DAC Network on Poverty Reduction

SOCIAL PROTECTION, POVERTY REDUCTION AND PRO-POOR GROWTH

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SOCIAL PROTECTION, POVERTY REDUCTION AND PRO-POOR GROWTH

Key messages for development partners

- Social protection is an essential investment that contributes to economic growth and makes growth more pro-poor while directly reducing poverty.

- Social protection can be affordable, even for low-income countries, and efficiently tackles poverty.

- Development partners play a critical role in enabling national social protection initiatives, particularly through dependable funding aimed at leveraging sustainable government finance.

I. Why social protection?

1. An emerging evidence base in developing countries is documenting the potential of social protection and empowerment (SPE) to tackle poverty, stimulate economic growth and enhance growth’s effectiveness in reducing poverty. Poverty reduction depends on sustained growth, which in turn requires complementary initiatives that share the economic benefits and promote developmental outcomes. For pro-poor growth policies to emerge, the poor need to be informed and empowered to influence a policy making process that is accountable to their interests. Without political empowerment of the poor, policies to address pro-poor growth are unlikely to be implemented.¹

2. Social protection refers to policies and actions for the poor and vulnerable which enhance their capacity to escape from poverty, and equip them to better manage risks and shocks. Empowerment broadens poor people’s freedom of choice and action, expanding their assets and capabilities and enabling them “to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives.”² Social protection promotes empowerment by improving risk management, facilitating higher return investments by poor people. Social protection supports human capital development, expanding the capabilities of poor and vulnerable individuals and helping to break the inter-generational transmission of poverty.

3. National governments and development partners are increasingly recognising the value of social protection and empowerment initiatives in achieving the Millennium Development Goals. Social protection not only tackles income poverty but also provides effective support for broader developmental objectives, including better nutrition and health outcomes and improved access to education. In many countries the main beneficiaries of the interventions are women, promoting empowerment and more balanced gender relations. Social protection strategies are increasingly targeted to

¹ OECD (2007), Promoting Pro-Poor Growth. Key Policy Messages
those afflicted by HIV/AIDS, malaria and other debilitating diseases. Long a vital tool for industrialised countries, social protection is increasingly recognised as an essential policy instrument for poverty reduction and human rights in low- and middle-income nations.

Box 1. Key concepts in this policy statement

- **Hazards** are possible events that can adversely affect people’s welfare.
- **Risk** is the probability or likelihood that a hazard will occur.
- **Shock** refers to the impact on people of the occurrence of a hazard.
- **Vulnerability** is a measurement of exposure to those shocks for which people have little ability to manage the resulting negative impacts.

*Source: Sabates, Wheeler and Haddad (2005); Krech (2007)*

4. The Paris Declaration on Aid Effectiveness (2005) provides a framework for donors to broadly support national development strategies (which increasingly incorporate social protection) aimed at these objectives. Social protection interventions offer promising avenues for operationalising the Paris Declaration in a manner that promotes pro-poor growth while strengthening country ownership of critical initiatives. Social protection also contributes to social cohesion in a manner that strengthens the partnership between citizens and the State. Social protection serves as a societal contract that broadens inclusiveness. Multiple stakeholders including government, development partners and civil society organisations play vital complementary roles in order to reach the poorest. In this way social protection contributes to nation-building and social solidarity, providing a foundation for the political and social stability required for long-term economic growth.

5. Social protection offers a powerful tool for governments and development partners tackling emerging global challenges. In many developing countries HIV/AIDS is eroding customary social protection mechanisms while increasing care burdens, prompting governments to implement and expand social protection responses that strengthen traditional networks. Climate change increases livelihood risks, particularly in agriculture, and threatens health security - for example, by creating new malarial regions that put populations at risk of epidemic. Cash transfers and social health insurance provide effective risk management responses. Recent food price shocks are intensifying poverty and undermine social stability. Increasingly governments and development partners are responding to this challenge with cash transfers that can cost-effectively restore lost purchasing power while fostering developmental outcomes.

