

Protecting the Vulnerable:

The Design and Implementation
of Effective Safety Nets



December 2 - 13, 2002
Washington, DC

The World Bank

Weaving the Social Safety Net

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Dec 3, 2002

Outline

- Outline process
- Summarize consensus on interventions
- Margaret's personal prejudices

Part I: Weaving the Social Safety Net

Based on SP PRSP Sourcebook

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Starting point

- Appropriate composition and size of safety net will vary from place to place and time to time depending on
 - Needs, constraints, politics, history, etc.

Steps in process

1. Evaluate needs
2. Evaluate effectiveness of individual programs
3. Decide on mix of programs
4. Formulate action plan

Step 1.

Evaluate Need for SSN Interventions

- sources of risk and vulnerability?
- which groups are most affected?
 - Chronic poor always below poverty line
 - Occasional poor around poverty line
 - Special groups
- should safety net programs be used?
or other interventions?

Table 4: Argentina: Risks by age group, leading indicators of risks, and potential interventions

Age Group/ Poverty Rates	Main Risks	Leading Indicators (value for lowest quintile)	Covering the Gap with Strategies of:		Role for Other Sectors	Role for Social Protection
			Risk Prevention	Risk Coping		
0-5 Years 12% very poor 43% poor	Stunted development	Malnutrition Pre-school /ECD program coverage (22%)	Increase coverage of ECD programs	Care of malnourished	PHC Services Pre- school education	Early Child Development Programs (ECD)
6-14 Years 13% very poor 45% poor	Poor education quality (low human capital development)	Late entry (8%) Grade repetition (27%)	Reduce repetition, late entrance, raise quality	Remedial education	Improve primary school quality Improve secondary school access/ quality	Scholarship/ return to school incentive programs
15-24 Year 7% very poor 31% poor	Low human capital development (education quality/ attainment) Unemployment/ low wages Inactivity (violence, substance abuse, etc.)	Secondary school enrollment repetition (62%) Unemployment (33%)	Raise secondary school enrollment Sex education Employment	Remedial education Scholarships/ income support tied to school attendance Youth programs	Labor-intensive growth and labor market reforms	Unemployment insurance Workfare/income transfers
25-64 Years 5% very poor 23% poor	Low income	Unemployment (23%) Below poverty earnings (under- employment)	Labor-intensive growth Flexible labor market	Workfare programs Income support Remedial education Targeted training/ job search assistance		Social security (contributory pensions) Non-contributory pensions (income transfer)
Over 65 Year 1.4% very poor 13% poor	Low income	Pension coverage rate (55%)	Increase coverage of SIJP system for future elderly	Increase coverage of non-contributory pensions	Provision of health services. Mortgage facilities, infrastructure investment	Health insurance Housing subsidies
General Population 7% indigent 29% poor	Poor health care Poor housing /lack of basic infrastructure	Health insurance coverage (35%) Running water (66%) Sewerage (53%) In flood-prone area (28%)	Health insurance Savings/mortgages Investment in water, sanitation provision Titling programs Relocation	Health care Housing subsidies		

Source: "Argentina: Managing Social Risk", World Bank, draft January 2000. Notes: Rates based on the 1998 Encuesta Permanente de Hogares, which covers 70% of the urban population. Surveys in two rural provinces estimate extreme poverty rates of at least 30%, and poverty rates of about 75% (World Bank, 1999). Rates are calculated for the following age groups: 0-4 year olds, 5-14 year olds, 15-24 year olds, average of 25-39 and 40-64 year olds and over 65. The unemployment rate is calculated for 15-64 year olds.

Table 5: Priority vulnerable groups, and potential interventions in Malawi

Groups—by order of priority	Estimated size	Proportion of the population	Potential interventions
Those who cannot provide for themselves (disabled, elderly, infirm not supported by their community/family)			<ul style="list-style-type: none"> targeted direct transfers (through local communities?)
AIDS orphans	500,000	5 %	<ul style="list-style-type: none"> targeted transfer program through NGOs/communities nutrition supplementation for malnourished children
Female-headed households	2,700,000	27 %	<ul style="list-style-type: none"> targeted transfer program
Landless (with less than 0.2 hectare)	1,000,000	10 %	<ul style="list-style-type: none"> public work program targeted starter pack (through voucher for work scheme) targeted transfer program (by local communities?)

