is constant and homogeneous for all agents[27]. Only a rather indirect influence of social protection is therefore plausible through both demographic and technological mechanisms since it enhances human development. However, the taxes levied to finance social protection affect the growth rate during the transition towards the steady state[28].

In contrast, later models, grouped in the endogenous growth theory, conclude based on three main arguments that inequality discourages economic growth. First, the taxation needed for corrective redistribution negatively affects the private human and physical capital accumulation[29]. Second, the political instability brought along by inequality is at odds with investment and, third, the insufficient investment of poorer households is expected to lead to a lower output level. The neoclassical and endogenous models have been chosen to guide the development of this study because social protection requires some level of financing which may disrupt the demand and supply forces in an economy. The financing in most cases comes from the taxes collected by the government hence may have an indirect effects on the consumption levels in an economy.

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[26] Jones, C. I. (1998). *Introduction to economic growth*. New York: W.W. Norton & Company.
[27] Ibid
[28] Mares, I. (2007). The economic consequences of the welfare state. *International Social Security Review, 60*(2 3), 65-81.
[29] Mares, I. (2007). The economic consequences of the welfare state. *International Social Security Review, 60*(2 3), 65-81.

1.7 Literature Review

1.7.1 Forms of Social Protection Floor

Article 22 of the Universal Declaration of Human Rights lays down that: Everyone, as a member of society, has the right to social security and is entitled to the realization, through national effort and international cooperation 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. And Article 25 adds that 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. Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, need to enjoy the same social protection.

South Africa provides the following cash social protection: Old age grant (citizens from 60 years of age - recent age equalization); War veterans grant (those who took part in World War II or Korean War); Disability grant (subject to a medical assessment report confirming disability linked to inability to enter the labour market); Care dependency grant (payable to parents or caregivers of disabled children between the ages of 1 to 18 – subject to medical assessment report confirming disability); Foster care grant (payable to a person accorded foster parent status by a court of law- providing care and support to a child other than their own); Child support grant (payable in respect of children from poor families payable to caregiver. The child to be under 16 in 2010 – progressive extension to children under 18 in 2012); Social relief of distress (payable to any person, other than a beneficiary of all the above grant types, facing undue hardship – emergency / temporary benefit)[30].

1.7.2 Effects of social protection floor on the provision of health

Health risks are among the major life risks tackled by social protection. In developing countries, sickness is one of the most frequent causes of poverty. In turn, poverty is one of the greatest health risks that affect the economic development of a nation. The importance of good health and social health protection has been highlighted by several international resolutions and campaigns, such as the Resolution and Conclusions concerning Social Security, International Labour Conference (ILC) 2001 and the Resolution on Sustainable Health Financing, Universal Coverage and Social Health Insurance, World Health Assembly (WHA) 2005. The Global Campaign on Social Security and Coverage for All founded in 2007 stresses the need to ensure access to essential services for the most vulnerable groups.

Based on the core values of universal access, solidarity, equity and social justice, social health protection comprises all the instruments that aim at removing financial barriers preventing access to health services and protecting people from the impoverishing effects of medical expenditures. Whereas the empirical evidence of the beneficial effects of social health protection on economic growth is strong, it is also true that the economic costs of inaction are very high. Not investing in social health protection leads to tremendous follow-up costs ranging from deteriorating health conditions and increasing poverty levels to societal instability due to social raptures. Social health protection is consequently an important tool for overcoming the vicious circle of poverty and ill health. In particular, it facilitates pro-poor growth and poverty reduction through the

[30] Modonsela, V. (2010) A Presentation on South Africa's Basic Social Protection Floor. to the Special Event on South-South Cooperation United Nations HQ, NYC

following channels: by helping to improve the health status of people the social protection floor improves the economic development of a nation. High illness-related costs prevent people from seeking health services when in need: in time and at any time. Social health protection removes this barrier and thus enables the provision of a range of timely interventions which help to improve the health status of people, including prevention, treatment, and rehabilitation. Secondly, social health protection prevents impoverishing health care expenditures. For example, in countries where patients are required to pay substantial user charges or co-payments, the financial burden associated with medical care can spell economic ruin for whole families, especially if hospital treatment is needed. The WHO estimates that every year more than 150 million individuals in 44 million households face catastrophic health expenditure as a direct result of health problems and about 25 million households or more than 100 million people impoverish due to medical expenses[31].

Thirdly, social health protection substitutes inefficient risk coping mechanisms. Faced with illness-related costs, people in developing countries often sell productive assets, cut down expenditures on other basic necessities such as food and clothing, and take their children out of school. These types of risk coping mechanism strongly contribute to the persistence of poverty. Their substitution by effective social health protection systems has a positive impact on cross-sectorial poverty issues such as nutrition and education. Social health protection increases people's productivity through improving the health status of people and by substituting inefficient risk coping mechanisms, social health protection augments people‘s productivity,

[31] The Social Protection Floor: http://www.ilo.org/public/english/protection/spfag/index.htm.

which in turn promotes employment and economic growth and further facilitates increases in income levels[32].

Social health protection fosters investments through reducing existential fears, social (health) protection encourages individuals to take risks which they otherwise would not be willing to take, such as investing in education, new business opportunities, or the creation of workplaces. Social health protection also promotes social stability and social cohesion: Social health protection is firmly grounded on values such as solidarity and equity. It thereby strengthens the bonds of cooperation and reciprocity, thus enhancing social stability and social cohesion within a society. In addition, social health protection contributes to empowerment. A better health status enhances the employability of poor people and increases their earning capacities. Social and micro health insurance schemes further provide participatory decision-making structures which strengthen the voice of poor people and may improve the responsiveness and quality of health services.

1.7.3 Effects of social protection floor on provision of education

The concept of the SPF must be seen in a much wider and more ambitious development context. The adoption of the SPF concept reflects the emergence of a new socio-economic development paradigm, which the ILO normally describes as a virtuous cycle of development called "Growing with Equity"[33]. It is built on the logic that without basic social security systems, no country can unlock its full productive potential hence un optimized economic growth. Only a basic social protection system can ensure that people are well nourished, healthy and enjoy at least basic

[32] The Social Protection Floor: http://www.ilo.org/public/english/protection/spfag/index.htm.

[33] Morley, S. and D. Coady. (2003). From Social Assistance to Social Development: Targeted Education Subsidies in Developing Countries. Center for Global Development and International Food Policy Research Institute, Washington, DC.

education and are thus able to realize their productive potential. Investments in basic social protection are necessary conditions for workers to be sufficiently healthy, well nourished and educated to be employable in the formal economy.

In order to achieve the goal of education for all, the SPF strongly emphasizes both creating effective demand for education services for example, through social protection that cover direct and indirect costs of school attendance and ensuring an adequate supply in terms of geographical access and a minimum quality of the educational services delivered. In a well-functioning SPF, all children enjoy income security through social protection in cash or kind, at least at the level of the nationally defined poverty line, ensuring access to nutrition, education, and care.

Only if people have access to educational opportunity, quality and affordable health care, adequate and nutritious food, secure shelter and basic income security, they was able to become or remain productive members of the workforce, or remain dignified members of a society that are not dependent on accidental charitable support even if no longer active in the labour market, and only then will societies be able to sustainably reduce poverty, inequality and to ensure social peace and inclusive development.

1.8 Methodology

This section presents the methodology which was adopted by the study so as to ensure that the objectives are achieved. It outlines how the study was carried out. The chapter presents the research design, the population, sampling design and the sample size, data collection method and instruments and data analysis.

The study will adopt a descriptive survey as it deemed the best strategy to fulfill the objectives of this study. Descriptive studies describe characteristics associated with the subject population. Descriptive research is appropriate in investigating relationships among variables. The variables of this study was social protection floor related to the social protection floors and economic growth. Surveys allow the collection of large amount of data from a sizable population in a highly economical way.

The population for this study included the two social protection floors in Kenya (NHIF and NSSF), Ministry of Planning and Economic Development and the general public. These will form the population of the study. Dealing with all members even for a smaller accessible population is difficult due to the tremendous amount of time and resources needed. Therefore, the study will adopt sampling technique to select members of the population to participate in the study. A sample is a smaller population obtained from the accessible population. Simple stratified random sampling was used based on the sampling frame below to come up with a sample of 50 respondents.

The study will use both primary and secondary sources. The primary data was obtained through administering a questionnaire to management and employees in the two names social protection floors in Kenya and member of the general public. The questionnaire will contain relevant issues concerning the contributions of social protection floor on national economic development in Kenya. Secondary data was obtained from analysis and review of books, journals, papers and other available literature on the issue of the SPF on national economic development. The data was analyzed using content analysis. Content analysis is a technique for making inferences by objectively and systematically identifying specified characteristics of responses and objectively identifying and using the same approach to relate trends. The results was presented under identified themes.

1.9 Chapter Outline

Chapter One – This chapter details the background content to the topic of research, problem statement, objectives of the study, study justification the Literature Review, theoretical orientation, study methodology employed and finally the chapter outline.

Chapter Two – **Trends and Historical Developments**

Historical overview and development of social protection floor on national economic development across the glob

Chapter Three **– Comparative analysis in relation to Kenyan experience**

Comparative analysis of the concept of social protection floor on national economic development in the global and regional context and the global factors affecting this endeavor**.**

Chapter Four: **Critical analysis of Emerging Issues**

The chapter provides the critical analysis link between social protection floor and best results exhibited within the national economic development and how this contributes to the greater development of the entire mankind through increased confidence and stability in the Nation.

Chapter Five**: Summary, Conclusion and Recommendations**

The chapter provides a brief summary on the subject, a conclusion of the discussion and recommendations from the study on the concept of social protection floor on national economic development.

CHAPTER TWO

HISTORICAL OVERVIEW AND DEVELOPMENT OF SOCIAL PROTECTION FLOOR ON NATIONAL ECONOMIC DEVELOPMENT

2.1 Introduction

The previous chapter dealt with the background of the study including reasons for conducting the study and objectives that the research seeks to meet. Moreover, it contains problem statement, objectives of the study, study justification the Literature Review, theoretical orientation, study methodology employed. Moreover, this chapter covers the historical development of humanitarian interventions in different part of the world at different time. Furthermore the chapter has internalized the application of the study theory in the study context.

At the turn of the millennium, social protection became a new priority for both states of the global South and international development policy more generally. As, in the past, social protection policies were considered unsuitable for development countries, the elevation of social protection to the level of a preferred instrument of development marks a fundamental paradigm shift. This shift began in the late 1990s, driven by disenchantment with the results of economic adjustment programmes, the 1997 Asian economic crisis, and a heightened awareness of the negative effects of global poverty. Social protection thus became a preferred instrument of the Millennium Development Goals, while the World Bank promoted social protection as a key component of international poverty reduction strategies (social risk management). The Department for International Development (DfID) in the United Kingdom, along with other organisations, promoted a development model centred on the rights of the poor. Successful social protection programmes developed in the Global South – such as Brazilian and South African social pension schemes and conditional cash transfers (CCT) established in Mexico and Brazil – were adopted as model programmes at the global level.

2.2 Overview Latin American, Caribbean and Eastern European countries

The comparison of spending on social protection policies across countries highlights the higher share of spending on social protection in high-income countries compared with low-income countries. Weigand and Grosh (2008) show that spending on social protection ranges from 16% of GDP in member countries of the Organisation for Economic Coop eration and Development (OECD) (excluding Latin American, Caribbean and Eastern European countries) to 2% of GDP in South Asia and 5% in the Middle East and North Africa. In addition to levels of financing, the sources of funding and “financing mix” matter.

Until the early 1990s, therefore social protection was marginal to mainstream understandings of development, primarily due to the association of the concept with either the social security of wealthy nations or contributory social insurance programmes for workers in the modern sector. For its part, the International Labour Organization (ILO) – the key international organisation operating in this field continued its efforts to extend social coverage to workers, but did not incorporate populations in the informal sector. The idea of extending non-contribution based social security to non-salaried populations was considered both prohibitively expensive and likely to reinforce a “culture of poverty.” This critique was taken even further during the economic liberalisation of the 1980s. The World Bank rejected social protection programmes for workers as economically harmful and socially unjust. Only very minimal safety nets, reserved for the poorest of socially vulnerable populations, were considered acceptable.