6. Through the work of its Network on Poverty Reduction (POVNET), the OECD’s Development Assistance Committee (DAC) has developed some policy guidance for development partners aimed at increasing the impact of social protection and empowerment on poverty reduction. It provides the background on why social protection should become a central theme in development agendas, gives guidance on how to deliver social protection more effectively and lists key features of social protection for development partners’ attention. This guidance is based on available evidence from developing countries and lessons from good practices, elaborated after consideration of a series of topics: i) social transfers and growth in poor countries, ii) social protection and vulnerability across the life-cycle, iii) social protection and empowerment in the context of HIV/AIDS, iv) health and social protection, v) social cash transfers, vi) gender and social protection, vii) the informal economy, social protection and empowerment, viii) social protection in fragile states, ix) affordability of social protection, and ix) climate change, disaster risk reduction and social protection.
II. Social Protection – an affordable response to several development issues

7. Social protection is a pro-poor investment in economic growth that can be affordable even for low-income countries. Social protection encompasses “a sub-set of public actions, carried out by the state or privately, that address risk, vulnerability and chronic poverty.” Different agencies and institutions define social protection in varying ways—reflecting different objectives and approaches. While a consensus definition would contribute to policy harmonisation, an encompassing framework for social protection that positions different definitions into context provides a starting point for examining policy lessons. Social protection can be described (rather than defined) as those public actions (or a system of public interventions) that “enhance the capacity of poor people to participate in, contribute to and benefit from economic, social and political life of their communities and societies.” Development agencies employ a diverse range of formal definitions. All definitions of social protection focus on public actions, while some include private activities. Some focus on the objectives, while others emphasise the constituent instruments. Generally, objectives include tackling poverty (with some qualifications), risk and vulnerability.

Table 1. Components of social protection

<table>
<thead>
<tr>
<th>Public actions</th>
<th>Private actions</th>
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<td>Social transfers</td>
<td>Remittances</td>
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<td>Social insurance</td>
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<td>Minimum standards</td>
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<td>Other public policies</td>
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8. Table 1 illustrates the public and private initiatives that may constitute the building blocks of social protection systems. While the essential elements vary significantly across different social protection frameworks, these are some of the most commonly included instruments. Various forms of remittances constitute the main private intervention protecting the most vulnerable from extreme destitution. Social transfers (both cash and in kind) and other social assistance (including safety nets) offer parallel public initiatives that tackle extreme poverty while strengthening private responses. Private insurance instruments offer a form of social protection in wealthier countries—and social insurance mechanisms help correct market failures and more effectively broaden access to include the poor. Governments also legislate minimum standards in the workplace (and more broadly) to reduce imbalances in economic power. Private sector employers sometimes adopt voluntary standards that offer even greater social protection. Most social protection frameworks include these components. Broader definitions may include social and private services, primarily those that build human capital, such as education, health, sanitation, and community development. In addition, some frameworks consider a wider range of public policies—even macroeconomic policies—as components of social protection.

3 DFID (2005), page 6.
4 OECD (2007)
9. **Social protection is sometimes embedded within a broader social policy framework, which encompasses the wider range of interventions that help to include and integrate the poor and vulnerable into society.** Social policy articulates the conceptual agenda driving social justice and economic empowerment, and social protection encompasses the instruments that tackle poverty and vulnerability.5

10. **Social cash transfers are emerging in many developing countries as a lead social protection initiative tackling poverty and vulnerability.** Importantly, increasing evidence is suggesting that social cash transfers can contribute to pro-poor growth by providing an effective risk management tool, by supporting human capital development and by empowering poor households to lift themselves out of poverty. Social cash transfers can be defined as regular non-contributory payments of money provided by government or non-governmental organisations to individuals or households, with the objective of decreasing chronic or shock-induced poverty, addressing social risk and reducing economic vulnerability.

