

What I should have learned . . .



Social Safety Nets Core Course

December 13, 2002



Risks and Vulnerability



The Concepts of Vulnerability and Risk Management

- ◆ New definition:

“SP as public interventions (i) to assist individuals, households, and communities better manage risk, and (ii) to provide support to the critically vulnerable”

⇒ Social risk management framework

- Multiple sources of risk: natural, health, life-cycle, political...
- Vulnerability: more dynamic view of poverty
- Risk management arrangements: informal, market-based, publicly provided or mandated
- Risk management strategies: risk prevention, risk mitigation, risk coping



Social Risk Management Framework

| Examples of risky events by categories, classified by their degree of correlation | | | |
|--|--|---|--|
| | Idiosyncratic events | Regional covariant events | Nation-wide and international covariant events |
| Natural Risks | | Rainfall Landslides Volcanic eruptions | Earthquakes Floods Droughts Strong Winds |
| Health Risks | Illness Injury / Accident Disability | | Epidemic Famines |
| Life-cycle Risks | Birth / Maternity Family break-up Old-age Death | | |
| Social Risks | Crime Domestic violence | Terrorism Gangs | Civil strife War Social upheaval |
| Economic Risks | Business Failure | Unemployment Harvest failure Resettlement | Output collapse Balance of payments shocks Financial crisis Currency crisis Technology- or trade-induced terms of trade shocks |
| Political Risks | | Ethnic discrimination Gender discrimination Religious discrimination Riots | Political default on social programs Coup d'état |
| Environmental Risks | | Pollution Deforestation | |



Risks and Vulnerable Groups

- ◆ Vulnerability reflects the probability of suffering from negative consequences of risks - shocks
 - ↻ Reflects a dynamic view of poverty
 - ↻ Probability to become poor in the future includes:
 - ❖ people at the bottom of the distribution
 - ❖ people at higher level of the distribution that are likely to have a drastic reduction in consumption
 - ↻ Other relevant sources of vulnerability often ignored:
 - ❖ Disabled (large number of people are disabled for a short period of their lives) and Orphans (issues faced by foster children and foster families)
 - ↻ Populations in post-conflict countries and internally displaced populations deserve special attention



Safety Nets and Poverty Alleviation

- ◆ Transfers/ hand-outs vs. investment?
 - ↻ Market economy can generate too much risk and inequality when judged from viewpoint of aggregate output
 - ↻ Too much inequality is bad for growth and certain re-distributive policies can be good for growth
 - ↻ People move in and out of poverty (no evidence of poverty traps) and therefore poverty reduction policies should aim to provide access to credit and insurance to help people recover faster



Safety Nets and Poverty Alleviation

- ◆ Trade-offs

- ↻ Equity-efficiency trade-offs?

- ❖ Macro level

- ◆ Higher inequality → lower growth
 - ◆ High inequality hampers sustainable pro-poor growth

- ❖ Micro level

- ◆ Farm-yield size relationship linked to market failure
 - ◆ Under-nutrition lower productivity
 - ◆ Crime linked to inequality
 - ◆ Geographic poverty traps

- ↻ Insurance-efficiency trade-offs?

- ❖ Hard to argue the poor are over-insured

- ◆ High exposure to risk
 - ◆ Risk averse
 - ◆ More vulnerable to uninsured risk



Safety Nets and Macro Shocks

- ♦ Macro shocks are not very frequent but:
 - ↻ Affect the whole community
 - ↻ Have very severe repercussions and lasting impact on income
- ♦ Price volatility is a prime result of macro shocks and can be both an opportunity and a problem, yet evidence says:
 - ↻ Spikes are wasted opportunities and don't lead to faster growth
 - ↻ Drops lead to long term slower growth



Safety Nets and Macro Shocks

Macro-cushioning can be achieved:

- ♦ Long-term
 - ↻ Diversification
 - ↻ Good investment climate
- ♦ Short and medium term
 - ↻ Shifting shocks between private and public sector
 - ❖ Booms by the private sector (coffee)
 - ❖ Busts by the public sector (oil)
 - ↻ Insurance: best solution
 - ❖ Emergence of contingent aid, derivatives markets for commodities, risk pooling at the sub-regional and/or global
 - ↻ Savings: next second best solution
 - ❖ Governments – foreign exchange reserves
 - ❖ Households -- hold liquid assets, carries risk asset depletion



Safety Nets and the Fiscal Dimension

- ♦ Rational for government interventions:
 - ↻ Market failure
 - ↻ Redistribution/equity
- ♦ Instruments (appropriateness)
- ♦ Fiscal cost (affordability and trade-offs)
- ♦ Prioritization of public action:
 - ↻ Role of Households (demand)
 - ↻ Role of government (financing and provision)
- ♦ Review of public expenditure:
 - ↻ Efficiency: how much is spent how and with what effect?
 - ↻ Equity: what is the impact? What are the gaps?
 - ↻ Performance and effectiveness: demand for public services? Accountability? Unintended effects?