In the late 1990s, however, driven by the disenchantment with the performance of economic adjustment programmes, the 1997 Asian economic crisis and a heightened awareness of the negative impact of global poverty, the dominant paradigm changed. Social protection thus became a preferred instrument of the Millennium Development Goals, while the World Bank promoted social protection as a key component of international poverty reduction strategies (social risk management) (World Bank, 2001). The ILO took the initiative of mounting a global campaign to extend social security to developing nations, the Social Protection Floor Initiative (ILO and WHO, 2009). The United Nations Development Programme (UNDP) underscored the vital role of social protection in development policy. In the United Kingdom, the Department for International Development (DfID) placed social protection at the centre of its policies. Several major international conferences (such as Livingstone in 2003, Arusha in 2007 and Dakar in 2008) centred on the theme of social protection and development were initiated by or in cooperation with the World Bank, the DfID and the United Nations (UN). Successful social protection programmes developed in the Global South – such as Brazilian and South African social pension schemes and conditional cash transfers (CCT) established in Mexico and Brazil – were adopted as model programmes at the global level.

This consensus in favour of social protection represents a fundamental paradigm shift. Social protection in developing countries is no longer perceived as a short-term means of ameliorating economic shocks, but rather as a global policy (Voipio, 2007) combining cash transfer programmes for extremely vulnerable populations, new programmes incorporating a social investment perspective into social transfer policies (Jenson, 2008), and both public and private social insurance programs for formal sector workers. This consensus, however, is not unanimous, and is vulnerable to political manipulation. Despite a degree of political alignment, perspectives on risk management, social needs and social rights continue to clash (Voipio, 2007). For this reason, it is vital to step back from the soft consensus currently dominating thought on social protection. Social protection choices are not a simple technical matter, but require the gradual implementation of social learning in order to enable the creation of increasingly judicious policies (Barrientos and Hulme, 2008). Social protection discourse is still a subject of discussion in some epistemic communities and institutions (Merrien and Mendy, 2010). Overall, the discourse reflects a relatively coherent set of values and stable analytic framework through which social insecurity issues are evaluated and policy responses are devised.

This article aims to analyse the emergence of social protection as a legitimate concern in the field of development policy, discussing the issues actual and symbolic – inherent to the international debate regarding the role and nature of social protection in the fight against poverty. It is from this perspective that the paper examines the various types of programmes promoted by the international community, with an emphasis on conditional cash transfer (CCT) programmes. It concludes with an assessment of the relative appropriateness of social protection policies for developing countries.

In China's for instance first social protection system dates back to 1951, two years after the creation of the People's Republic of China. As in other planned economies, a large number of social benefits gradually came to focus on companies or, as the Chinese refer to them, 'work units' (danwei). At the time, this network of 'public provident companies' and 'people's communes', which provided various benefits supplied in the West by the welfare state, constituted the entirety of the Chinese social system (Merrien et al., 2005).

The economic liberalisation of the 1980s led to a gradual erosion in social protection. Company pensions and health services were gradually eliminated, while in the countryside the privatisation of land dealt a fatal blow to local social protection systems. Various categories of salaried, public and private-sector workers benefited from a range of social insurance systems and relatively extensive social coverage, but the situation of those rural and urban residents excluded from the formal social protection system quickly became critical. It thus soon became apparent to the Chinese government that the transformation of wage labour and rural economies had resulted in the emergence of new social problems with the potential to challenge the regime's power and the state's social cohesion.

The immediate response to these changing social conditions was to charge the people's communes, with rebuilding a social protection system capable of delivering old-age benefits, health care and social assistance. It was the insistence of the central government, which was more sensitive to social pressure than local entities, however, that was behind the development of these new social protection programmes.

The first 'minimum livelihood guarantee programme' (dibao) for urban residents appeared against the backdrop of the social movements of the 1990s. This basic benefit, reserved for those who held a city work permit(hukou), was available to families living below the poverty line, poor persons unable to work and those whose unemployment benefits had run out or had fallen victim to industrial restructuring. The number of recipients increased quickly, from 0.85 million in 1996 to 2.66 million in 1999 and 23.3 million in 2008. Interestingly, this curve closely mirrors that of social discontent (Cho, 2010). Perhaps unsurprisingly, the rural dibao programme follows a similar curve, covering 66 million people in 2008. Finally, it should be noted that two health coverage systems were established in 2003 and 2007: the first for rural and the second for urban residents. In 2009 and 2011, China established minimum old-age benefit systems.

Since the 2008 crisis, the issue of social protection has occupied a central position on the agenda of the government and the Communist Party (Zhu, 2009). Social protection is no longer understood from a purely security-oriented standpoint, and is now taking a Keynesian turn. Like their international counterparts, Chinese experts are realising that social protection also acts as an effective buffer in times of crisis. In 2009, the report 'Building a Social Welfare System Shared by All the People' (Wei, 2010) discussed the increase in wages required to support consumer consumption, and the role that social protection can play in stimulating domestic demand. As a result, the development of universal social protection is now a national objective.

Most programmes are initiated as pilot projects, at the instigation of multilateral or bilateral organisations (Chisinga, 2007). When international funding ceases, the experiment ends, indicating that social protection is not a priority of the governments of poorer states. Significantly, this apparent disinterest may also point to a lack of relevance of certain programmes – including CCTs – for some poor nations. This suggests that learning from foreign experiences, such as those of Latin America, requires knowing how to draw genuine lessons from these experiences, distinguishing between importable and non‑importable elements, and understanding the diversity of countries' economic, social, geographic and cultural circumstances.

2.3 Social protection movement in Sub-Saharan Africa

For the past several years, international organizations, experts and a growing number of donor countries and international development agencies have championed the creation of CCT programmes in sub-Saharan Africa, based on the Latin American model. As poverty remains endemic to the region, the reasons behind this push are readily apparent. CCT programmes, combined with a strong command of the technology required for their implementation, seem to produce positive and quantifiable results.

The social protection movement in Africa is clearly driven by agencies in the North.(Hickey et al., 2009). A plethora of pilot projects have been established in Eastern and Southern Africa and, less often, Western and Central Africa. In 2005, the United Nations Economic Commission for Africa recommended cash transfers as a means of fighting poverty; the following year, the African Union made plans to move forward in this direction.

The programmes implemented in Ethiopia, Kenya, Malawi and Zambia are often cited as examples. Apart from the Ethiopian Productive Safety Net Programme, which is subject to recipients' participation in public projects, however, few programmes can be considered a success. Most occur at the impetus of donors and are limited in scope. They address only limited segments of the population and are heavily dependent on international financing and pressure.

Anna McCord (2009) cites six factors that impede the adoption of cash transfer programmes by African governments: 1) the view that CCTs are too costly to be funded within severely constrained domestic budgets; 2) the perception that these programmes are social expenditures made at the expense of productive investments; 3) the perceived reinforcement of a culture of dependence among recipients; 4) the low level of political capital to be gained from such programmes for elites in power; 5) a lack of alignment with donor preferences; and 6) difficulty in implementing targeting methods.

Accordingly, while the dissemination of conditional programmes in Latin America has attracted special attention in sub-Saharan Africa, their application to the region remains problematic (Schubert and Slater, 2006). Conditionality operates as an effective policy instrument only if the problem truly derives from the demand side of social services. If there are too few schools or health centres, if teachers and health care personnel are scarce, or if school and/or health equipment is insufficient in number and quality, a conditional programme may not only be of limited interest, it may even result in additional problems. In a number of low-income countries, including in those of sub-Saharan Africa, issues related to improving human capital seem more closely related to insufficient supply than the stimulation of demand. Moreover, in countries characterised by weak administrative and financial capacity, the problems and management costs inherent to administering conditional programmes may prove prohibitive. Lastly, overly-conditional and too-finely targeted programmes have been demonstrated to be less effective in fighting poverty than other benefit programmes of broader scope (Hanlon et al., 2010; Ulriksen, 2012).

2.4 From Social Security to Safety Net Programmes

In general, social protection policies were first introduced in developing countries following the Second World War. According to the terms of the ILO Convention, 1952 (No. 102), social protection encompasses social security policies aimed at protecting workers from social risks. The convention identifies nine areas in which must be included in the provision of social security: medical care, sickness, unemployment, old age, employment injury, family, maternity, invalidity and survivors' benefits. It also establishes the minimum level of benefits to be provided.

The dissemination of Bismarckian, Beveridgean and 'liberal' models of social protection to independent Latin American and Asian states and the colonised countries of Africa and Asia essentially aimed to cover employees in the public sector and the so-called "modern" private sector (Bailey, 2004; Gough and Wood, 2004; Merrien et al., 2005). The ILO thus came to play a seminal role in producing and disseminating international social protection ideas, values and standards (Strang and Chang, 1993). During the phase of industrialisation by import substitution, and under the influence of the former colonial powers and the ILO, modernising elites in developing states began to understand the extension of social security as a functional necessity (Collier and Messick, 1975). Government authorities sought to ally themselves with the work force, the spearhead of modernisation. Social protection was primarily associated with the universal and corporate contributory social insurance programmes inherent to modernisation. Such programmes currently cover approximately 40 per cent of the working population in wealthier nations such as Argentina and Brazil, but less than 10 per cent in sub-Saharan Africa. Those working in the rural or informal sectors are not included, and remain under the protective wing of traditional solidarities

2.4.1 Relative appropriateness of social protection policies for developing countries

There is no single pattern of social protection development; historical developments for a country- specific. However, broadly speaking, developments in low- and middle-income countries may be grouped into two broad approaches. One approach prioritizes the protection or assistance of particular vulnerable groups; the second aims to develop a system of policies with the objective of protecting and assisting individuals over the course of the life-cycle. In some cases, the first approach reflects extremely limited available resources or a priority objective of maintaining a residual system of assistance.

It may also arise from circumstances of emergency, tied to a specific contingency, and may lead, from the outset, to initiatives designed to be short-lived. This approach can lead to a piecemeal "system" of programmes, reflecting, in practice a short-term vision. This occurs for instance when programmes initially designed to be of short duration are in practice extended over time, becoming part of a more permanent structure of programmes or policies, many of which were initially designed to be temporary. The second approach considers the variety of risks and vulnerabilities experienced over the course of the life-time. In this case, a combination of social insurance and social assistance mechanisms are used to address the multiple risks and vulnerabilities associated with contingencies such as age, ill-health, disability, loss of employment. Additional programmes may be designed to address specific unexpected contingencies.

Generally, however, there is a system of different policies in place to provide assistance and protection, relying on different financing schemes, such as general taxation and employer and employee contributions. Beyond these broad approaches, specific programmes and policies reflect varying degrees of concern regarding coverage and equity and alternative design and implementation details have different implications in terms of coverage and equity. The following section reviews the main reasons for low coverage and low redistribution outcomes and identifies the main policy alternatives and trade-offs in pursuing higher coverage and equity.

2.4.2 Reasons for low coverage and redistribution

By identify three main reasons for the low coverage and redistribution of social protection policies in developing countries. These concern financial resources, policy design and plementation details, and political economy factors. Financing is a key constraint to social protection development in developing countries. Limited coverage and impact have been attributed to scarce financial resources in many countries. The comparison of spending on social protection policies across countries highlights the higher share of spending on social protection in high-income countries compared with low-income countries. Weigand and Grosh (2008) show that spending on social protection ranges from 16% of GDP in member countries of the Organisation for Economic Coop eration and Development (OECD) (excluding Latin American, Caribbean and Eastern European countries) to 2% of GDP in South Asia and 5% in the Middle East and North Africa. In addition to levels of financing, the sources of funding and "financing mix" matter.

Both have important implications for the design and sustainability or continuity of social protection. Sources of financing for social protection include revenues of national governments, aid from international donors, private, community and NGO financing, and household saving and out of pocket expenditures. The comparison of the financing of health care provides insight into the differences in the financing mix across regions and the dynamics associated with development. Using ILO data, Barrientos (2007) shows that the share of health expenditures financed by government revenues is dominant in the OECD region, but less so in less developed regions. Among less developed regions, out of pocket financing is substantial and external sources of finance are important in sub-Saharan Africa and Asia. Increases in government revenue financing may be achieved in several ways, including increasing tax revenue collection.