11. **Non-contributory social protection instruments are the most important types of interventions supporting people in the informal sector.** Social transfers, for example, can strengthen informal systems providing social protection. Community-based mechanisms—such as the community health insurance schemes in the Democratic Republic of the Congo, Rwanda and other African countries—have proved effective at reaching those in informal sector.

12. **Social health protection offers another equity-promoting initiative, including instruments that aim to remove financial barriers that prevent people from accessing health services and threaten as well as protecting people from the impoverishing effects of medical expenditures.** Social health insurance mechanisms better enable “risk-sharing and risk-pooling of financial resources within a society, thereby increasing the amount of prepayment and reducing the reliance on out-of-pocket payments.”6

13. **While humanitarian aid is usually seen as different from social protection, in fragile states this intervention is the most common “public action that enables people to deal more effectively with risk and vulnerability to crises and tackle extreme and chronic poverty.”** Humanitarian aid might be seen as a subset of social protection in fragile states.7

14. **Empowerment means that people, especially poorer people, are enabled to take more control over their lives.**8 Empowerment ensures that poor men and women have a voice in the political and economic decisions that affect their lives. Effective empowerment requires the building of democratic organisations which represent the poor and their interests, ensuring their equal rights and opportunities, including participation in economic life. Policies that support empowerment provide poor women and men with increased personal autonomy and greater control over their livelihoods. Social protection is just one instrument that promotes greater empowerment, which in turn better enables citizens to claim their human rights, including their social protection entitlements as well as the broad-ranging opportunities to participate fully in social, political and economic life.

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6 GTZ GPN (2007)
8 Chambers (1998)
III. Reducing poverty and vulnerability

15. The DAC-POVNET focuses on poverty as a multidimensional problem, with vulnerability as one of the critical aspects. Vulnerability reflects a poor individual’s exposure to shocks (or “hazards”) that threaten well-being, above and beyond her or his ability to cope and manage with the downside of risk. An individual with few developed capabilities or resources might be very vulnerable even in the face of only moderate risk, whereas a well-resourced individual might face substantial risks without significant vulnerability.

16. Risk and vulnerability cause poverty and failing growth. Shocks such as natural disasters, HIV/AIDS, military conflict and personal tragedies can destroy people’s livelihoods and disrupt the provision of nutrition, education and healthcare that children need in order to avoid a lifetime of chronic poverty. In addition, it is not just the direct impact of the shocks that undermine the well-being of the poor and vulnerable. The possibility of shocks creates risk—and the poor must acquire coping mechanisms in order to survive. Without effective social protection, the poorest often develop survival strategies that perpetuate poverty.

Box 2. HIV and AIDS undermine development in sub-Saharan Africa

HIV and AIDS seriously constrain growth in sub-Saharan Africa and destroy hard won development gains. Two-thirds of the 33.2 million people with HIV and AIDS globally live in sub-Saharan Africa and over half of these adults are female. In recent years the number of women and girls testing positive for HIV has increased in all regions of the world.

HIV and AIDS affect adults at the peak of their productivity and earning capacity, with 60% of all deaths recorded in sub-Saharan Africa between the 20 to 49 year old age bracket. HIV and AIDS are uniquely damaging because it is primarily concentrated among adults in their most economically productive years.

Loss of labour and consequently income when a breadwinner falls ill coupled with rising medical costs and ultimately funeral expenses may plunge a household into chronic poverty. The poorest households are most likely to resort to non-reversible coping strategies including the sale of land or livestock or withdrawal of children from school. During a three year survey conducted in Kenya it was found that neither crop production nor incomes returned to pre-death levels within households affected by AIDS. Women, children and older caregivers are the hardest hit as they endeavour to balance care giving and livelihoods with diminishing resources.

Source: Irish Aid GNP (2007), with additional references cited in source.

17. In order to reduce their vulnerability to unmanageable risks poor households often engage in low productivity and low profitability economic activities, only because they are also less risky than high productivity/profitability alternatives. For example, poor farmers may adopt safer but lower yielding crop varieties, helping prevent a slide into absolute destitution but also foreclosing promising opportunities to break free from poverty. As a result, vulnerability to poverty is a major brake on human and economic development. In particular, lack of reliable risk management mechanisms is a major barrier to contributions by the poor to the growth process.