Safety Nets Interventions



Analytic Implications

We need to learn about the vulnerable groups and the key risks they face to better address their needs

- ↻ Start with a detailed analysis of the potential sources of risk (map by type, affected groups, life cycle approach, etc)
- ↻ Examine program interventions
- ↻ Identify gaps and feasible policy responses



Interventions (by objectives)

- ◆ Protection of vulnerable groups (transfers)
 - ↻ Cash
 - ↻ Food
- ◆ Managing risks (growth enhancing)
 - ↻ Income generating (P. works, micro-finance, micro-insurance)
 - ↻ Protection of human capital (nutrition, education, health)
- ◆ Improving well-being
 - ↻ Utilities, housing



Interventions (by target group)

- ◆ Life-cycle approach

- ↻ 0-5 year Nutrition
- ↻ 6-15 year Education
- ↻ 16-50 Employment/Revenues
- ↻ 60 + Old age

- ◆ Special groups

- ↻ Ethnic minorities/majorities
- ↻ Gender, disable, orphans, displaced



Program Targeting

- ♦ Targeting methods are a tool, not a goal (a program can be targeted in many different ways)
- ♦ Objective is to increase efficiency, reach intended population
- ♦ Implementation and circumstances matter a lot – almost more important than method chosen
- ♦ Methods
 - ↻ Self-targeting
 - ↻ Individual
 - ❖ Means-testing
 - ❖ Proxy means-testing
 - ❖ Community-based
 - ↻ Categorical
 - ❖ Geographic
 - ❖ Demographic



Context



Safety Nets and Country Context

- ◆ Which interventions to use? Depends on country context, major risks, appropriateness of particular programs (pros/cons). Some considerations:
- ◆ Low income
 - ↻ simple, self-targeted where possible
 - ↻ Investment – public works, fee waivers, emergency food distribution
- ◆ Stable economies
 - ↻ Safety nets depend on other social policies (health, education, etc)
 - ↻ Often transitioning from universal programs (subsidies) to more targeted interventions
 - ↻ Safety nets can be the “last resort”



Safety Nets and Country Context

- ◆ Crisis/natural disaster
 - ↻ Wide scale shock, not just chronic poor
 - ↻ Need programs in place that can be scaled up quickly
 - ↻ Programs should be counter-cyclical (protect funding)
- ◆ Post-Conflict
 - ↻ Need speed, flexibility, political sensitivity
 - ↻ Transition from relief to development
 - ↻ Focus on material, social, attitudinal capacity (public works, CDD approaches, targeted transfers)
 - ↻ Government, donor and NGO coordination necessary, utilize nongovernmental program implementation if needed



Political Economy

- ◆ Reality often implies less-than-optimal interventions
 - ↻ Know the interest groups and stakeholders
 - ↻ Best technocratic programs are often not implemented because of lack of political support
 - ↻ “Universal” programs often have more support than targeted, may be better to sacrifice some targeting to keep a program
- ◆ Support often based on public perceptions of the program process
 - ↻ Fair treatment, horizontal equity
 - ↻ Transparent decision process
 - ↻ Effectiveness
 - ↻ Marketing and awareness matters!



Political Economy

- ◆ Local vs. central control – no clearly preferred option
 - ↻ Probably want national programs that stipulate and enforce local decision processes
- ◆ Political economy considerations and dynamic efficiency may suggest a strategy with both a “safety ropes” as well as a “safety nets” approach
 - ↻ Responsive to broad concerns rather than to some benign social welfare concept and altruism to the poor
 - ↻ Premise of interventions is to a credit market failure (insurance) rather than income redistribution and equity
 - ↻ Programs targeted to the “shocked” (those with large changes in welfare and income) not the poor alone
 - ↻ Suggests programs with universal eligibility with a floor of support for the chronic poor



(Monitoring) and Evaluation

- ◆ The stage in the program cycle in which an evaluation is implemented determines the type of evaluation that can be conducted –
 - ↻ Plan, implement at beginning of program cycle, pilots are a good idea (early planning, rich evaluations vs. . . .);
 - ↻ Evaluations can be conducted in low information environments
- ◆ Determine what program/policy questions should be answered before evaluating – can't answer everything!
 - ↻ Needs Assessment vs. process monitoring vs. Impact evaluation
 - ↻ Garbage in, garbage out



(Monitoring) and Evaluation

- ◆ Quantitative and Qualitative evaluation techniques are complementary, not substitutes
- ◆ Monitoring and Evaluation are different, but also complementary
 - ⌘ Monitoring looks at program processes and intermediate outcomes
 - ⌘ Impact evaluation assesses program objectives -- the true impact of the program on participants
 - ⌘ Use monitoring systems for information to base and guide evaluation: data on costs, transfer amounts, beneficiaries, etc.



That's All, Folks!