The composition of tax revenues varies, with developing countries typically relying more heavily on consumption and trade taxes, whereas developed countries are able to finance their social protection programmes with payroll taxes. Low tax collection in developing countries results from both the structure of the economy and low administrative capacity. The rural subsistence economy and informal sector are a challenge for taxation. Two options forward are to improve administrative capacity and promote formal employment. In the short run, raising external financing may also be a useful source. Efforts to increase external funding and donor aid however should reflect the importance of mid- to long-term programming and investments in social protection (Barrientos, 2007). In some cases, donors have favoured short term horizons and this may lead to tens ions with the time that social protection initiatives require to be effective. Complete reliance on external funding also has implications for policy legitimacy and sustainability over time. An example is provided bythe case of conditional cash social protection and the policy design and continuity implications arising from the complete reliance on external financing.
For example, in Nicaragua, the attempt to integrate its CCT into the country's broader social protection system after it had been set up externally and implemented with external fund ing for several years, met with resistance. Tensions arising from the wide spread perception that the programme was largely donor driven and from a pervasive sense of weak national ownership contributed to the gradual dismantling and

eventual di scontinuation of Nicaragua's CCT, despite its positive impacts on poverty and human capital outcomes (Bastagli, 2008).

This suggests that while external financing may be useful to launching a programme and/or supporting parts of its implementation, national ownership is central to securing programme legitimacy and continuity. The latter can be promoted through the close cooperation between national governments and donors and the establishment of partnerships. It can also be ensured through agreements between donors and governments on the transition to a nationally financed programme and on a clear commitment on behalf of government to take over responsibility.

2.4.3 Policy design and implementation

A second reason for low coverage and equity impact is directly linked to the details of policy design, implementation and the interactions of policy with a country's demographic and labour market structures. Population coverage depends on policy eligibility rules. These may be more or less narrowly defined to include smaller or broader segments of the population. In social protection programmes, targeting through means-testing and categorical rules restrict participation to particular population sub-groups. Behavioural requirements and other conditionality's may further restrict programme participation. It is important to recognise that such parameters vary by degree of "narrowness" or restriction. For instance, the national population coverage of CCTs, commonly grouped into a single policy category, varies depending on the levels at which eligibility thresholds are set. The population coverage of CCTs varies from 6% in Chile (Chile Solidario) to 26% in Brazil (Bolsa Familia).

Targeted social protection thus varies depending on the degree of targeting (Atkinson, 1995). Conditionalities and behavioural requirements may also be more or less strictly defined, leading to variations in the extent to which they act as barriers to programme participation for a country's population. Categorical programmes such as old-age pensions, disability benefits and widow's benefits, target particular groups, typically because they are at a higher poverty risk or vulnerable otherwise or deemed to be somehow deserving. Another example of a targeted categorical measure are public works programmes. These are designed to reach those that are able to work and income or consumption poor, through the self-selection mechanism of low wages. While categorical policies may imply a high coverage of the target population category, with respect to the broader population, such policies may lead to higher or lower coverage depending on the categories considered and the population composition.

Targeted policies can be more or less successful in reaching the intended population. Here too, the design and implementation details of specific policy parameters matter. Exclusion errors, whereby eligible programme participants are not included in the programme, are of special concern. Evidence suggests that means-testing with high informationnal requirements and complex procedures may lead to low take-up (Hernanz et al, 2004). Similarly, behavioural requirements that are particularly demanding to the eligible population, representing a high opportunity cost, may lead to higher exclusion rates and lower ta
ke-up (Bastagli, 2008).

Low coverage may also arise as a result of the implementation of policy in practice and its interaction with a country's demographic and labour market characteristics. This is the case of formal, contributions-based social insurance implemented in countries with high informality or self-employment. In many middle-income countries, low social protection coverage rates have been attributed to the predominance of social insurance policies that cover individuals in formal employment and their families. This institutional arrangement, coupled with high informality rates, leads to the exclusion of high shares of the population from any form of formal social protection. This has been the case in numerous Latin American countries with a strong tradition in contributory social insurance (in many cases inspired by welfare state developmentsin European countries) and a labour market characterized by persistently high informality. In such countries, the expansion of social protection coverage in recent years has been achieved through the introduction and extension of non-contributory social insurance and social assistance programmes. Cash social protection paid directly to low-income households has played an important role in addressing coverage gaps in these contexts.

Beyond coverage concerns, the pursuit of higher equity in terms of the redistribution of resources (such as income) and the generation of opportunities, may be achieved precise ly through elements of targeting and conditionality. The improved targeting of cash social protection, for example, has contributed to the reduction of inequality in many Latin American countries, most notably Brazil. Elements of conditionality too have proved to be successful in improving the access to and use of services in education and health among individuals that were previously excluded from universal services (Bastagli, 2008).

This should not however detract emphasis from efforts to introduce or strengthen basic universal services. In addition to the costs associated with targeting and conditionality mentioned above, such practices are also associated with administrative and political economy costs (more on this below) that may work against progress towards poverty and inequality reduction. In terms of social protection policy design, the following options could be considered for expanding coverage and promoting equity. In terms of the design details of specific policies or programmes, these should adopt eligibility rules that minimize the risks of exclusion and other social costs associated with targeting and conditionality, while promoting the potential for redistribution and service utilization. Simple and clear eligibility rules and low information

nal requirements for participation and non-punitive conditionality are examples of parameter design features that can help minimize exclusion and promote coverage. In terms of broader policy design, the introduction and expansion of a combination of social assistance and social insurance policies in a coordinated manner, paying particular attention to groups and sectors that are excluded from existing policies, can priorities improved coverage and equity. Social assistance (in the form of cash and/or in kind benefits) and other initiatives such as public works programmes that target specific vulnerable groups may be expanded to cover groups that are excluded or under protected. Social insurance can be expanded through the promotion of formal employment, the further development of capacity for the collection of contributions and other initiatives.

2.4.4 Political economy

Finally, the extent of social protection policy coverage and concern for equity depends on political economy factors, such as public support for policy, the “voice” or degree of representation of different groups and the social contract between political institutions and other actors. The establishment of permanent social protection systems requires the development of a politically sustainable social contract. Fundamental public choices need to be made about the allocation of scarce resources and priorities. The discourse and understanding about the political attitudes concerning who deserves support and in what form are key for developing countries in moving from temporary, usually externally financed social assistance strategies, to social welfare structures which are part of a domestically financed social contract (Graham, 2002). Weak social protection and limited social protection development have been attributed to the absence of a clear social contract.

For example, Barrientos (2012) argues that the weak redistributive element of taxation in most Latin American countries is the result of the absence of social contracts. Political support in the form of public approval for a programme is a crucial element to the continuity and sustainability of policy. By determining the public funding resources of social protection, public attitudes and support decide the fate of policy.

Narrow targeting may jeopardise public support for social programmes and hence the redistributive budget available. Finely targeted policies leading to lower leakage to the middle classes would draw support primarily from those below the poverty line. In contrast, universalist schemes, by increasing the number of beneficiaries, become the interest of additional groups, promote their protection and the available redistributive budget (Besley and Kanbur, 1990; Sen, 1995).

Coverage and fair outcomes will depend on the degree to which different groups are represented and heard by policymakers. Weaker groups, with limited or no voice and representation, are more likely to be excluded and under protected. In Brazil, for instance, the much higher and more generous social protection coverage of the elderly population relative to the younger population is attributed in part to the much stronger representation of older age groups .This points to the important role played by different groups including civil society organizations and other movements in the development of social protection. In OECD countries, where inequality has been on the rise, the recent increase in wage inequality has been explained in part by the decline in unionization rates and related worsening of employment conditions and social protection policies such as decreasing unemployment benefit replacement rates.

The challenge for countries developing national social protection systems is to sustain the political contract that has developed so far, for continued spending and provision in this area, and to extend the contract further to include the poorest. Hickey (2007) explains that the aim for donor agencies should be to strengthen and extend political contracts for social protection where they exist, and to work towards their establishment where they do not. This can be done by providing material support and advocacy, and identifying constituencies and drivers of change that might begin to provide the forms of mobilization required to secure political contracts for social protection.

2.5 Chapter summary

While assessments demonstrate incontrovertible short-term successes (school attendance, health of the monitored populations), there is little evidence of long-term effects. The higher employment rates and better qualifications predicted among children who participated in CCT programmes remain largely within the realm of political conjecture (Valencia Lomelí, 2008). Social protection remains a component of the fight against poverty, but it constitutes neither an employment nor a growth policy. Rising powers characterised by an increase in social inequality, such as Brazil or China, are understandably extremely sensitive to the need for social protection floors. Developing countries, however, are more interested in the implementation of growth strategies or programmes with a more attractive electoral payoff (Chisinga, 2007; Hickey et al., 2009).

In any event, social protection programme funding is an issue that requires further examination. Some studies (ILO, 2006; 2008) estimate that the cost of social protection amounts to a small percentage (from 0.5 to 2.7 per cent) of poor states' GDP. Nevertheless, in countries where international aid represents 35 to 60 per cent of the budget, even this small proportion of GDP is quite considerable, and the cost of social programmes are shouldered primarily by donors. The broader dissemination of social protection will not be possible unless the international community accepts its obligation to provide the long-term funding for a global universal social policy. With this aim in mind, social protection would then constitute a key component of the global social safety net envisaged by, among others, Jean-Michel Severino and Jean-Michel Debrat (2010).

CHAPTER THREE

COMPARATIVE ANALYSIS OF THE CONCEPT OF SOCIAL PROTECTION FLOOR ON NATIONAL ECONOMIC DEVELOPMENT

3.1 Introduction

Social protection can play a key role in reducing poverty and inequality. Compared with OECD countries with higher government spending on formal social protection, in middle- and low-income countries social protection has a more limited impact on poverty and inequality. The growing recognition of the potential role of social protection has led to increased interest in the introduction and further expansion of such policies in developing countries. Among multilateral and bilateral actors in the international development community, initiatives to promote and coordinate efforts on social protection development have flourished in recent years. They include the ILO's Social Protection Floor initiative aimed at ensuring national minimum policy packages are adopted by countries world-wide.

3.2 African Union's Social Policy Framework for Africa

Regional initiatives include the African Union's Social Policy Framework for Africa, with a chapter on social protection and recommendations on how to strengthen coordination between national and regional policy initiatives. Three main reasons for the low coverage of social protection in developing countries concern: financial resources, policy design and implementation details and political economy factors. Both the levels and "mix" of funding sources matter. One objective for developing countries should be to reduce the share of out of pocket financing and raise the share of government revenue financing. With regards to policy design, the expansion of social insurance and contributions-based policies may be pursued by promoting employment formalization and facilitating the enrolment into insurance schemes of workers with irregular work patterns. Policy design details may also favour broader coverage and minimise risks of exclusion and other costs associated with targeting and conditionality.

The adoption of simple policy rules, information dissemination and non-punitive conditionality are examples. From a political economy perspective, the absence of clear social contracts acts as an obstacle to the development of inclusive social protection. This may be addressed through the provision of support to constituencies that promote mobilization for the extension of political contracts.

While the distributional effects of the full privatization of service provision raises equity concerns, there is scope for promoting complementarities between the state, private for-profit and private non- for profit actors. In the case of health care for instance, community-based insurance has, in some cases, proved to help reach poor groups previously excluded from health coverage. At the same time, in such arrangements, the poorest typically continue to remain excluded by the pre-payments required for participation. The public sector can help address this barrier through tax-financed subsidies for the poorest and has an important role to play in ensuring that other necessary conditions such as access to and quality of services are guaranteed.

Social insurance coverage faces several challenges in developing countries, including low participation in the formal economy, the nature of risks and the high costs of insuring the poor.

Options governments have to address these issues include improving tax-funded financing and contributions-based insurance and creating a regulatory environment that fosters insurance.

3.3 Development policy circles

The conventional wisdom in mainstream development policy circles is that social protection to the poor are at best a short-term palliative and at worst a waste of money. They are not seen as a core element of an effective long-term poverty reduction strategy. What is this conventional wisdom based on? One commonly heard view is that the poor are roughly equally poor in the poorest countries, and there are so many of them and resources are so limited, that these policies are a non-starter. However, while the extent of poverty and the resource limitations are both clear enough, it is now well established from household survey data that even in the poorest countries, the differences in levels of living amongst the poor can be sizable.[34] A high incidence of poverty does not diminish the equity case for targeting limited resources to the poorest first.

Another long-standing critique of this class of policies has potentially more weight. This says that leakage of benefits to non-target groups and adverse incentive effects on the labor supply and savings of social protection recipients create a serious trade off against efficiency and growth, which is seen to be crucial to rapid poverty reduction. For example, an article on redistribution in Britain in *The Economist* wrote that: “Redistribution may sound like a lovely bit of fair-mindedness, but the only sure way to get there is through more poverty, not more wealth. Even the more supportive assessments of this class of policy interventions that one finds in the literature have seen their redistributive role as solely a matter of equity. For example, Barr

[34] For example, Smith and Subbarao (2002) give data for low-income countries indicating that the consumption of the poorest decile is generally 30-40% lower than the next poorest.

