

# Social Protection for Poverty Reduction: The OECD/DAC/POVNET View

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## 1 Unlocking the human potential of the poor majority

It is characteristic of our Nordic approach to development cooperation to focus attention on the social dimension of development, and to favour policies that aim to achieve the following: poverty reduction, pro-poor growth, people-centred development, social protection and decent work. In this article, I try to unpack these different concepts, and describe an evolving framework that incorporates these concepts for purposes of policymaking.

Nordic governments tend to support – and have lobbied for, notably in the UN General Assembly, ECOSOC and the Commission for Social Development – a very comprehensive approach to social development. This has variously been coined ‘Comprehensive Social Policy Approach’, ‘Society for All Approach’, or even ‘Decent Work Approach’. This holistic approach can appear confusingly broad, especially from the point of view of large agencies (e.g. the World Bank, the European Commission, British DFID, or the ILO), which often regard social protection, social development, employment and pro-poor growth as separate sectors or specialised areas of professional expertise. By addressing these different concepts in ‘silos’, these organisations are effectively fragmenting the essential building blocks of an integrated and coherent national socioeconomic policy framework. Finland and other Nordic countries have been at the forefront in breaking down these sectoral divisions in social policymaking.

This article specifically discusses the efforts of donor government representatives, mainly within the OECD/DAC/POVNET framework (see below), to come to grips with the array of concepts and

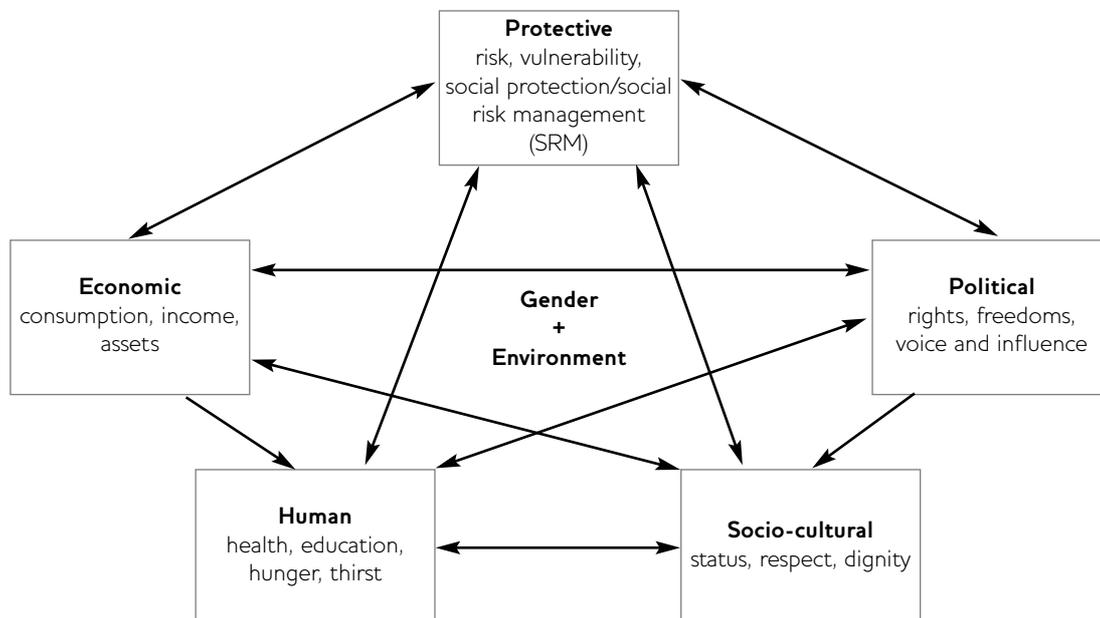
frameworks used for social development, social policy and social protection in the various OECD countries and multilateral agencies. This article is based on the experiences of the author as chair of the POVNET Task Team on Social Protection and Social Policy.

