

Comment on ‘The Role of Social Risk Management in Development: A World Bank View’

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1 Introduction

The world is a risky place. Many of us reading this *IDS Bulletin* will have ample ways of dealing with risk. A look through my ‘to pay’ box at home reveals bills for home and car insurance and for credit cards. I have a five-year employment contract with IDS, a university pension, and should something happen to my health, I can draw on government disability benefits or the National Health Service. I am able to live in an area of the UK that does not suffer from high levels of crime or violence. I am able to live and work in a part of the world that is not in the middle of a war zone and does not suffer from catastrophic flooding or earthquakes.

I suspect that people with these choices represent a small minority of the world’s population. For the majority, risk is a daily reminder of the fragility of their livelihoods, lifestyles and lives. So I was a fan of the Holzmann and Jorgensen approach on the need to seriously champion the management of risk – both from an equity and a growth perspective – within the World Bank and within the development economics profession more generally.

This article by Holzmann and Kozel is a good reminder of the elegance and practicality of the approach dubbed by the World Bank as ‘Social Risk Management’ (SRM). The principles upon which it is founded – that people with low incomes are more exposed to shocks and have fewer market and state instruments to be able to prevent and mitigate risk – seem sound and have not been seriously challenged by new empirical analyses. Table 1 in the article is an excellent summary of the breadth and depth of the SRM approach.

However, for me, the article does not create the impression of a framework that is continually benefiting from new learning and thereby evolving. In particular, I would have liked the article to have told me of exciting developments in the following directions:

2 Has SRM really changed people’s minds about the need to address risk?

As I mentioned in my introduction, I liked the SRM approach, but this is because it reinforced my own sense of the importance of these issues. It spoke to my world view. But has it actually convinced those who think that growth is the be-all and end-all of development? Those who are content with rising average numbers and who consign the rest as mop-up? It would be fascinating to know how the SRM framework has changed the thinking of some of the research economists at the World Bank and how it has changed the design of Bank lending outside of the social protection area. Attribution is a difficult issue – and I found myself wondering if some of the claims in the article represented overreach – but it is worth a serious analysis. My experience is that one’s attitude to SRM and the need for social protection reflects deeply-held beliefs and values. How were they formed and what might create the space for them to be revisited? And when did SRM help alter them and when did it not? In essence, what has been the additionality of SRM?

3 The almost exclusively economic focus of SRM

This is an easy observation to make, and a reflection of a larger organisational commitment within the World Bank to mono-disciplinarity. But the failure to engage politics, anthropology, geography, sociology and psychology really matters here – after all, the ‘S’

in SRM stands for 'social'. On anthropology and psychology, do those who formulate SRM frameworks and social policy interventions really have the same concepts of risk as those living on US\$2 a day? What do the risk calculations of the latter really look like? How rationally are they played out, even with full information? To what extent do tradition, emotion and external factors influence choices made? On politics, how do civil society and the state negotiate over spending in these areas? Is this something that civil society cares about? Is it something that the state has the capacity to address? How intertwined has social protection become with local politics? Can social protection initiatives based on SRM generate their own risks – either intensifying extant risks or creating new ones?

In terms of institutional arrangements for addressing social protection, even though many of the risks are idiosyncratic, the responses are monolithic – the same programme, delivered in the same way, by the same people. Health systems in the developing world are not developing along Western lines and they perhaps never will. What does the future hold for social protection schemes – the uniformity of the successful *Oportunidades* programme, or a more pluralistic system that suits a population's needs but is less easy to 'roll out' – and what determines that future vision? Politics, culture and capacity will have a lot to say here, not just the traditional economic trip-wires of budget costs, crowding out and economy-wide effects. What does SRM have to say here? How can it be adapted to learn from – and by learning from – these experiences?

This exclusive focus on economics also tends to monetise outcome indicators. SRM-influenced social protection is successful if it puts a floor under incomes, if it reduces inequalities in incomes, if it means that consumption does not vary as much as income, if it reduces the probability of future income declines, if it helps to optimally diversify incomes (some combination of orthogonality of source and intensity of investment in developing the source), and so on.

4 The failure to distinguish between realised risks which have irreversible effects and those which do not

Some realised risks or shocks result in a temporary change of circumstances and some result in a more permanent change. Some of these shocks or risks are easy to categorise. We know that nutrition risks

for foetuses in the womb and for children less than 18 months old are permanent. We know that climate changes are likely to be around for a while, even if carbon emissions were to drop to target levels today. We know that HIV/AIDS is going to shorten life and probably reduce the quality of life until death. Some major illnesses, unemployment spells, and weather events are temporary in their effects, in the sense that they do not irrevocably change the landscape upon which future poverty reduction has to occur. The article mentions the fact that some risks or shocks have permanent effects, but it does not tell us how the SRM framework helps to shed light on the policy responses to these different risks and is, in fact, modified by this distinction. Holzmann and Kozel's excellent Table 1 is silent on this. Irreversibility does not map neatly into the idiosyncratic and aggregate categories, nor does it map neatly into sectors.

5 The usefulness of SRM in assessing combinations of risks

Risks do not usually come along one at a time. The way in which a combination of risks is realised is unpredictable with potential trade-offs. How does one address drought risks in areas affected by HIV/AIDS risk? Greater mobility has to be weighed against greater infection risk. How can employment risks be managed in areas where conflict risks must first be managed? More networking leads to more opportunities for others to exploit. How can income-diversifying risk management take place in a context of governance risks such as corruption and expropriation? More income sources mean more chinks in the armour for new risks to wiggle into. What does SRM have to say about these variant risks? How would it have to be changed to be more useful in the face of new types of risk?

6 A lack of reflexivity about SRM

I use reflexivity as the ability and willingness to take a self-critical look at what one is doing and how one is doing it. I realise that the authors were asked by the editors to give a World Bank view on social protection, but they have chosen to give a World Bank view that draws only on World Bank sources. The only non-Bank document cited is from Stefan Dercon, whose views are similar to those of the authors. It would have been so refreshing to demonstrate a willingness to bring the sceptics' concerns out into the open and perhaps demolish a few and agree with a few others. True reflexivity is

difficult to achieve, but again, where so much of the risk terrain is open to contestation from other disciplines, other values, norms and rules, it seems imperative that the Bank tries to do so.

In conclusion, this note is not intended to represent a sustained tearing down of the SRM framework. Quite the contrary. But the conditions in which SRM was born can no longer be counted as constraints. There is a greater openness to other disciplines being influential in development research – at the Bank and elsewhere; we have some experience of operationalising social protection that should

highlight what works, where and why; we have a better understanding of how risks combine; we understand more about irreversibility; and we know more about the blind spots of economic rationality from behavioural experiments.

Greater movement into such new spaces will, I believe, greatly strengthen the SRM framework by transforming it into a more flexible and pliant framework – one that can be adapted to help address risks that are unknowable, unanticipated or, as yet, unimaginable.