(1992) describes the "inequality reduction" role of these policies as "almost entirely an equity issue.

These views are starting to be questioned at two levels. Firstly, careful evaluations have pointed to a number of success stories. Yes, there are programs that claim to be targeted to the poor but whose benefits are captured by others, and there are programs that concentrate their benefits on poor people but have such low coverage that they achieve little impact overall. However, assessments of a number of programs have been quite positive debunking claims that targeted programs in poor countries are inevitably plagued by leakage and high administrative costs.[35] Limited redistribution appears to be possible by this means.

Secondly, the presumption of an overall trade-off between redistribution or insurance (on the one hand) and growth (on the other) has come to be questioned. It is known that a market economy can generate too much risk and inequality, judged solely from the viewpoint of aggregate output.[36] This theoretical possibility has given a new lease of life to targeted social protection as the main instruments for publicly-provided "social protection" in poor countries, which is seen as being good for pro-poor growth (meaning growth that reduces poverty) by providing insurance

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35 Compilations of evidence on targeting performance can be found in Grosh (1995) and Coady et al., (2002). The latter paper compiles evidence on the targeting performance of over 100 programs; for the majority, the share of program benefits going to the "poor" exceeded their population share. Of course, the quality of the data and methods varies considerably; the hope is that the differences average to zero.

36 A number of excellent surveys are now available of this literature, notably Aghion et al., (1999), Bardhan et al., (2000), Broadway and Keen (2000) and Kanbur (2000). Specific papers that have fueled this questioning of the aggregate equity-efficiency trade-off include Dasgupta and Ray (1986), Dasgupta (1993), Galor and Zeira (1993), Bowles and Gintis (1996), Bénabou (1996, 2002), McGregor (1995), Hoff and Lyon (1995), Hoff (1996), Aghion and Bolton (1997), Aghion et al. (1999), Piketty (1997) and Bardhan et al. (2000).

or helping credit-constrained poor people be productive workers or take up productive opportunities for self-employment.[37]

This paper revisits the role of targeted social protection in poor countries in the light of the new theories on the social costs of unmitigated inequalities and uninsured risks. Recognizing that the policy implications depend crucially on whether there is good empirical evidence to support the theoretical arguments, the bulk of the first half of the paper discusses the evidence. The paper then takes up a key question for policy: Can the potential for efficient redistribution be realized in practice using targeted social protection, given the constraints faced in poor countries?

A potentially important cost to workfare participants in developing countries is forgone income. This is unlikely to be zero; the poor can rarely afford to be idle. An estimate for two villages in Maharashtra, India found that the forgone income from employment on public works schemes was quite low around one quarter of gross wage earnings; most of the time displaced was in domestic labor, leisure and unemployment. By contrast, for a workfare program in Argentina the Trabajar Program it was estimated that about one half of gross wage earnings was taken up by forgone incomes.[38] In the Trabajar Program, the income lost to participating workers was probably compensated by indirect gains to the poor as residents of the neighborhoods in which the work was done, typically involving the creation and maintenance of valued local infrastructure. Calculation of the cost-effectiveness of this program suggest that it still only costs about $1.00 to $1.50 to social protection $1.00 to the poor even taking account of the deadweight

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[37] Policy-oriented discussions can be found in Holzmann and Jorgensen (1999), Bourguignon (2000), World Bank (2000, 2001) and Smith and Subbarao (2002) amongst others.

[38] This is the estimate obtained by Jalan and Ravallion (2003) using matched comparisons of participants and non-participants in a single survey. Ravallion et al., (2004) obtained a similar estimate using the "difference-in-difference" on panel data following up participants after they left the program.

loss due to costs of participation.[39] However, workfare programs have traditionally under-emphasized the potential value to the poor of the assets created, which appear often to mainly benefit the non-poor or be of little value to anyone (see, for example, Gaiha, 1996, writing about Maharashtra's EGS.)

The Trabajar Program illustrates the potential for a new wave of workfare programs that emphasize asset creation in poor communities. The program's design gave explicit incentives (through the *exante* project selection process) for targeting the work to poor areas, again compensating for the market failures that help create poor areas in the first place. There is typically much useful work to do in poor neighborhoods work that would probably not get financed otherwise.

In macroeconomic or agro-climatic crises, it is to be expected that the emphasis will shift to current income gains, away from asset creation implying, for example, more labor-intensive sub-projects on workfare programs (for further discussion see Ravallion, 1999b). However, the appropriate trade-off between the objectives of raising current incomes of the poor versus reducing future poverty will never be a straightforward choice.

3.4 International efforts to promote social protection

Recent years have witnessed remarkable expansion in the interest for social protection in the international development community. This renewed interest has been accompanied by a shift in emphasis among donors that initially adopted narrow approaches, focusing on the provision of social safety nets in the event of shocks, towards a broader understanding of the definition and scope of social protection systems.

[39] These are the author's calculations using the methods outlined in Ravallion (1999b).

A number of initiatives to promote social protection have been launched by different institutions including international organizations, regional agencies and smaller working groups. This section reviews the primary recent developments in this area. In the international development context, one of the central players in social protection has traditionally been the International Labour Office (ILO). Its most recent effort on this topic has been the launch of the

Social Protection Floor initiative a set of recommendations on how to extend social protection coverage through the social protection floor approach, which has been endorsed by the G-20 and the United Nations, as well as other organizations. A social protection floor involves an integrated set of nationally-driven policies designed to guarantee income security and universal access to essential social services. In June 2011, the ILO adopted a resolution on social protection that reconfirms the role of social protection as a human right and a social and economic necessity for countries at all levels of development. This resolution expresses the commitment of governments, employers and workers in the country members of the ILO to step up their efforts to build social protection floors as part of their national strategies to develop comprehensive social protection systems.

Later that same year, G-20 Leaders officially recognized the importance of investing in nationally-designed social protection floors and confirmed a new emphasis on jobs and growth. At the international level, other initiatives include the elaboration of strategy documents. An example is provided by the World Bank's Social Protection and Labour Strategy 2012-2022, which outlines the goals, direction and commitments that underpin the work of the Bankand its development partners in social protection (World Bank, 2012). Along with these international initiatives, regional level efforts have also aimed to strengthen existing social protection policies and develop new ones. Most notably, the African Union's 2009 Social Policy

Framework includes a section on Social Protection whereas the document encourages member states to extend coverage and provide a minimum package of services to serve as a platform for broadening social protection as fiscal space is created.

3.5 The concept of social protection in efficient redistribution

3.5.1 Revisiting the equity-efficiency trade-off

The presumption that there is an aggregate trade off between the twin goals of economic growth and lower inequality can be questioned for a number of reasons. Unless a person can initially assure that her basal metabolic rate (BMR) the food energy intake needed to support bodily functions at restis reached there can be no productive activity of any sort. This "threshold effect" can mean that an economy generates massive involuntary unemployment under one distribution of assets, while a more equitable distribution yields full employment and high output (Dasgupta and Ray, 1986).

Credit market failures also entail that some people are unable to exploit growth-promoting opportunities for investment in (physical and human) capital. Aggregate output is the sum of the individual outputs, each depending on own capital, in turn determined by own wealth given the credit market failure. Then aggregate output depends on the distribution of wealth (Galor and Zeira, 1993; Bénabou, 1996; Aghion and Bolton, 1997, amongst others). The output loss from the market failure is also likely to be greater for the poor, notably when there are diminishing returns to capital, so that the productivity of investment is highest for those with least capital. So the higher the proportion of poor people the lower aggregate output.

This is not the only argument as to why high inequality can be inefficient. Distribution-dependent growth can also be generated by the political economy, notably the way that the initial income or asset distribution influences the balance of power over public spending (Alesina and Rodrik, 1994; Persson and Tabellini, 1994). Inequality can also make it harder to achieve efficiency enhancing cooperation amongst people, such as providing public goods or achieving policy reform (Bardhan et al., 2001, review these arguments).

A further set of reasons to question the existence of an aggregate trade-off stems from the way market failures can create a link between spatial inequalities and growth. This can arise from externalities whereby living in a well-endowed area means that a poor household can eventually escape poverty, while an otherwise identical household living in a poor area sees stagnation or decline (Jalan and Ravallion, 2002). For this to be sustained, there must be impediments to factor mobility, such that the productivity of capital and labor comes to depend causally on location. Then policies to redress spatial inequalities can compensate for the underlying factor market failures and so stimulate pro-poor growth.[40]

These arguments are fine in theory, but what does the evidence suggest? Compilations of aggregate data on growth and distribution suggest that countries with higher initial inequality tend to experience lower rates of growth controlling for other factors including initial income, openness to trade and the rate of inflation.[41] Indeed, very high inequality can stifle progress against poverty; it has been estimated that this is the case for about one fifth of the date-country combinations in a data set for developing countries (Ravallion, 1997b).

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[40] This can be thought of as an example of a more general class of models in which memberships influence socioeconomic outcomes (Durlauf, 2001).

[41] Papers reporting this result include Persson and Tabellini (1994), Alesina and Rodrik (1994), Birdsall et al., (1995), Birdsall and Londono (1997), Clarke (1995), Perotti (1996), Deininger and Squire (1998), Deininger and Olinto (2000) and Knowles (2001). Evidence using sub-national (provincial) data for China can be found in Ravallion and Chen (2004).

There are a number of concerns about the data and methods used in testing for an aggregate equity-efficiency trade off, and the biases can go either way. There are measurement errors in both the levels and changes in measured income inequality, including comparability problems between countries and over time arising from errors in survey data (both sampling and non-sampling errors) and heterogeneity in survey design and processing.[42] There are also concerns about the presence of unobserved factors influencing the growth process — factors that might be correlated with initial inequality thus making it hard to day whether higher inequality is really the cause of lower growth. The latter concern can be dealt with by allowing for country-specific effects, and then the adverse impact of inequality on growth has not been robust (Li and Zou, 1998; Barro, 2000; Forbes, 2000). Essentially this deals with the problem by comparing changes in growth with changes in inequality. However, this method can perform poorly when there is considerable measurement error in the changes in inequality over time, as is likely to be the case with the inequality measures found in exiting cross-country data sets, making it hard to detect the true relationship.

Another concern is that spurious inequality effects can arise from aggregation, given credit market failures. For example, consistent aggregation across micro units can require that we use the mean of log incomes in the aggregate growth regression. However, the data are logs of means. The difference between the two is a measure of inequality, which can be significant purely because of inconsistent aggregation. Empirical results for rural China in Ravallion (1998) indicate that regional aggregation across the underlying micro-growth process hides the adverse effect of inequality on growth.

[42] For further discussion of the data problems see Bourguignon (2000) and Kanbur (2000).

The choice of control variables in identifying the relationship is also open to question. For example, past tests of the effect of inequality on growth have controlled for the human capital stock, yet reducing investment in human capital is presumably one of the ways that inequality matters to growth. Inequality may have little or no adverse effect on growth at a given level of aggregate human capital, but a large indirect effect via human capital accumulation.

The validity of the common assumption that initial inequality has a linear effect on aggregate growth is also questionable: Banerjee and Duflo (1999) find evidence that changes in income inequality are bad for growth, whichever way the changes go. If so then policies that prevent rising inequality are good for growth, but those that reduce current inequality are not.

Given the concerns about tests using country-level data, it is promising that these theories also have some testable implications for micro data. The micro-empirical literature on development offers support for the view that high inequality can be inefficient. A classic case stems from the observations that farm yields (output per acre) in poor countries tend to be lower the larger the landholding; Binswanger et al (1995) review the evidence on this negative correlation, and discuss alternative explanations. To some extent the negative correlation reflects unobserved differences in land quality (whereby larger plots tend to have lower yields per unit area). However, there is a reasonable presumption and some evidence suggesting that the negative correlation stems from factor market failures due to asymmetric information (Binswanger et al., 1995). Then inequality-reducing redistributions from large landholders to smallholders will raise aggregate output.