## 2 DAC-POVNET and the multi-dimensionality of poverty eradication

The Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) is the joint ‘think-tank’ of industrialised governments. Concepts that are now widely used by donors, such as ownership, partnership, poverty focus, results orientation (MDGs) and harmonisation all emerged from the DAC, before being endorsed by the global community in the Millennium Summits and Declarations of the United Nations. The Poverty Reduction Guidelines drafted by the OECD/DAC’s Poverty Network (POVNET) were instrumental in introducing the ideas of multi-dimensionality and context-specificity of poverty, and the need for policy coherence, to the current poverty-focused normative development policy agenda at the UN level, as well as to the country-level Poverty Reduction Strategy (PRS) agenda. The most important and influential innovation of the POVNET during its first phase of work in 1999–2001 was the multi-dimensional framework of poverty (Figure 1).

In the period 2004–6 the POVNET focused on the theme Pro-poor Growth, as the one among several areas of multi-dimensional poverty reduction where the most radical donor rethinking was considered necessary. This was because the assumed ‘invisible hand’ of the market was not ‘trickling down’ benefits

Figure 1 POVNET's multi-dimensional poverty framework (POVNET-01)



of growth to the poor in the way that liberalisation programmes had promised. Even in countries like Tanzania, Mozambique and Uganda, with GDP growth rates as healthy and high as the IMF could wish for, growth was not translating into reductions of multi-dimensional poverty, as measured by the MDGs. Something was wrong with the pattern of growth – growth was taking place in only a few isolated sectors and regions, while the majority of people of these nations were neither participating in, contributing to nor benefiting from that growth.

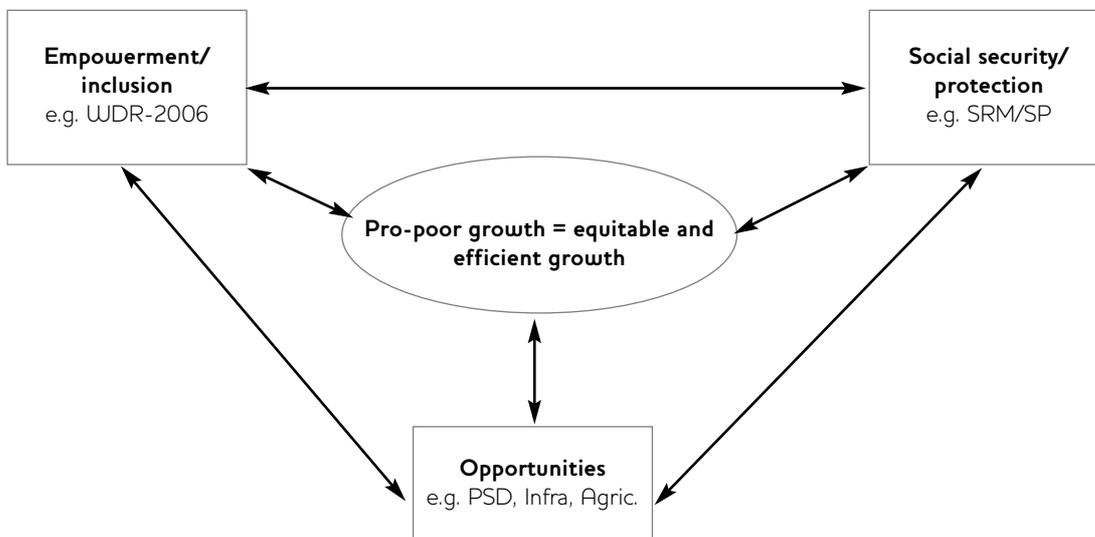
Three POVNET Task Teams took on the challenge to rethink donor approaches in the fields of agriculture, infrastructure and private sector development. One of the major themes and challenges that emerged from their work was ‘risk and vulnerability’. The contributions of the majority of poor women and men to national economic growth were clearly constrained by their inability to manage and tolerate the risks and vulnerabilities that active engagement in market economies requires. In countries where the majority of people are poor, national economic growth will clearly remain sub-optimal unless and until the human potential of the poor majority could be unlocked by inclusive policies and reliable social risk management mechanisms.