9 OECD (2001), The DAC Guidelines: Poverty Reduction. (The other four relate to economic deprivation and threats to human capital development, empowerment and dignity.)


18. Vulnerability is a cause, symptom and constituent part of chronic poverty. Risks and shocks can decapitalise the poor, and trap them in impoverished positions from which they are unable to escape. Risk can increase the persistence of poverty and even create poverty traps. In developing countries, sickness is one of the most frequent causes of poverty. In turn, poverty is one of the greatest health risks.

IV. Tackling risks and vulnerability

19. Managing poverty and vulnerability is essential for pro-poor growth, especially in societies where the majority of people are poor. Social protection is not only a cost, it is an investment that societies cannot afford not to make (particularly in the face of climate change). The economic and social return to social protection is very high – not just in terms of social policy and equality, but also in growth and multidimensional poverty reduction. Social protection helps the poor accumulate assets and adapt to changing circumstances. In particular, the resulting reductions in risk help to stimulate growth by encouraging people to engage in higher risk/higher profit activities. Risk reduction and management also enable people to avoid falling back on coping strategies that can irreversibly impoverish themselves. Participation of millions of poor people in the growth process as active agents is good for the poor and good for the national economy. There are different and often mutually reinforcing dimensions to social protection, e.g. rights-based approaches, human development, economic growth, democracy and security.

“Social protection is an essential investment that makes growth more pro-poor.”

20. The DAC Guidelines on Poverty Reduction recognised that high growth rates were necessary but not enough to effectively tackle poverty and vulnerability, emphasising the importance of the sustainability, composition and equitable quality of economic growth. Pro-poor growth (PPG) can be defined as the “pace and pattern of growth - of incomes and other necessities of life that poor men and women have reason to value - that benefits poor women and men in absolute terms and in relation to the non-poor by involving them as producers, workers and consumers in the growth process.” Pro-poor growth enhances the ability of poor women and men to participate in, contribute to and benefit from growth. Pro-poor growth also expands the capacity of the state to provide tax-financed services and transfers, including social protection. A key message from the OECD’s policy guidance Promoting Pro-Poor Growth recognises that “empowering the poor is essential for bringing about the policies and investments needed to promote pro-poor growth and address the multiple dimensions of poverty. To achieve this, the state and its policy making processes need to be open, transparent and accountable to the interests of the poor. Policies and resources need to help expand the economic activities of the poor.”

V. Social protection – paths towards pro-poor growth

21. An emerging evidence base demonstrates that social protection and empowerment (SPE) promote pro-poor growth. Policymakers do not necessarily face a trade-off pitting SPE against growth objectives – but rather have the opportunity to engineer a virtuous circle of increased equity promoting growth supporting further improvements in equity. There are at least five types of paths through which

13 Carter et al. (2004)
14 Dercon (2004)
15 GTZ GPN (2007)
16 OECD (2001)
social protection and empowerment promote pro-poor growth. Most of these work by increasing overall economic efficiency—through better policies and strategies, improved resource allocation (increasing employment, human capital development and other investment and reducing discrimination), and by more effectively taking advantage of the economy’s capacity. The paths can be grouped into the following five categories: (a) human capital investment, (b) risk management, (c) empowerment and livelihoods, (d) pro-poor macro-economic strategy and (e) social cohesion and nation-building.

**a) Human Capital Investment**

22. **Social protection increases investment in human capital, particularly health and education, helping to raise productivity and supporting the participation of the poor in the labour market.** Studies in South Africa and Latin America repeatedly document significant responses of health and education outcomes, particularly in response to both conditional and unconditional cash transfer programmes and social health initiatives. \(^{19}\) Child benefits (particularly cash transfers) and school assistance packages improve school attendance, and education constitutes the single most effective HIV-prevention asset. \(^{20}\) Social cash transfers piloted in countries with high HIV prevalence (Zambia and Malawi) successfully reduce poverty in HIV/AIDS-affected households. \(^{21}\) The Child Support Grant in South Africa promotes livelihoods, improves nutrition and facilitates access to education. \(^{22}\) Social protection can prevent some of the worst consequences of poverty—the transmission of lifelong poverty to children.