Supportive evidence can also be found in empirical work on micro panel data that has tested a key implication of theoretical models based on credit-market failures, namely that individual income or wealth at one date was an increasing function of its own past value but the relationship becomes flatter as wealth rises. Then the recursion diagram (giving current income or wealth as a function of its lagged value) is said to be concave. Using panel data (in which the same households are tracked over time), Lokshin and Ravallion (2004) found such a nonlinearity in household income dynamics for Hungary and Russia and Jalan and Ravallion (2004) found the same thing in panel data for rural China.[43] In all three countries, the recursion diagram was found to be concave, indicating that the growth rate of mean household income was lower the higher the initial inequality. Depending on the model specification, the results for rural China imply that inequality in current incomes lowers the mean in the following year by 4-7% at given current mean income (Jalan and Ravallion, 2004).

These figures are lower than those obtained by Lokshin and Ravallion for Russia and Hungary, where inequality appears to be more costly to growth; inequality accounts for one fifth of mean current income in Hungary and about one tenth in Russia. Some of the theories based on credit market failures also predict that the adverse impact of higher inequality on growth was transmitted though the occupational structure of an economy (Banerjee and Newman, 1993). In testing this link, Mesnard and Ravallion (2002) find evidence of nonlinearity in the wealth effect on business start-ups amongst return migrants in Tunisia, such that wealth inequality attenuates the aggregate level of self-employment.

[43] The dynamic panel data models in these studies were estimated by methods that allowed for the endogeneity of lagged income, latent individual effects and endogenous attrition.

There is also empirical support for another link between inequality and growth, via the incidence of undernutriton. This is likely to lower aggregate productivity. For example, it has been found that undernourished farm workers in poor countries tend to be less productive (Strauss, 1986; Deolalikar, 1988). Also, malnutrition in children is thought to have adverse long-term consequences for their learning and hence future incomes; supportive evidence can be found in Bhargava (1999) (for Kenya), Glewwe et al. (2001) (for the Philippines) and Alderman et al. (2002) (Zimbabwe); in the latter case, the authors directly link the poor nutritional status of children to a drought. Higher income inequality is also likely to raise the incidence of undernutrition; Dasgupta and Ray (1986) show how this can happen in theory and there is supportive evidence in Ravallion (1992), using micro data for Indonesia.

Yet another link that has been studied empirically is through crime. Bourguignon (2001) discusses the theory and evidence suggesting that higher poverty and inequality can promote crime, which is surely costly to aggregate efficiency. Using micro data, Demombynes and Özler (2004) find evidence for South Africa that greater consumption inequality within and between neighborhoods leads to higher crime rates.

There is also supportive evidence from micro data on the costs of spatial inequalities. Using a six-year panel of farm-household data for rural southern China in the 1980s, Jalan and Ravallion (2002) regress consumption growth at the household level on geographic variables, allowing for unobserved individual effects in the growth rates. They find that indicators of geographic capital had divergent impacts on consumption growth at the micro level, controlling for household characteristics. Their interpretation is that living in a poor area lowers the productivity of a farm-household's own investments, which reduces the growth rate, given restrictions on capital mobility. The results suggest that there are areas in rural China that are so poor that the consumptions of some households living in them were falling even while otherwise identical households living in better off areas enjoyed rising consumptions. The geographic effects are strong enough to imply poverty traps.

One specific source of externalities is the composition of economic activity locally. In the same setting in rural China, there is evidence that the composition of local economic activity has non-negligible impacts on consumption growth at the household level (Ravallion, 2004). There are significant positive effects of local economic activity in a given sector on income growth from that sector. And there are a number of significant cross-effects, notably from farming to certain nonfarm activities. The sector that matters most as a generator of positive externalities turns out to be agriculture. There is also micro evidence pointing to the importance of other membership-based inequalities. For example, van de Walle and Gunewardena (2001) argue that market failures entail that ethnic identity influences living standards in Vietnam independently of observable household characteristics, and in ways that are suggestive of a self-reinforcing mechanism that perpetuates ethnic inequalities. Again, market failures appear to play a crucial role.

Many of the arguments cited above relate more directly to wealth inequality than to income inequality. For example, the theoretical arguments based on credit-market failures point to the importance of asset inequality, not income inequality per se. For data reasons, much of the empirical evidence has related to income inequality not asset inequality. However, the studies that have used wealth data have found evidence of adverse effects of asset inequality in growth; examples are Birdsall and Londono (1997) and Deininger and Olinto (2000) — both using cross-country data and Ravallion (1998) using sub-national (county-level) data for China.

Before turning to the implications of all this for targeted social protection, another strand of recent literature needs to be brought into the picture. This concerns the possibility that uninsured risk can also inhibit growth and poverty reduction in the longer term.

3.5.2 Revisiting the insurance-efficiency trade-off

By one view, publicly provided insurance encourages longer-term behaviors that promote continuing poverty. The classic example is a generous unemployment benefit system, which is thought by some observers to discourage personal efforts to find work. Similarly, public provision of old-age pensions might discourage savings. These are examples of how moral hazard generates an insurance-efficiency trade-off.

There also reasons to question the insurance-efficiency trade-off in poor countries. If there were such an aggregate trade off then one would expect poor people to be relatively well insured. That is plainly not the case. From what we know, it is difficult to argue that poor people in the world are typically over-insured from the point of view of making them less poor. Indeed, there is now a body of micro empirical work demonstrating a high exposure to uninsured risk, notably in rural areas.[44] There is supportive evidence for the view that the poor are more vulnerable to uninsured risk from the results of Jalan and Ravallion (1999) on the sensitivity of household consumption to income shocks in rural southwest China.

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[44] Overviews of the theory and evidence can be found in Deaton (1992) and Besley (1995).

Recent literature has also pointed to various ways that uninsured risk can actually be a cause of chronic poverty. One argument postulates threshold effects in consumption giving rise to a "dynamic poverty trap." To see what this means in the context of a simple example, consider a worker who cannot borrow or save and derives income solely from labor. The worker's productivity depends on past consumption, and only if consumption is above some critical level is it possible to be productive and hence earn any income. Beyond this threshold, diminishing returns set it, meaning that extra current consumption raises future productivity but at a declining rate as consumption rises. In this type of model, permanent destitution can stem from transient shocks and people can escape even extreme poverty with only temporary income support. These features arise from the possibility of multiple solutions for the income or wealth of a given family. There can be a high-income solution and a low income one, both of which are stable, in that income will return to its initial value after a transient shock. Between these two solutions, one can expect to find an unstable third solution, below which incomes tend to fall toward the low-income solution, while above which they rise to the high-income solution. Thus, a household at the high-income solution who suffers a sufficiently large negative shock will see its income decline until it reaches the lowest income. And a household at the low-income solution was able to escape poverty after even a transient income gainbut only if that gain is large enough to get past the unstable solution.

This is an example of a "dynamic poverty trap." It implies that there was large long-term benefits from institutions and policies that protect people from transient shocks, or provide temporary support for the poorest. Likewise, the absence of an effective safety net emerges as a cause of long-term poverty. Are such arguments plausible? The very existence of a positive

BMR means that a consumption threshold must exist, which one requirement for the dynamic poverty trap is described above whereby uninsured risk can create longer-term poverty.

Unless a person can initially assure that BMR is reached there can be no productive activity of any sort. A threshold effect can also stem from the fact that in almost all societies one must be housed and adequately clothed if one is to participate in most social activity, including work. Low consumption creates social exclusion. For example, advocates of a proposed (untargeted) social protection program in South Africa claimed that the grant would be productive, by allowing people to travel to find work and to buy clothes to wear to job interviews (*Washington Post Foreign Service*, July 9, 2002).

However, the case for intervention rests on believing that the threshold effect exists in the absence of intervention. That is less clear. There was a high return to private co-insurance when there is a threshold effect. One can readily grant that (market or quasi-market) credit and risk-sharing arrangements do not work perfectly, given the usual problems of asymmetric information. Yet they may still work well enough to make dynamic poverty traps a rarity.

The panel-data studies by Lokshin and Ravallion (2004) and Jalan and Ravallion (2004) discussed above also tested for the existence of dynamic poverty traps. Household income or consumption was allowed to be a nonlinear function of its own lagged value with corrections for measurement errors and hidden sources of heterogeneity in the data. On calibrating the model to a six-year household-level panel data (in which the same households are tracked over time) for rural southwest China, Jalan and Ravallion (2004) did not find evidence of threshold effects in the dynamics (though they do find nonlinearity, as discussed above).[45] The same is true of Lokshin and Ravallion (2004), using data for Russia and Hungary. The results for all three countries suggest that people tend to bounce back from transient shocks. However, all three studies found that the speed of income adjustment to a shock is lower for the long-term poor (those with low steady-state income).[46] This can generate a process of income dynamics that might look like a poverty trap but is not.

If one takes it as given that without a (formal or informal) safety net there was a low-level threshold effect on productivity, then these results suggest the existence of a roughly binding consumption floor achieved by existing (public and private) safety nets. Of course, that can still leave considerable uninsured risk, which is found to be the case in the same settings.[47] And the dynamics might be quite different for highly covariate risk, since the informal safety net arrangements may then break down, leaving the threshold exposed.

Other evidence of longer-term costs of uninsured risk can be found in Dercon's (2003) study using panel data for rural Ethiopia. Dercon finds that rainfall shocks have lasting impacts on consumption well beyond the time period of the shock. In Dercon's model specification, there

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[45] Possibly the threshold effect takes longer than six years, though it is difficult to see why a sign of the productivity cost of low initial consumption would not be apparent over this time period.

[46] The steeper the slope of the relationship between current income and lagged income the slower the speed of adjustment to a shock. Concavity of the recursion diagram implies that the speed of adjustment for a given household will be lower when it receives a negative shock than a positive shock. However, here we are concerned with differences in the speed of adjustment between households at different steady-state incomes. In all three countries, the speed of adjustment (evaluated in a neighborhood of the steady-state solution) was found to be lower for households with lower steady-state incomes.

[47] See Jalan and Ravallion (1998a) for China and Lokshin and Ravallion (2000) for Russia.

is only one (household-specific) long-run solution for consumption, so this is not strictly a test for dynamic poverty traps. However, his empirical results are strongly suggestive that the long-run consumption depends on the history of past uninsured shocks in this setting.

Uninsured risk can also perpetuate poverty via production and portfolio choices. A number of empirical studies have found costly behavioral responses to income risk in poor rural economies.[48] Outmoded agricultural technologies can persist because they are less risky (see, for example, Morduch, 1995). Risk can induce poor credit-constrained households to hold high levels of relatively unproductive liquid wealth. If borrowing is not an option when there is a sudden drop in income, then liquid wealth was needed to protect consumption. For example, Indian farmers have been found to hold livestock as a precaution against risk even though more productive investment opportunities were available (Rosenzweig and Wolpin, 1993).

Whether it is the poor who incur the largest costs of uninsured risk is not as obvious as is often claimed by casual observers. Jalan and Ravallion (2001) tested for portfolio and other behavioral responses to idiosyncratic risk in the same rural areas of southwest China. They confirmed other findings that wealth is held in unproductive liquid forms to protect against idiosyncratic income risk. However, consistently with expectations from their theoretical model, they found that neither the poorest quintile nor the richest appear to hold liquid wealth because of income risk; it is the middle-income groups that do so. It appears that the rich in this setting do not need to hold precautionary liquid wealth, and the poor cannot afford to do so.

Other potentially costly responses to risk include adverse effects on human capital. Jacoby and Skoufias (1997) find seasonal effects of income risk on schooling in semi-arid areas of India.

[48] Examples include Paxson (1992), Rosenzweig and Binswanger (1993), Rosenzweig and Wolpin (1993), Alderman (1996), Dercon (1998) and Fafchamps, Udry and Czukas (1998).

But here too the evidence is mixed. Jalan and Ravallion (2001) find that schooling in their data for rural China is quite well protected from the income and health risks faced by the household. Schady (2002) finds that schooling increased during Peru's macroeconomic crisis 1988-92, which he attributes to lower foregone income from attending school during the crisis.Some of the evidence suggests large long-term costs to the poor from uninsured risk, but some does not. Of course, there are still short-term welfare costs of uninsured risks facing poor people; a case for insurance remains even if risk is not a cause of longer-term poverty.

3.5.3 Efficient redistribution through targeted social protection

Efficient redistributions help alleviate the constraints arising from the market imperfections discussed above. This has a number of implications for policy. One implication is that the common focus on the direct and static incidence of social protection — how much goes directly to the poor versus nonpoor may miss important dynamic benefits from such policies, as argued by Holzmann (1990). Another implication is that efficient redistributions may require more attention to asset redistribution rather than income redistribution. A case for switching the focus to asset redistribution is made by Bowles and Gintis (1996) who argue that asset redistribution should take priority when concerned with efficiency and growth, while state-contingent income redistributions would be more relevant for social insurance.