A common finding of POVNET's agriculture, infrastructure and private sector development Task Teams was that the lack of reliable risk management and social protection mechanisms was a major barrier to pro-poor economic growth and poverty reduction. In order to reduce their vulnerability to unmanageable risks, poor households often engage in low productivity and low profitability businesses and livelihoods, for the simple reason that these are less risky than high productivity/profitability alternatives. A reduction in risks faced by poor people – and/or the availability of reliable social protection instruments – can help to stimulate growth by encouraging people to engage in higher risk/higher profit activities. Less risk also means that people do not have to fall back on coping strategies that can lead to permanent and debilitating levels of poverty (e.g. selling their assets or depriving their children of schooling and health services).

**3 Social protection and social policy: the POVNET debate about how to achieve pro-poor growth**

At the initiative of the governments of Finland, Germany and the UK, in November 2004 the POVNET started a new Task Team on Risk, Vulnerability and Social Protection (TT-RV/SP). Other

**Figure 2 Pro-poor growth results from a balance between empowerment, security and opportunity**



Source EU (MS + EC + partners) Brussels, 9 October 2006, Timo Voipio, MFA–Finland timo.volpio@formin.fi

members of this Task Team are Canada, France, Ireland, Japan, the Netherlands, Norway, Sweden, Switzerland and the USA. Of the multilateral agencies, UNDP, ILO, WFP, the World Bank and UNICEF have participated actively. Now increasingly, also partners from the Global South have been invited and are included in the e-mail exchanges and face-to-face meetings.

In its first phase of work, the TT-RV/SP concentrated most of its effort on making constructive contributions to the POVNET's main output, the 'Overarching Paper on Pro-poor Growth'. In that paper, the TT-RV/SP argued that the 'economic' sectors (such as agriculture, infrastructure and private sector development) alone could not be expected to generate pro-poor growth, but that with a balanced approach combining economic opportunities, social protection and inclusion/empowerment, equitable and efficient pro-poor growth could be achievable (Figure 2).

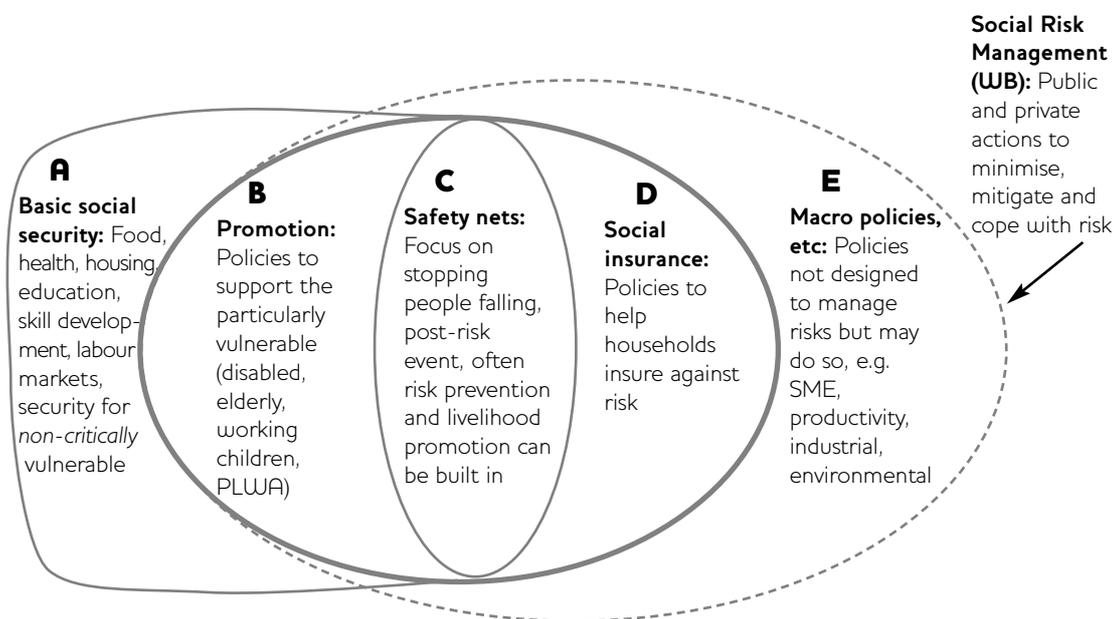
After much dialogue and negotiation between advocates of the more econometric way of thinking and those supporting a more social approach, a compromise language was found that satisfied both. The key message of the POVNET Overarching Paper turned out as follows: 'Rapid and sustained poverty