Source: World Bank, "Malawi Safety Nets for the Poor 2000-2020," November 1999 draft.

1. Do you need an SSN or some other intervention?

- **Risk:** bad harvest
- **Possible approaches:**
 - Irrigation project
 - Drought resistant varieties
 - Crop or weather insurance
 - SSN – public works or transfers

Step 1: notes on methods

- Mix of data sources
 - household survey data -- distribution
 - administrative data
 - qualitative methods
- Different possible classification schemes
 - **source of risk** (health, natural disaster, harvest, economy wide, etc.)
 - **age**
 - **source of livelihood or region**

You'll see more:

- Public expenditure session (yesterday)
- Risk and vulnerability session (yesterday)
- Exercises (this afternoon)

Step 2. Evaluate the effectiveness of SSN interventions

- data availability
 - budget, program records, expert opinion, qualitative assessments and participatory processes, household surveys, impact evaluations
 - usually insufficient now, so
 - make do
 - set in place for later
- range of interventions
 - policies/regulations and programs
 - public (anywhere in gov't not just MSW)
 - NGO, private
 - market

Box 5: List of “Interventions” for Potential Consideration

Examples of Public Programs and policies

- Food for work/labor intensive public works
- Social funds
- Agricultural input subsidies (prices or vouchers)
- Energy subsidies
- Food price subsidies
- Housing subsidies
- Food rations
- Food stamps
- School feeding programs
- School fee-waivers/scholarships
- Family assistance
- Employment legislation – hiring and firing rules (including severance), contracting for labor, minimum wages, etc.
- Unemployment assistance
- Job search assistance
- Unemployment insurance
- Job retraining programs
- Integrated savings account
- Health insurance
- Needs based cash social assistance
- Pensions rules and expenditures (contributory and non-contributory)

Examples of Market Based Risk Management Mechanisms

- Savings or credit from commercial outlets or NGOs
- Crop insurance
- Property insurance
- Private pension plans
- Private insurance for health, disability, life

Examples of Informal Safety Nets or Transfers

- Exchange of labor (for farming, construction etc.) between households
- Transfer of cash, food, livestock etc. between households
- Child Fostering
- Dissaving—selling of assets, livestock, farm equipment, jewelry etc., drawing down savings
- Migration
- Tied labor
- Share cropping
- Savings or Insurance associations or societies –tontines, burial societies

Step 2. Evaluate the effectiveness of SSN interventions

- Determine cost- effectiveness (sec 3.3)
 - Poverty objectives (*what is meant to do?*)
 - Poverty outcomes (*what has done?*)
 - Cost-effectiveness (*how efficiently?*)
 - Sustainability:
 - Targeting:
 - Administrative Costs:
 - Institutional Structure:
 - Unintended effects:
 - Constraints:
- Compare to international experience

You'll see more:

- A bit here
- Appendix in PRSP sourcebook
- Primer papers on interventions
- Intervention sessions
- Evaluation session

Step 3. Decide on program mix

- Options
 - modify existing programs
 - implement new programs
 - remove old programs
 - change budget envelope

[bearing in mind constraints on budget, administrative capacity, political economy, etc.]

Criteria for judging program mix

- Impact on poverty

Criteria for judging program mix

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- Proxies thereof:
 - fit with context
 - institutional feasibility
 - political viability
 - fiscal feasibility
 - feasibility of bringing reforms to scale
 - cost-effectiveness
 - will prevent irreversible losses?
 - will improve balance among target groups?