23. **Social health protection directly improves the health status of people, which in turn contributes to promoting economic growth.** \(^{23}\) A ten percent increase in life expectancy adds an estimated 0.3 - 0.4 percentage points to the annual growth rates in *per capita* incomes. \(^{24}\) Empowerment of the poor and vulnerable improves their access to public services, further developing human capital. These human capital outcomes sustain the basis for long-term pro-poor growth.

**b) Risk Management**

24. **Social protection enables the poor to protect themselves and their assets against shocks, enabling them to defend their long-term income-generating potential as well as make further investments.** Droughts in Ethiopia have significantly reduced household earning power as long as 15 years later. \(^{25}\) Social protection enables households to resist desperate measures and reduce future vulnerability. The risk associated with impoverishing health expenditures in rural China has adversely affected work migration and school enrolment decisions of households. \(^{26}\) Social health protection prevents impoverishment due to catastrophic health expenditures, consequently protecting productive assets. \(^{27}\) Farmers are less likely to sell the livestock on which their future prosperity depends if adequate cash transfers protect their immediate subsistence. Farmers protected by the Employment Guarantee Scheme in

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20 Irish Aid GPN (2007)
23 Sachs, J.D. 2002; Gyimah-Brempong and Wilson 2004; Bloom, Canning, and Sevilla 2004
25 Dercon (2005)
27 GTZ GPN (2007)
Maharashtra, India, invest in higher yielding varieties than farmers in neighbouring states. Improved risk management supports long-term pro-poor growth.

c) Empowerment and Livelihoods

25. **Social protection programmes combat discrimination and unlock economic potential.** In Bangladesh, Brazil and South Africa, transfers provided to women have a greater positive impact on school attendance by girls compared to boys.28 Empowerment directly tackles discrimination, improving society’s employment of human resources. In particular, while gender inequality exacerbates the spread of HIV and AIDS, empowering and increasing resources in the hands of women improves child survival, nutritional status and school attendance.29 “When women are healthy, educated and free to avail of life’s opportunities, children also thrive. In households where women are key decision makers, the proportion of resources devoted to children is far greater than in those in which women have a less decisive role.30 Consequently, who controls cash transfers at household level is crucial in terms of AIDS and poverty mitigation, child survival and empowerment of both women and children.”31

26. **Social protection supports the participation of the poor in labour markets, contributing to broader empowerment objectives.** Job search is often expensive and risky. In South Africa, workers in households receiving social transfers put more effort into finding work than those in comparable households not receiving these grants – and they are more successful in finding employment. The impact of cash transfers on women’s labour market activity is about twice as great as that for men.32 Social health protection increases labour productivity by improving people’s health status and replacing inefficient risk-coping mechanisms, which in turn promotes employment and economic growth.33 There is a need to better understand how more effective social protection for informal sector workers might promote access to sustainable decent employment.34

27. **An emerging evidence base is providing evidence of how social protection interventions support employment and entrepreneurial activities.** Participants in Zambia’s cash pilot scheme use a significant proportion of the benefits to hire labour, for example in order to cultivate the land around their homes and consequently multiply the value of the social transfers while creating employment for local youth.35 Mexico’s Progresa (now Oportunidades) social transfer programme is associated with local economy impacts that improve consumption, asset accumulation and employment broadly within communities—for both programme participants and non-participants.36 Participants in Progresa invest a portion of their social transfers in productive assets and are more likely to engage in entrepreneurial activities, improving their potential for sustainable self-sufficiency.37 Evidence of well-designed social protection programmes show they minimise the potential for moral hazard. Combining social protection

28 Samson et al. (2004, 2006)
30 HelpAge International (2006)
31 Irish Aid GPN (2007)
32 Samson et al. (2004), Samson and Williams (2007)
33 GTZ GPN (2007)
34 Lund (2007)
35 Schüring et al. (2006)
37 Gertler et al. (2005)
and labour market policies can produce a virtuous circle: social protection measures help to increase the employability of the poor and labour markets that work better for the poor increase poor people’s participation and remuneration. Evidence shows that social protection promotes development, not dependency.