Finding that inequality and uninsured risk are harmful to growth does not imply that any policy to reduce inequality or risk will enhance growth and reduce poverty. Even accepting that high inequality in the command over key productive assets, such as land, reduces aggregate output, it does not follow that redistributive land reforms was efficient (as well as equitable) in the presence of other markets or governmental failures that restrict the access of the beneficiaries to credit and new technologies. Indeed, the impact on aggregate output could well be negative if the redistributive policy intervention is at the expense of other factors that matter to growth. Reducing inequality by adding further distortions to external trade or the domestic economy will have ambiguous effects. By the same token, the best role for policy may not be to reduce current inequality, but rather to attenuate its adverse impacts, such as by alleviating the market failures that make inequality matter.

These observations call for caution in drawing lessons for redistributive policy from the existing theory and evidence on the efficiency costs of inequality. However, as this section will argue, this new literature does hold some insights for policy. The following discussion will not try to identify the best programs in the abstract, which is probably futile; recent evidence on the heterogeneity in the performance of the same program across different settings, and the lack of heterogeneity in the performance of different programs in the same setting, points to the importance of context and the weak power of generalizations about what works and what does not.[49] However, there is scope for generalizations about the principles for guiding the design of effective interventions in specific settings.

[49] For an example of the diverse performance of one program in a single country see Galasso and Ravallion (2004); for an example of how different programs can perform similarly in the same setting see Pritchett et al (2002).

CHAPTER FOUR

CRITICAL ANALYSIS OF EMERGING ISSUES

4.0: Introduction

This chapter presents the critical analysis of the emerging issues. Moreover, the researcher analyzed and interpreted the data that the researcher got from the respondents as well as from the secondary source in detail and examines the gap in the emerging issues.

4.1: Hypothesis Testing

The study sought to establish the following hypothesis;

i. The actors in the social protectionism process are serving the interest of nation's citizen through which national developments are scored.

ii. There is a gap of proper framework and pillar of the social protection system adhere to in Kenya.

iii. The norms regarding social protection interventions in the region are issues of concerns which need to be addressed through concrete policies as well as practical initiatives.

4.1.1 The role of social protectionism process is serving the interest of nation's citizen

The sought to establish whether the role of social protectionism is serving the interest of nation's citizen objectives. The study established that social protectionism has a major role in Kenya. First, it has played a critically major role in poverty reduction. Indeed poverty reduction is typically seen to be the objective of targeted social protection in poor countries. "Poverty" is typically defined as the inability to afford specific consumption needs in a given society. There is a large literature on how this can be measured. The present discussion will focus on some key issues that arise in the context of targeted social protection.

The study established that, the aggregate poverty is taken to be a population-weighted aggregate of individual poverty levels. Group memberships may still be causally relevant to poverty and figure prominently in targeted policies (as discussed further below), but only in so far as those groups have high concentrations of individual poverty or group memberships influence other constraints on policy-making, such as political economy constraints (whereby certain groups have disproportionate influence). Such "individualism" in defining the welfare objectives of policy is standard practice though it can be questioned.

Moreover, the study established that while targeting is a potential instrument for enhancing program impact on poverty, the most targeted program need not be the one with the greatest impact on poverty. This can happen when finer targeting undermines political support for the required taxation or when targeting generates deadweight losses. , there is an issue of how impact on poverty today should be weighed against that in the future. Theories of efficient redistribution point to the importance of reaching those who are locked out of credit and insurance, leading to under investment in physical and human capital and hence higher future poverty. It is often assumed that this is the same set of people as the currently "poor", but that is questionable. For example, while household poverty is correlated with children's school attendance, there are non-negligible numbers of poor children at school, and plenty of children from non-poor families not at school.[50] The currently poor need not be the same set of people as those vulnerable to future poverty. This study established that social protection has the scope for efficient redistribution and insurance is constrained by the information available and administrative capabilities for acting on that information. Whereas the Problems of information

[50] See, for example, the evidence for Mexico in Sadoulet and de Janvry (2002).

and incentives are at the heart of policy design.[51] Informational constraints are particularly relevant in underdeveloped economies. In rural sectors and the urban informal sector, policies such as a progressive income tax are seldom feasible (though of course such policies are themselves second-best responses to information constraints even in rich countries).

4.1.2 Proper framework and pillar of the social protection system adhere to in Kenya

The study sought to establish the available framework and pillar of the social protection system adhere to in Kenya. The study established that, policy makers seem often to have over-optimistic views on how well they can reach the poor by administrative targeting based on readily observable indicators. Here there are some sobering lessons from the established findings. Even using a comprehensive, high-quality, survey one can rarely explain more than half the variance in consumption or income across households. And while household consumption is probably not a random walk, it is difficult to explain more than one tenth of the variance in future changes in consumption using current information in a panel survey.[52] Add to this the fact that one must base targeting on observations for the whole population not just a sample survey and that there was incentives to distort the data when it is known why it is being collected. One must expect potentially large errors in practice when using indicator targeting to fight transient poverty. This has been confirmed by empirical evidence using panel data to assess how responsive social protection have been to changes in household circumstances.

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[51] Overviews of the arguments and evidence can be found in Besley and Kanbur (1993), Lipton and Ravallion (1995, section 6), van de Walle (1998), Kanbur (2000) and Coady et al., (2002).

[52] For a direct test of the random walk property (as implied by the permanent income hypothesis under certain conditions) see Bhargava and Ravallion (1993), using panel data from rural India.

But it can also be argued that the benefits of indicator targeting are often underestimated. Past work has typically viewed targeting as a static non-behavioral problem; for example, location is simply one of the proxies used to indicate poverty. The possibility of poverty traps arising from market failures offers a different perspective, pointing to the potential for dynamic efficiency gains. Targeting poor areas or minority ethnic groups that would otherwise be locked out of economic opportunities ay well have greater impact than suggested by the role of these characteristics as a purely statistical indicator of poverty would suggest.

The evidence to support that claim is still scant and often inconclusive. Some observers have pointed to evidence that a share of the social protection received by the poor is often saved or invested as indicating that the social protection reduce chronic poverty.[53] However, this could just as well reflect recipients' perceptions that the social protection are transient; there can be saving from a short-term social protection even when it has no impact on long-term income.

The study secondary panel data also offered more convincing evidence on the framework and pillar of the social protection system adhere to in Kenya. A household panel data sets collected over many was used to study the consumption impacts of a large anti-poverty program targeted to poor areas in Kenya. It was found that the program raised long-term consumption growth rates, implying quite reasonable rates of return. In another finding, the researcher studied panel data spanning 27 years for the Kenya and found longer-term gains in schooling and earnings from a pre-school program targeted to poor families.

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53 See, for example, Devereux (2002) using data for transfer programs in Mozambique, Namibia and Zambia.

Moreover, in a more comparative analysis, it was established that Productivity effects have been emphasized in schemes that redistribute between landholding classes. Landless households in rural areas tend to have a high incidence of poverty (in South Asia particularly). Never the less study established that the effects of redistribution using social protection between landholding classes in rural Bangladesh, allowing for the higher productivity (output per acre) of smaller holdings. They find that these effects do increase the poverty-reducing impact of land-based targeting, though the extra impact is not large, given that land holding is not by any means a perfect poverty indicator, even in rural Bangladesh.

Specific demographic groups (both children and the elderly) have also been targeted, and here too there can be efficiency benefits.[54] For example, South Africa has a pension scheme that gives cash social protection to the elderly; Duflo (2000) finds positive external benefits to child health within recipient families.

Finding that social protection based on indicators of current poverty can bring long-term benefits, given factor market imperfections, does not mean that they are the best policy option for this purpose. Policies to increase factor mobility can also have a role. Incentives to attract private capital into poorly endowed areas, and/or encourage labor migration out of them, could well be more poverty reducing than targeted social protection. There has been very little work on these policy choices, and one often hears overstated claims by advocates. For example, it is far from clear that out-migration policies from poor areas are highly substitutable with social

[54] Here too measurement problems loom large. Allowing for scale economies in consumption can readily reverse the common finding that larger households tend to be poorer based on consumption or income per person (Lanjouw and Ravallion, 1995).

protection to those areas, which can be crucial to fostering out migration, such as by promoting better schooling or making livelihoods less vulnerable to temporary labor shortages.

Securing the efficiency gains from social protection targeted to indicators of poverty will often require complementary public programs or policy reforms. This has often been emphasized in the context of redistributive land reforms, where persistent impediments in access to credit and technologies can severely constrain the efficiency gains (Binswanger et al., 1995; World Bank, 2003). Recognition of the need to combine social protection (of specific assets or incomes) with other initiatives to help foster the productivity of the poor has prompted recent interest in a class of conditional social protection that we now turn to.

4.1.3 Types and the nature social protection system adhere to in Kenya as done in other countries

The study also sought to establish In the 1990s, a number of new social protection programs emerged that combine indicator targeting, often using community groups, with explicit attempts to enhance capital accumulation of the poor. One class of these programs combines social protection with schooling (and sometimes health-care) requirements.[55] An example is Bangladesh's Food-for-Education (FFE) Program, which relies on community-based targeting of food social protection that aim to create an incentive for reducing the cost to the poor of market failures. FFE was one of the earliest of many school-enrollment subsidy programs now found in both developing and developed countries. Other examples are Progresa in Mexico and Bolsa Escola in Brazil; in these programs, cash social protection are targeted to certain demographic groups in poor areas conditional on regular school attendance and visits to health centers.

The study established that if one was concerned solely with current income gains to participating households then one would clearly not want to use school attendance requirements, which impose a cost on poor families by inducing them to withdraw children or teenagers from the labor force, thus reducing the (net) income gain to the poor. This type of program is clearly aiming to balance a current poverty reduction objective against an objective of reducing future poverty. Given the credit market failure, the incentive effect on labor supply of the program (often seen as an adverse outcome of social protection) is now judged to be a benefit — to the extent that a well-targeted social protection allows poor families to keep the kids in school, rather than sending them to work. Notice too that concerns about distribution within the household

[55] The term "conditional transfers" is widely used in recent policy-oriented discussions to refer exclusively to such programs. However, this is rather odd usage, given that it would seem that all transfer programs in practice have eligibility conditions of some sort.

underlie the motivation for such programs; the program conditionality makes it likely that relatively more of the gains accrue to children.[56]

There is evidence of significant gains from Bangladesh's FFE program in terms of school attendance with only modest forgone income through displaced child labor. The program was able to appreciably increase schooling, at modest cost to the current incomes of poor families. Mexico's Progresa program has also been found to increase schooling, though the gains appear to be lower than for FFE. This is probably because primary schooling rates are higher in Mexico, implying less value-added over the (counter-factual) schooling levels that would obtain otherwise. The study findings established that there would be greater efficiency gains (though higher schooling) from Progresa if the program had concentrated on children less likely to attend school in the absence of the program, notably by focusing on the transition to secondary school.

Relying on administrative targeting based on poverty indicators naturally constrains performance. Even the best indicators available are far from perfect predictors of poverty at one date, and are typically far worse at predicting changes in welfare *ex ante*. Administrative inflexibility further constrains the scope for effective insurance by these means. Next we will consider some ways developing country governments have used to try to improve performance at reaching the poor within prevailing informational constraints.

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[56] On the arguments in favor of conditionality requirements based on their implications for intra-household distribution see Martinelli and Parker (2003) and Das et al., (2004). Also see McGregor (1995) who provides a theoretical analysis of the policy choice between a pure transfer policy versus schooling plus transfers, suggesting that the latter option is likely to dominate.

The study established that, in recent times, community participation in program design and implementation has been a popular means of relieving the informational constraint. The central government delegates authority to presumably better-informed community (governmental or non-governmental) organizations, while the center retains control over how much goes to each locality. The main concern has been capture by local elites; the informational advantage of community-based targeting may well be outweighed by an accountability disadvantage. Good evidence on performance is still scant.[57] Reliable generalizations are also likely to be illusive given that there are good reasons to expect heterogeneity across communities in the impacts of the same program.