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 - will improve balance among target groups?
 - benefits growth or social insurance too

2. Examples of mix of programs

Korea, financial crisis –

Marked increase in open unemployment →

Public works program

Mexico, tequila crisis –

General drop in wages, much more than increase in open unemployment →

Protected access to social services for working poor

Avoid common pitfalls

- **Unrealistic expectations**
(instead of macro stability, poverty reduction)
- **Conflicts between policy and programs**
- **Too many programs**
(low coverage, benefits, high overheads)
- **Too little coordination**
(overlap, synergies)
- **Imbalance in target groups**
formal sector, “virtuous groups”, excluded groups
- **Too little evaluation, fine-tuning**

You'll see more:

- La Libertad – Thurs afternoon exercise
- 4 sessions on context Tues & Wed
- ? Group presentations?

Step 4: Design Action Plan

- Costs
- Time line (critical path)
- Responsible party

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- Costs
- Time line (critical path)
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- Messages from discussions of PER, institutions, political economy

Part II

Summary of consensus on
interventions

Needs-based cash transfers

Pros

- Theoretical least-cost solution
- Low overheads
- Consumer sovereignty

Cons

- Work disincentives
- Limited political popularity
- Consumer sovereignty

Needs-based cash transfers

Key design features

- Targeting mechanism
- Way to conduct millions of financial transactions
- Keep disincentives manageable

Appropriate contexts

- Where design features can be managed
- Personal and widespread shocks

Conditional Cash Transfers

Pros

- Tie long and short-run actions together
- “co-responsibility”
- Demand side tool for health and education
- Can address gender biases

Cons

- Costs high per newly served child (b/c most served already)
- Exclude families w/o kids of right age
- Require good quality and accessible services

Conditional Cash Transfers

Key design features

- Good targeting (often proxy means tests)
- Way to verify conditions met
- Way to disburse cash to millions

Appropriate contexts

- Where poverty chronic, HK outcomes low despite good services
- Not so good in crisis – targeting not sensitive
- Where costs transfer in with costs of services

Near Cash Transfers

(food stamps, rations, etc.)

Pros

- Sometimes more politically acceptable than cash
- Lower overheads than in-kind
- Consumer sovereignty if infra-marginal
- May increase share spent on food

Cons

- Needs reclamation chain
- If rations, back-door sales

Near Cash Transfers

(food stamps, rations, etc.)

Key design features

- Targeting
- Reclamation chain
- Confidence on part of reclamation chain

Appropriate contexts

- En route from food subsidies to cash transfers
- Where cash desirable but not politically ok
- ??where easier to do reclamation chain than cash transfers??

Food price subsidies

Pros

- Low errors or exclusion
- Politically popular

Cons

- High errors of inclusion
- Usually distorts production and marketing incentives
- Expensive and hard to control budget

Food price subsidies

Key design features

- Good with negative or low price elasticity
- Suitable distribution chain

Appropriate contexts

- Few, occasional emergencies
- Reformed versions where elimination not feasible

Utility Subsidies

Pros

- Sector-specific way of ensuring access to basic services
- Politically popular

Cons

- Usually badly targeted
- Usually big disincentives for enterprises

Utility Subsidies

Key design features

- Poor have access to service grid
- Way of targeting

Appropriate contexts

- Step in sectoral reform process
between cross-subsidies and other SSN
mechanisms

Fee Waivers for Health and Education

Pros

- Maintain access to basic services where there are fees
- Fee structure itself may help raise funds/quality or improve incentives

Cons

- Very hard to do well

Fee Waivers for Health and Education

Key design features

- Targeting system
- Hard budget constraint to local service or entitlement budget
- Reimbursement to providers

Appropriate contexts

- Wherever fees an important barrier to access to basic services

MCH Supplemental Feeding

Pros

- Address biological vulnerability
- Can be inducement to receive health and nutrition education services
- Politically popular
- Food aid often available

Cons

- Link transfer to nutrition is tenuous
- May disrupt health and nutrition services
- Storing and transporting food is expensive

MCH Supplemental Feeding

Key design features

- Targeting
- Adequate health/nutrition services
- Ration size

Appropriate contexts

Controversy – some say broadly, others rarely

School Feeding

Pros

- Can improve enrollments, attendance, concentration, and thus maybe learning
- Vehicle for micro-nutrients
- Politically popular