28. **Social protection and empowerment directly expand the assets and capabilities of the poor, improving their ability to improve their well-being and economic activity more broadly.** Social protection and empowerment enable the poor and vulnerable to mobilise resources and to better harness public institutions to facilitate more equitable inclusion in the society and economy. Informal workers in South Africa have been able to organise around social protection—with mixed results, but demonstrating the potential to build empowerment among workers.

29. **Social protection promotes empowerment and growth by improving the negotiating power of workers, smallholder farmers and micro-entrepreneurs in the marketplace.** Workers who have a better fallback position (provided by social protection) can search for a job that takes more effective advantage of their capabilities, rather than accepting the first job that becomes available. This raises labour market efficiency—by better matching workers to positions that harness greater productivity and pay higher wages, thereby reducing underemployment. Small-scale producers with access to social protection benefits are less compelled to sell produce at a loss in order to survive—such as at harvest times when temporary gluts in food markets might severely depress prices. Participants in one of Malawi’s social transfer programmes were empowered by the resources to invest in their own farms during the planting season rather than rely on dead-end casual employment for their immediate survival. Social protection enables the poor to engage with the market system on a more equal footing, improving its efficiency and legitimacy.

*d) Pro-Poor Macroeconomic Strategy*

30. **Social protection can generate gains for those groups who might otherwise be disadvantaged by specific elements of a pro-poor growth strategy, providing a balancing function that can enlist stakeholder support for the reforms necessary to sustain long-term growth.** Labour unions in Nepal, for example, have identified effective social protection as a prerequisite for necessary labour market reforms, the combination of which would enhance both equity and growth. Cash transfer initiatives have compensated the poor for reduced price subsidies in Mexico and Indonesia. Bolivia established a social pension with the proceeds from the privatisation of public enterprises. Social protection generally increases the positive impact of growth on poverty reduction.

31. **Social protection stimulates demand for local goods and services, promoting short-term growth outcomes.** In Zambia 80% of the social transfers are spent on locally purchased goods, supporting enterprises in rural areas. In South Africa the redistribution of spending power from upper to lower income groups shifts the composition of national expenditure from imports to local goods, increasing savings (by improving the trade balance) and supporting economic growth. A social account matrix analysis of the Dowa Emergency Cash Transfer (DECT) programme in Malawi found multiplier impacts from the payments broadening benefits to the entire community. In Namibia, the dependable spending power

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39 Lund (2007)
40 Harnett and Cromwell (2000)
41 Birdsall and Nellis (2002)
42 Samson et al. (2004)
43 See Davies and Davis (2007), which estimates multipliers ranging from 2.02 to 2.45.
created by social pensions supports the development of local markets and revitalises local economic activity. However, the macro-economic impact for any given country will depend on the patterns of demand across income groups and the manner in which social transfers are financed.

e) Social Cohesion and Nation-Building

32. Social protection helps create an effective and secure state, promoting growth by building social cohesion and a sense of citizenship as well as reducing conflict. Social health protection, for example, is grounded in values of equity and solidarity, strengthening bonds of co-operation and reciprocity and thereby promoting social stability. A safe and predictable environment is essential to encourage individuals, including foreign investors, to work and invest. The social pension, for example, in Mauritius contributed to the social cohesion necessary to support the transition from a vulnerable monopropublic economy with high poverty rates into a high growth country with the lowest poverty rates in Africa. Likewise, Botswana’s social pension provides the government’s most effective mechanism for tackling poverty and supporting the social stability that encourages the high investment rates required to drive Africa’s fastest growing economy over the past three decades.