In the design of Bangladesh's FFE program, economically backward areas were supposed to be chosen by the center leaving community groups exploiting idiosyncratic local information to select participants within those areas. Galasso and Ravallion (2004) use survey data to assess FFE incidence within and between villages. Targeting performance was measured by the difference between the realized per capita allocation to the poor and the non-poor. The study found that targeting performance varied greatly between villages. Higher allocations from the center to a village tended to yield better targeting performance, but there was no sign that poorer villages were any better or worse at targeting their poor.[58]

The study results also suggest that inequality within villages matters to the relative power of the poor in local decision-making. The study found that more unequal villages in terms of the distribution of land are worse at targeting the poor consistent with the view that greater land

[57] For an excellent surveys of the arguments and evidence on community-based targeting see Conning and Kevane (1999) and Mansuri and Rao (2004).

[58] On the theoretical arguments linking targeting performance to poverty see Ravallion (1999a).

inequality comes with lower power for the poor in village decision making. This suggests a mechanism whereby inequality is perpetuated through the local political economy; the more unequal the initial distribution of assets, the better positioned the nonpoor was to capture the benefits of external efforts to help the poor.

Moreover, the informational constraints on redistributive policies in poor countries have strengthened arguments for using self-targeting mechanisms. The classic case is a workfare program, in which work requirements are imposed on welfare recipients with the aim of creating incentives to encourage participation only by the poor and reduce dependency on the program.[59] An example is the famous Employment Guarantee Scheme (EGS) in Maharashtra, India. This aims to assure income support in rural areas by providing unskilled manual labor at low wages to anyone who wants it. The scheme is financed domestically, largely from taxes on the relatively well-off segments of Maharashtra's urban populations. The employment guarantee is a novel feature of the EGS, which helps support the insurance function, and also helps empower poor people. In practice, however, most workfare schemes have entailed some rationing of the available work, often in combination with geographic targeting.

It was established that workfare schemes generally have a good record in screening the poor from non-poor, and providing effective insurance against both covariate and idiosyncratic shocks.[60] They have provided protection when there is a threat of famine or in the wake of a macroeconomic crisis. Design features are crucial, notably that the wage rate is not set too high. For example, Ravallion et al., (1993) provide evidence on how the EGS responds to aggregate

59 Besley and Coate (1992) provide a formal model of the incentive arguments.

60 See, for example, Ravallion and Datt (1995), Subbarao (1997), Teklu et al., (1999), Jalan and Ravallion (2000), Chirwa et al., (2002), Coady et al. (2004).

shocks, and on how its ability to insure the poor was jeopardized by a sharp increase in the wage rate.

There are other ways to use incentives in program design to assure self-targeting of the poor. For example, the rationing of food or health subsidies by queuing can also be self-targeting as can subsidizing inferior food staples or packaging in ways that are unappealing to the nonpoor. Self-targeted schemes can face a sharp trade-off between targeting performance (meaning their ability to concentrate benefits on the poor) and net income gains to participants, given that these programs work by deliberately imposing costs on participants. Self-targeting requires that the cost of participation is higher for the non-poor than the poor (so that it is the poor who tend to participate), but it may not be inconsequential to the poor.

4.1.4 Sustainability and political economy

While theory points to efficiency gains from permanent redistribution, the implications of short-term redistributions are less clear. The insurance gains from targeted social protection also depend on the sustainability of programs across different states of nature, including coverage across groups facing different risks. In these respects the record is mixed. Some programs like the EGS have been sustained over long periods, and appear to have provided effective insurance. This can help assure sustainability, since (given that there is idiosyncratic risk) the potential set of beneficiaries is much larger than the actual set at any one date. It clearly also helps if the non-poor see benefits from effective social protection, such as in attenuating migration to cities in times of stress in rural areas. However, other designs for targeted social protection schemes have been more short-lived. Sustainability depends on having broad political support, which can be at odds with fine targeting. So there may well be a trade-off between sustainability and the extent of redistribution by this means.

Political economy clearly looms large in this area of policy making. The fact that inequality is inefficiently high need not mean that there was an effective political response to lower it. Moreover, it has demonstrated theoretically that an economy with persistently high inequality, and little effort to reduce it, can coexist with one that is otherwise identical in fundamentals but in which active redistribution keeps inequality low. External agents, including the International Financial Institutions, may well have an important role in using their allocative choices and dialogues on country policy to promote efficient redistributive policies, particularly in high inequality countries, where adoption appears less likely. Similarly, there is a role for the central government in promoting efficient redistribution in high-inequality communities.

4.2 Discussion of the results

4.2.1 The potential role of the private sector in social protection provision

The study also sought to establish the potential role of the private sector in social protection provision. The study finding established that several factors have led to an increasing interest for the greater involvement of different actors, beyond government, in social protection. Pressures to curb public spending and limited public resources is one of these. Another is the acknowledgement that informal arrangements and private for-profit and non-profit arrangements have, in practice, played an important role in social service provision, a role which for some time was largely neglected by governments.

The perceived failure of government in many countries to implement social protection despite efforts over several years has led to a growing interest in alternative institutional arrangements and in the involvement of additional actors. Against this background, this section examines the strengths and weaknesses of the state, for-profit and non-profit institutions, and asks whether and to what extent complementarity among different actors can be organised and strengthened in social protection.

Before examining the potential role of the private sector, three clarifications need to be made. These concern the types of actors, social protection functions, and collaborations or partnerships. The three principal actors are the government, private for-profit and private non-profit institutions. These in turn are made up of a variety of entities at various levels and with different interests. Government entities include local authorities and national administration, the private for-profit sector includes local enterprises and multinationals, the not for-profit sector includes a vast variety of organizations ranging from locally based community organizations which deliver services to its members to national and international level NGOs lobbying for its clientele. A second useful clarification concerns different social protection activities and types of roles carried out by different actors.

The study identifies three main roles:

Regulation and monitoring: setting the standards regarding prices and quality in the provision of services. These functions are necessary in order to achieve a guaranteed minimum outcome in service provision. Financing: may be carried out in many ways, by central or local governments and state-owned enterprises (e.g. through general taxation, collection of contributions). Private financing includes private out-of-pocket payments, private insurance premia or services provided by the private corporate sector. Provision involves the supply of services (e.g. health care, education and housing). According to a simplified schematic approach, the motivation for the provision varies depending on the party involved: e.g. government for public interest, private for-profit sector to make a profit and the non-profit sector meeting their social objectives.

Finally, a vast variety of combinations of institutional arrangements or set ups exist in practice. As wascome clear in some of the examples provided here, the actors listed above can interact and collaborate in a variety of ways in carrying out different social protection activities. These will depend on the degree of control the government choses to exert and the capacity and financial resources of different actors. Arrangements include full privatization (public sector activities social protection red entirely to the private sector) and public-private partnerships (PPPs).

The theoretical case for and against more private social spending and privatization is made against different goals, including economic efficiency in delivering services, giving individuals more choice and promoting fiscal savings (Pearson and Martin, 2005). Such arguments are based on a variety of claims. These include the idea that higher private sector involvement can lead to a more efficient economy (e.g. by leading to a smaller welfare state and lower taxes and helping getting the level of provision right); ensure greater flexibility of products (governments are risk-averse while innovation inevitably comes with a risk of failure); and promote efficiency in administration (the profit motive is a powerful motive to cut costs).

In practice, evidence for OECD countries shows that efficiency gains from private sector involvement in social policy have been limited (Pearson and Martin, 2005). At the same time, the distributional effects of private provision raise significant social concerns. From an equity perspective, economic theory suggests that market failures in social protection provision call for public sector interventions. The private sector faces constraints which the public sector in principle can overcome. An example is given by health care provision. Private for-profit providers respond to the population's willingness to pay for health care. As a result, there is a risk that they will primarily serve those groups in the population who are most willing to pay, such as affluent urban residents. This commonly results in increased inequity in access and use of health care. Private providers will also possibly undersupply socially desirable services, such as immunizations and personal preventive care.

To address this equity concern, publicly mandated regulations can be designed to guarantee the coverage and quality of sector provision. A trade-off associated with the public sector's initiatives to guarantee adequacy and quality of services is that they may lead to restrictions in individuals' degree of choice. Also, some forms of private non-for profit initiatives such as community-based insurance, may present advantages in tackling particular concerns. This is the case with moral hazard (the tendency of insurance protection to alter an individual's motive to prevent loss) and fraud, which local community-based efforts may be uniquely equipped to address as a result of the detailed information they have access to and the close ties among members.

The above provides some initial examples of the relative advantages and drawbacks of different actors. In practice, the failure of both government and the market (private for-profit) to provide adequate social protection coverage and quality in some developing countries – especially to low-income people in rural areas and informal sectors - has led to the emergence of a variety of combinations of public-private partnerships and collaborations between different actors such as NGOs and local community-based initiatives.

In the area of health, the emergence of community-based health insurance schemes (CBHI) in many developing countries provides an interesting example. These are health insurance schemes rooted in local, non-profit organizations, with voluntary membership, either initiated by health facilities, member-based organizations, local communities or cooperatives and owned or run by any of these. They typically operate through the pre-payment of member contributions into a fund and entitlement to specific benefits. The community usually plays an important role in the design and running of the scheme and the organization has a close institutional relationship to one or several providers.

Especially in countries with high informal employment, weak government finances and market interest in social protection, CBHIs have shown some potential to be effective in reaching a large number of poor people who would otherwise have no financial protection against the costs of illness. However, Policy Department DG External Policies there is a concern that even these initiatives may not reach or take into account the needs of the poorest, that the poorest remain excluded from insurance as the problem of adverse selection persists.

Another concern is that overall sustainability may not be assured. The evidence shows that indeed, community-based health insurance schemes may make a substantial difference to coverage in poor areas. Jutting's (2003) study of a scheme in Senegal shows that members

frequent the hospital more often than non-members and pay less for a visit. In this particular case, community-financing through pre-payment and risk-sharing reduce financial barriers to health care as demonstrated by higher utilization but lower out-of pocket expenditure. However, in the example from

In Senegal for instance, people belonging to the poorest groups are less likely to participate in the scheme. The poorest of the poor are not reached. Moreover, the presence of a viable health care provider who can and is willing to support the scheme is critical to the functioning of the scheme. Similar results are obtained from studies on community-based insurance schemes in India. The study findings established that look at differential utilization of CBHI in India and report that the utilization of health care with the implementation of the CBHI scheme increases more among insured households located close to the health care facility. Members living further away from the hospital facilities have lower hospitalization rates than those living closer to the facility. Since under most schemes, people pay the same premium, wherever they live, those distant from the facility in effect cross-subsidize those who live close.

The well-known Self-Employed Women's Association (SEWA) of Gujarat experiences similar challenges. Despite providing a precious service to large groups previously excluded from any form of insurance, it suffers from inequitable patterns of utilization by socioeconomic status and by place of residence. The financially better-off in rural areas are significantly more likely to submit claims than are the poorest. SEWA members living in areas that have better access to health care submit more claims than those living in remote areas.

In summary, the successful introduction and development of CBHI schemes depends on a set of factors: the presence of a health care provider who can and is willing to support the scheme and the ability of the scheme to attract members, including the poor. Barriers to effective and equitable functioning of these schemes result from the contributions or pre-payments required for participation, service provision and quality and access to benefits or treatment, due to the absence of facilities in some areas.

The example of CBHIs suggests, as does theory, that there is a key role to be played by public sector intervention to guarantee coverage and quality of services. While some degree of private for-profit and non-for profit involvement in service provision may contribute to extending coverage and access to services, government efforts are central to ensuring that the barriers faced by the former in reaching the poorest are overcome and that socially desirable services are guaranteed. In the case of community-based insurance, the obstacle to reaching the poorest generated by the pre-payments required for participation may be overcome by regulating the cost of participation. This may be reduced or lifted by the institutions themselves or the public

sector would have to subsidies premiums. In the case of BRAC, Bangladesh, for instance, the poorest of the poor are allowed to join without paying a contribution and health care is free. They are encouraged to make a contribution as soon as possible.

Another barrier to community-based insurance participation and service utilization that typically needs to be tackled by government is the improvement of access to scheme benefits, for instance by improving the quality of roads and access to public transportation and ensuring that rural primary health centers and hospitals are fully equipped.

4.2.2 Promoting an Insurance Culture In Developing Countries

Various aspects prompt for reasons for low social insurance coverage. Social insurance coverage, and especially coverage of the poor, faces the following challenges in Kenya and developing countries in general. These factors are ranging from Low participation in the formal economy ,the types of risk encountered by the poor , the extra costs associated with insuring the poor and the difficulty among the poor to properly understand their entitlements.