Cons

- Not likely to improve nutritional status
- Often expensive and (nearly) universal

School Feeding

Key design features

- Low cost foods
- Timing of feeding
- Don't disturb teachers' duties
- Targeting

Appropriate contexts

- Very common in MICs, some in VLICs

Public Works Jobs

Pros

- Self-targeting
- Can do useful works
- Maintain dignity of work
- Politically popular

Cons

- Low net transfer to total cost ratio
 - Low share wages in total
 - Foregone earnings
- Administratively demanding

Public Works Jobs

Key design features

- Low enough wage
- Good enough works
- (targeting, participation in works)

Appropriate contexts

- Many – for personal and widespread shocks

Social Funds

Pros

- Can use/foment local and NGO initiatives
- Focus can vary – employment, services, social capital
- Often hear it's only govt service to reach poor

Cons

- Won't solve systemic problems in social services
- Conundrum on targeting demand-driven programs

Social Funds

Key design features

- Menu of projects
- Project cycle (selection, contracting, etc.)
- Role of community

Appropriate contexts

- Many because of possible variation in goals & as tool to foment small initiatives

Micro-finance

Pros

- Provides fishhooks
- Increases incomes, maybe employment in sustainable way
- Maintains work incentives

Cons

- Institutional development critical and slow

Micro-finance

Key design features

- Credit – high collection rates
- Savings – easy deposit mechanisms, confidence
- Interest rates - market

Appropriate contexts

- Many as development program
- Rarely possible to quickly expand in post-crisis setting and maintain good discipline

Margaret's personal prejudices

- **Public works useful in many places**
 - VLIC, post-crisis, post-natural disaster, post-conflict
 - less so where good infrastructure, working poor
 - must do useful work
 - cost-effectiveness, context, growth, exit strategy, politics
- **Cash/food stamps for malnourished**
 - wherever mother-child malnutrition a problem
 - linked with use of services and nutrition education
 - growth, irreversible damage, self-targeting, exit strategy, politics

Margaret's personal prejudices

- Needs based cash
 - where SI programs advanced, coordinated
 - cost-effectiveness, SI
- Undecided on categorical cash
 - context, cost-effectiveness, political economy
- Agnostic on food stamps vs cash, dislike food
 - political economy, cost-effectiveness
- Fee waivers hard, but often necessary
 - context, irreversible damage, growth

Margaret's personal prejudices

- Skeptical of school feeding
 - too late for nutrition
 - cost-effectiveness for education
- Wary of programs w/ big benefits for few (housing, daycare)
 - fiscal, cost-effectiveness
- Micro-finance rarely a safety net, but good for growth
 - institutions
- No to general price subsidies
 - cost-effectiveness, fiscal

Margaret's personal prejudices

- Appropriate place in development agenda (macro stability, poverty reduction)
- Rather reform existing program
- Implementing well what you have much more important than optimal mix

Fact Sheets - outline

- international experience
- institutional structure
- typical benefit level
- typical coverage
- usual targeting mechanisms
- range of targeting outcomes
- incentive effects for household
- political economy
- best suited to these groups
- additional sources

Coverage of Fact Sheets

- Labor intensive public works
- Social Funds
- Agricultural Input Subsidies
- Energy Subsidies
- General Food Price Subsidies
- Housing Subsidies
- Food Distribution/ Stamps Programs
- School Feeding Programs
- Scholarship or Fee-waivers for Schooling
- Unemployment Benefits
- Severance Pay
- Wage Subsidies
- Job Search Assistance
- Training Programs
- Micro-Enterprise Development Assistance
- Fee Waivering in Health
- Needs-Based Cash Transfers (Social Assistance)
- Pensions - Mandatory Contributory Schemes
- Pensions -- Noncontributory Schemes Disability Inclusion
- Family Allowances

Pros

Cons

Key design features

Appropriate contexts