Social protection can be affordable, even for low-income countries, and efficiently tackles poverty.

33. Financing is one the major challenges for delivering social protection systems, particularly in low-income countries. However, recent evidence shows that even low-income countries can afford at least basic packages of social protection. The actual spending on social protection systems within regions varies across countries. Political will, resource availability and policy prioritisation influence the amount spent on the associated initiatives.

34. The ILO has conducted a costing exercise that quantifies the costs of a basic package of social protection under a number of alternative scenarios, including categorical and more heavily targeted approaches. The baseline scenario includes a modest universal social pension, grants for people with disabilities and child benefits. The ILO has documented the affordability of this package even for low-income countries. Costs can be kept manageable by starting with a limited programme and scaling up as impact is demonstrated and available resources expand. Overall, analysis of broader affordability dimensions and fiscal space for social protection in low-income countries needs to be strengthened, including assessment of current spending on social protection and existing financing sources.

35. The impact of HIV/AIDS needs to be factored into planning and budgets, and governments must promote plans that are pro-poor and sensitive to the demands exacerbated by HIV and AIDS. Domestic fiscal resources in low-income countries might not adequately finance social health protection for the poor, at least initially. Development partner support may be available in the short-to-medium horizon but should not substitute for national funding over the long term. Recent global initiatives such as

44 Cichon and Knop 2003
46 GTZ GPN (2007)
47 Roy and Subramanian (2001)
48 ILO (2006, 2007)
50 Irish Aid GPN (2007)
the GAVI Vaccine Fund, the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM) and others
may provide critical interim support in resourcing vital social health interventions.51

36. Particularly in fragile states, financing for even the most basic social protection initiatives (such as
humanitarian aid) is short-term, unpredictable and not harmonised. More predictable, harmonised and
longer-term funding would provide advantages for both the affected populations as well as development
partners.52

37. More predictable, harmonised and longer-term funding commitments from development partners
help partner countries to assume the domestic political risk of guaranteeing long-term social protection
programmes. Many of the critical questions in sustaining social protection interventions revolve around
political will. Affordability is largely a matter of political prioritisation—which depends on the political
will to make the necessary trade-offs. Building capacity for delivery likewise requires political leadership
that is willing to unblock bottlenecks. Successful social protection initiatives often depend on committed
political champions at the highest level.

38. Building the required political will poses challenges in developing countries that have little
experience with social protection. The poor and excluded generally lack the political voice required for
representing their interests. Empowering civil society institutions can magnify the voice of the poor and
motivate political change. Civil society mobilisation provided a critical force supporting the tripling of
social protection spending in South Africa over the past seven years.53 Appropriate choices of interventions
can also elicit political support. More universal benefit programmes can ally the middle classes with the
poor and generate the necessary political support. Small pilots combined with effective monitoring and
evaluation can also generate the necessary evidence base policy-makers and voters need to justify their
political support for integrated national programmes.54 The challenges of mobilising political will are
magnified in fragile states.55

39. Different financing mechanisms should complement each other, e.g. micro-health insurance can
serve poor and informal workers, but the poorest of the poor usually require tax-financed social health
approaches.

VI. How to deliver Social Protection

The state has the primary role in providing a framework for delivering social protection, and
this reinforces a social contract that legitimises and strengthens the state.

40. The public nature of social protection interventions contributes to state-building objectives by
strengthening the state-citizen contract and fostering social cohesion. In fragile states, social protection
has been presented as an agenda that can help strengthen the legitimacy of the state by allowing it to
re-shoulder responsibilities for ensuring the basic survival of its citizens and so contribute to reducing
political fragility. However, there is a need to be pragmatic about working with a range of actors. In many
countries the state establishes a framework to enable the effective engagement of non-state actors -
particularly the private sector and non-governmental organisations - to deliver essential social protection interventions. Partnerships with the private sector and civil society in Kenya, for example, are expanding the government’s capacity to deliver while improving accountability. In Nepal, social protection is on the agenda to help consolidate the peace process as the first stage of state-building. Cash transfers provide a visible and immediate peace dividend that flexibly reaches the poorest, providing them with the stake in the economy that supports social and political cohesion while offsetting the costs of necessary economic reforms.