High informality rates pose a challenge to social protection both in terms of coverage and sustainability. Informal workers are excluded from policies that are available to workers by virtue of their labour contract and through the payment of contributions. In some developing countries, the predominance of social insurance in social protection led to high shares of the population having access to limited or no protection. This is the case of many countries in Latin America, considered to historically have a "truncated" welfare state, with formal sector employees covered by relatively generous benefit packages and workers outside the formal sector, typically those with low incomes, with limited or no access to government benefits (Lindert et al, 2006).

High informality rates also have implications in terms of sustainability and financing since they limit the instrument typically used for formal social insurance funding, contributions paid by employers and employees. In recent years, efforts to extend social protection to informal workers has led to the adoption of non-contributory and social assistance benefits, funded by contributions paid by formal sector workers and/or general taxation. These are usually targeted benefits paid to low-income households independently of their labour market status. An example is given by conditional cash social protection (CCTs). Some commentators have pointed out that the expansion of this type of policy, while providing improved coverage of low-income groups previously excluded from social protection, has led to additional incentives for workers to remain in informal employment.

A second challenge to social insurance is given by the type of risks encountered by households in developing countries. Risks may be idiosyncratic, meaning that one household's experience is unrelated to their neighbour's, or covariate, meaning that neighboring households suffer similar shocks.Such shocks can be insured within a community. Common shocks, on the other hand, cannot since if everyone is affected, the risk cannot be shared. Common shocks then are not easily insured. In developing countries where a sizeable part of the population is dependent on agriculture and where macroeconomic instability is substantially higher than in richer countries, providing insurance can prove to be especially challenging, the emergence of private insurance was limited and insurance social protection from outside the community are necessary

Low insurance coverage in developing countries also arises from the high costs associated with insuring the poor. For instance, where there are no formal titles to land or property, the verification costs in the case of home insurance claims are high. This discourages firms from offering contracts to the poor, makes them less attractive, and pushes up insurance costs. Finally, another challenge to social insurance is given by the low awareness and difficulty among low-income families to understand their entitlements and insurance contracts. This may be the result of poor information-sharing, the high level of skills required for a complete understanding of insurance regulations, including literacy, and the complexity of schemes. This highlights the importance of promoting simplicity in social insurance arrangements.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1: Key findings

According to the study the most Social protection to the poor has often been motivated by inequality or risk aversion with expectations that there was a trade-off with aggregate output. A body of recent theoretical and empirical work has questioned whether there is such a trade-off. This new research has argued that there can be too much uninsured risk and inequality, when judged solely from the viewpoint of aggregate output. For example, credit market failures can mean that it is the poor who are unable to exploit new economic opportunities; the more poor people, the fewer the opportunities that get exploited and so the lower the rate of growth. Persistent concentrations of poverty in poor (natural and man-made) environments can also arise from market failures given geographic externalities whereby living in a poor area is a cause of poverty.

This body of theory and evidence offers a new perspective on social protection policies in poor countries, suggesting that there is scope for using these policies to compensate for the market failures that help perpetuate poverty, particularly in high-inequality settings. There have been a number of seemingly successful social protection schemes that reflect such an emphasis. However, in drawing implications for future policy there are a number of caveats. Not all the evidence has been supportive of the theories, or suggestive of large potential gains, even when the theory is supported qualitatively by the data.

It is also difficult to pre-judge the best policy instruments for achieving efficient redistribution. For some purposes of anti-poverty policy "helping those who cannot help themselves there is no obvious alternative to targeted social protection, barring unacceptable neglect. But, more generally, it is not clear that targeted social protection dominate other options. These may include direct efforts to make factor markets work better for the poor (such as by fostering new institutions for credit provision, or by better enforcement of property rights), supply-side interventions in schooling and health-care, or even untargeted social protection. And the way social protection are financed in practice will clearly matter. In theory there can be potential Pareto improvements from social protection financed out of the subsequent income gains to poor recipients; but finding a feasible means of such cost recovery is another matter.

While acknowledging these caveats, this tour of the new arguments and evidence on efficient redistribution and insurance points to a confident rejection of the generally negative stereotype of this class of interventions that has been around in mainstream development policy discussions for some time. The trade-off against efficiency has probably been exaggerated, and the record on performance is better than some (seemingly widely held) perceptions would suggest. It is time for a pragmatic and open-minded approach to this class of interventions, recognizing the potentially important role they can play, but using careful design and evaluation to assure that the potential is realized.

5.2 Recommendations

Initiatives to promote social insurance with the objective of improving coverage and equity outcomes include: enhanced risk-pooling of financial resources by improving tax-funded financing and contributions-based insurance, extending statutory social insurance by promoting formal employment and closing education Gaps, extending coverage through community-based schemes, when appropriate, and ensuring coverage for the poorest through tax-financed subsidies, creating a regulatory environment that fosters insurance and financial intermediation with special attention to coverage and equity concerns, monitoring activities and promoting transparent institutions and tax-funded financing as well as contributions-based insurance constitute the main social protection financing options and strengthening such sources should remain an objective, even in countries where they are weak. Keen (2012) examines efforts to establish and improve effective and fair taxation in developing countries. Initiatives that have shown promising results include the creation of quasi- independent revenue authorities (e.g. in Peru and Uganda) to address corruption and noncompliance, large taxpayer offices to secure the remittance tax of large enterprises (e.g. banks, large foreign investors and resource companies; the gain from having such companies not avoid or delay remitting tax can dwarf that from expanding the net of small taxpayers) and adjusting the design details of specific taxes, such as the Value Added Tax (VAT), to promote compliance.

Statutory social insurance can be extended by promoting formal employment and addressing education gaps. The experience of African countries reveals a number of key policy areas for enabling the transition to formality. The continued strengthening of the organization and re

Presentation of workers in the informal economy is central to these efforts. Furthermore, macroeconomic policy can be designed to channel investments into those sectors of the economy that increase labour absorption and improve productivity in the informal economy.Legal and institutional frameworks can be designed to ensure that formal employment is beneficial and that this is understood by employers and workers by highlighting the benefits of complying with regulations and fighting legal illiteracy. Other initiatives have targeted small enterprises with the aim of improving job quality, promoting association-building between employers and workers and upgrading work for workers in the informal economy. More generally, improving the skills and training of informal economy workers is another effort that has been successful in promoting formality, since adequate skills are central to accessing decent jobs (ILO, 2009).

As discussed in the previous section, forms of voluntary for profit and non-for-profit insurance are complementing options to government initiatives. They may be relied on initially to build up insurance schemes or to establish formally and publicly regulated partnerships. Especially in reaching the poorest and informal sector workers, adopting a mix of insurance tools has proved to bea very useful option. A combination of tax-based financing and micro or community-based insurance may be appropriate since community-based measures alone may continue to exclude the poorest. Indeed, the examples reviewed earlier indicate that the poorest of the poor can only be reached by tax-financed approaches.

The challenge for governments is to link different financing mechanisms to complement each other to achieve maximum coverage and equity. Governments are responsible for creating a regulatory framework that fosters insurance. This could include for instance the establishment of micro-insurers at the local level, with the objective of relying on proximity and community relations to use information and trust to build risk-pooling efforts, while maintaining overall coordination to ensure adequate coverage and service equality. Nevertheless, serious doubts and questions remain. I would like to mention four of them.

First, there is a serious risk of terminological confusion. The Social Protection Floor does not go beyond poverty reduction and it is not a 'universal social protection'. As the ILO itself points out 'the terms social protection and social security are used in various and not always consistent ways, differing widely across countries and international organizations, and also across time'[41]. In some contexts social protection is broader than social security and includes social assistance and public services. In other contexts it is social security which is the broader concept. It is clear however that in this case, being limited to the poor, SPF looks like a rights-based social assistance programme with the potential of being extended, in the long term, to a universal social security programme. This terminological confusion can lead to many divergent interpretations and gives the SPF an aura it maybe does not deserve. The discourses examined in this article create confusion by playing with words like 'universalism' which is then qualified as being only valid for the poor or only for the guarantees. They create confusion by talking of 'social protection floorS', in plural, leading to doubts on whether a social pension, e.g., may be enough to be considered a 'social protection floor'.

Secondly, the question remains what the advantages for the ILO itself can be. SPF clearly is an improvement compared to the MDGs of the UN and the PRSPs of IMF and World Bank. But the ILO already has a basic convention on social security and several recommendations. It did not need this new initiative, except for the extension to all residents instead of all workers. True, these texts are not well respected, but how to convince governments and business to respect the new ones? Will they not prefer to keep to the minimal requirements and forget the second dimension of the strategy? In fact, since 1966 and the adoption of the ICESCR the narrative is on gradualism in function of the development of nations. In reality, since the introduction of Washington Consensus policies in the 1980s, there have been more regressive steps than progressive ones. What can guarantee this will now change? It is a new promise of the international community, which should certainly not be underestimated, though the former non kept promise of the MDGs should make us cautious. SPF may take the place of the MDGs as from 2015, but if it is only a new start with a new promise and without concrete commitments, civil society will strengthen its resistance and search for other ways to claim its rights and its dignity.

Thirdly, several documents point to the fact that the distinction between the formal and the informal sector is in fact outdated. There are good arguments for such a statement, since the grey zone between the two is getting larger and larger. Too many people do not enjoy their social and/or economic rights, are able to avoid taxes, have temporary or seasonal jobs … This makes it indeed necessary to introduce non-contributive social protection/assistance mechanisms in order to arrive at real universal coverage. However, this growing ‘precariat’[42] can hardly be accepted as a given. It is positive to see the ILO wants to enhance formal employment and refers to its decent work framework (ILO, § 10). At any rate, non-contributive protection systems should be no excuse to further weaken the contributive systems with their implicit role for social partners. In this context, the reference in the ILO recommendation to collective bargaining is extremely important, as well as the link with the universal social security objective in order to preserve this collective agenda with its organic solidarity.

Fourthly and finally, the taking into account of the income dimension is extremely positive. However it should not be used in order to make all essential social services into commodities that have to be paid for. Public services remain extremely important for the preservation of life and social life, especially in the current situation where climate change risks can badly hurt poor people and poor communities. Private services will never be able to sufficiently protect them. If poor people get cash benefits it should not be, as EDR states, in order to give access to social services, but in order to give them the right to life and dignity. Decommodified public services are a major contribution to it.

In short, however positively the plans for a Social Protection Floor can be assessed, what the documents do not tell us should not be ignored. They do not speak of a redistribution of incomes. They do not speak of a 'transformative' agenda in the way some UN organizations do, meaning that development has to put an end to dual societies and has to lead to substantial societal change. There is no proposal to change the economic paradigm, away from productivism and an exclusively growth-oriented economy, without taking into account the ecological constraints. If the SPF is limited to its minimal requirements, it was compatible with Washington Consensus policies. And that means the impoverishment processes will not be stopped.

There are no reasons or arguments to have doubts on the positive intentions of the ILO. But the importance of discourse analysis is not only to look at the explicit and implicit intentions of their authors and thus examine the practices to which they can lead in the future, but also to look at the margins they create for divergent interpretations and practices. According to Foucault, changes always originate at the margins. In the same way as the ILO itself builds on its former work, the new discourse is already taken by other organizations to interpret its new margins in divergent ways. The discourse of ECLAC and EDR are two opposite examples of where this may lead to. All depends then on the context and the power relations within which the social protection floor has to be implemented.

Therefore, the plans for a Social Protection Floor deserve to be promoted by progressive governments and civil society. They are a major improvement of the current and failed poverty reduction policies, especially the ILO recommendation and the ECLAC document. Obviously, if and how these plans was implemented, will depend on the political willingness of governments and on the strength of social movements to put pressure on them. Civil society organizations should promote this agenda but, at the same time, they should take a step forward and push for the second, vertical step of full coverage for all with social security. They should also stress the transformative potential of this agenda and reflect on a re-conceptualization of 'social protection' in light of the urgently needed economic, ecological and social changes. A new grand narrative that only repeats promises of the past that have never been met will not help. The SPF will either become the threshold on which a really universal social protection system can be built, or it will remain an improved poverty reduction within the framework of neoliberal policies.

Finally, guaranteeing the stability and credibility of the broader social insurance system is another crucial role for government. Activities that facilitate this objective include the regular monitoring of and reporting on social insurance efforts to highlight progress made and persistent or new gaps and obstacles to effective social insurance. Such initiatives promote the legitimacy of and public support for social insurance, two key ingredients to secure continuity and sustainability.

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