reduction requires pro-poor growth, that is, a pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to and benefit from growth'.

Developing countries with similar rates of economic growth have experienced quite different levels of economic poverty reduction, depending on initial conditions and on whether growth occurs in areas and sectors where the poor live and are economically active. Comprehensive and equity-oriented social and employment policies need to create enabling conditions and remove the obstacles to the participation of the poor in the growth process, e.g. by increasing access to land, labour and capital markets and by investing in basic social services, social protection and pro-poor infrastructure.

Inequality of assets and opportunities hinders the ability of poor people to participate in and contribute to growth. High and rising levels of income inequality lower the poverty reduction impact of any given rate of growth, and can reduce the political stability and social cohesion needed for sustainable growth. Gender is a particularly important dimension of inequality. Women face particular barriers concerning assets, access and participation in the

**Figure 3 Mapping different actions related to risk and vulnerability: diverse concepts used by various donors**



- Social Protection = B + C + D (Contingent SS?)
- Basic Social Security = A; Extended SS = A + B + C + D
- Social Assistance = B + C; Social insurance = D; Safety nets = C
- Social Risk Management (WB) = B + C + D + E; 'Nordic SRM' A + B + C + D + E (springboard)

Source POVNET–Lisbon 2–4 October 2006, Timo Voipio, MFA–Finland timo.volpio@formin.fi

growth process, with serious implications for the ability of growth to be pro-poor. Experience shows that rising inequality is not an inevitable consequence of economic growth, as long as there is a mix of social, economic and employment policies that address both growth and distributional objectives, strengthen empowerment and deal with gender and other biases (e.g. race, caste, disability and religion).

Finally, along with greater human and social security, increasing the economic security of the poor pays a double dividend: (1) helping to sustain faster growth, and (2) bringing about a pro-poor pattern of growth. Taking advantage of opportunities requires taking risks – producing new crops, entrepreneurship, moving to new areas and jobs all involve risk. With their meagre incomes, the poor are especially vulnerable to the potential consequences of risk-taking and hence are reluctant to take on additional risk. Risk prevention, mitigation or coping policies and strategies that reduce vulnerability to risk, such

as increasing the reliability of agricultural incomes, deepening insurance markets through public-private micro-insurance and re-insurance arrangements, so that they reach the poor and provide credible social protection, are thus important for pro-poor growth. Policies that provide greater incentives to combine pro-poor growth with sustainable use of natural resources often contribute to reducing the vulnerability of the poor.

Escaping poverty is not a one-way journey. Shocks caused by natural disasters or man-made crises may cause economic contraction and huge numbers of people can fall back into poverty. It is important therefore to have in place reliable social protection instruments that may be deployed rapidly to cope with natural disasters and man-made shocks, to avoid extreme deprivation for the poor and the loss of their human, financial and social capital in their desperate attempts to cope. If the poor are forced to sell or deplete the very assets that they need to earn

better incomes, they will be less likely to escape poverty in future, resulting in 'poverty traps'. Policies that prevent extreme deprivation, such as 'employment guarantee schemes' (to build community infrastructure) can be useful in this regard. Where poverty traps exist, cash transfers that are conditional on the poor building human assets by accessing health and education for their children should help, such as Brazil's *Bolsa Familia* or Mexico's *Progresa/Oportunidades* (Farrington et al. 2005).

Addressing barriers for people with disabilities to find productive employment may also pay high dividends, as small changes in levels of accessibility may allow sizeable parts of the workforce to live productive lives. Providing basic social security such as non-contributory pensions (South Africa) or cash transfers to the poorest (Zambia) can help to prevent extreme deprivation among the elderly, chronically infirm or extreme poor.

#### **4 The double challenge of social protection as a key element of pro-poor growth but also as a rights-based responsibility to care**

The work of the POVNET Task Team on Risk, Vulnerability and Social Protection was supported by a series of commissioned papers.<sup>1</sup> The concept papers, written on the basis of contributions by and discussions among the POVNET members representing various bilateral governments and agencies, helped members to understand each other better. The concepts and frameworks used in various countries, languages and organisations for social protection policy and development differ substantially, although the underlying aims and objectives are often much closer to each other than the concepts used to describe them.

One concept paper discusses differences in agency approaches and illustrates the diverse concepts used by the various partners for social protection, social security, social safety nets, social insurance, social risk management, social promotion and social policy (Figure 3). In spite of its clumsy appearance, this diagram turned out to be a very useful tool: the members could agree to disagree on the concepts, while disagreeing much less on the ultimate objectives.

The work of the TT-RV/SP continues into the new phase of POVNET's work until 2008, this time under the name 'POVNET Task Team on Social Protection and Social Policy' (TT-SP). The goal of this Task Team is to draft DAC Guidelines on social protection and broader social policy in development by the year 2008. The Social Protection and Social Policy Task Team continues to argue that for growth to be rapid and sustained, it should be broad-based across sectors and regions, employment-intensive and inclusive of the large part of the workforce that poor women and men make up. In the current phase of work, the TT-SP works in close cooperation with related Task Teams focusing on the theme 'Employing the Poor', a new POVNET work-stream.

In the 2006–8 phase, the TT-SP has decided to expose these initial, tentative ideas to critical scrutiny by and dialogue with development partners in the Global South. POVNET interaction with donor country offices and developing country Social and Employment policy authorities and constituencies will take place wherever possible – for instance in Roundtable discussions facilitated by the African Union, NEPAD, UN-DESA, the Helsinki Process, among others, but also partly as coordinated and harmonised joint missions and events organised officially by several donor governments under the flag of the OECD-POVNET.

As I often say, Paris – and the OECD – is not the centre of gravity in the world. It is much more important to discuss these issues at the country level, in regional consultations as well as at the UN, which is a much more democratic global forum for normative policymaking than the OECD, which is a rich country club. However, POVNET is just about the only place where we can enter into constructive dialogue about these issues with some of those large and powerful donor governments who otherwise seldom take part in what we call 'like-minded' cooperation with us. Therefore, the effectiveness of the time we invest in POVNET work should be judged by asking: How much will POVNET's consensus-building work help us to achieve progressive consensus among all country groups, also at the UN? In the past, POVNET has had this function. Time will tell what will happen in the future.

**Note**

- 1 These papers were written by experts from IDS Sussex, ILO and ODI. The four draft papers – on social protection concepts, instruments, policy

linkages and cash transfers – produced by the POVNET Task Team on Social Protection and Social Policy are all available at the POVNET website: [www.oecd.org/dac/poverty](http://www.oecd.org/dac/poverty)

**References**

Farrington, J., Harvey, P. and Slater, R. (2005) *Cash Transfers in the Context of Pro-poor Growth*, Hot topic paper for OECD/DAC POVNET Risk and Vulnerability Task Team, Paris: OECD/DAC