*Development partner support and co-ordination plays an essential role in enabling national social protection initiatives.*

41. Development partners are often necessary to provide the technical assistance and bridging funds required by developing countries that enable the establishment of nationally financed sustainable social protection strategies. The roles for development partners often required extended demand-driven commitments, sometimes ten years or longer. Developing country governments often require predictable, secure, long-term and harmonised funding commitments from development partners in order to assume the domestic political risk of guaranteeing reliable social protection programmes. DFID’s recent ten-year commitment to Kenya’s social protection strategy provides an example of donor support for a long-term national programme. DFID’s participation operationalises the Paris Declaration of Aid Effectiveness, harmonising with national development frameworks and the country’s emerging national social protection strategy in a manner clearly aligned with the Millennium Development Goals. The Productive Safety Nets Programme in Ethiopia is an example of moving cost-effectively from annual relief appeals to multi-annual, multi-donor and predictable financing of social protection.

42. Development partners should aim to harmonise and align their support with national development frameworks and countries’ emerging national social protection strategies in accordance with the Paris Declaration on Aid Effectiveness. Donor coherence is critical for developing evidence-based support to social protection and to increase understanding and capacity to meet key design and implementation challenges (including fiduciary risk management, payment systems, graduation and linkages with complementary policies, sustainability, financing). Development partners can play an important role in moving forward the policy debate by supporting more in-depth research into the implementation of different social protection policies and programmes in specific contexts. Pilots can serve this objective, but development partners should aim to integrate this support to strengthen national social protection frameworks.

*Social protection should be rights-based and focus on addressing social inequalities. Empowerment is crucial.*

43. A rights-based and transformative approach to social protection reinforces empowerment by ensuring that vulnerable groups have the capacity to benefit from and contribute to growth and participate fully in society. Empowerment directly expands the assets and capabilities of the poor, improving their ability to improve their well-being and economic activity more broadly. In many countries the main beneficiaries are women, reducing gender disparities and promoting empowerment and better human development outcomes for girls. Empowering civil society institutions is a way to strengthen the voice of the poor and motivate governments to introduce social protection mechanisms and make state institutions more accountable for providing fair protection and benefits.

44. Strong political commitment, good governance and stewardship are indispensable assets for achieving broad social protection. The UNRISD identifies universal social protection and equity as the

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56 GTZ GPN (2007)
central goal of social policy.\textsuperscript{57} Long term political commitment to social protection programmes is essential if they are to be effective in tackling vulnerability and exclusion across the life cycle in a sustainable way. Targeted programmes have the effect of limiting the number of beneficiaries and this reduces the political support for such programmes which are also more likely to be seen as a subsidy for the few rather than a social investment which will benefit the many.\textsuperscript{58} Universal programmes (including universal categorically targeted programmes) are more likely to be seen as an entitlement with the benefits being felt across different sectors of society, with the consequence that they are less vulnerable to the political changes or economic shocks which could lead to the erosion of means-tested programmes targeted at a politically excluded minority.\textsuperscript{59} Rights-based approaches to social protection that address social inequalities reinforce commitments to non-discrimination and support humanitarian efforts in fragile states.\textsuperscript{60} Leadership at all levels is required to transform the response to HIV and AIDS.\textsuperscript{61}

45. Social protection programmes—like all government services that offer benefits—are prone to corruption which might exclude the poorest. For example, local administrators might require bribes for health fee waivers. Putting cash in the hands of the poorest through social transfers will in fact increase their access to these basic services until such time as corruption can be tackled by other means. Vulnerability targeted programmes are more prone to corruption than universally targeted categorical programmes where the eligibility criteria (for example, age) is clearer and more easily verifiable than in a means-tested programme.\textsuperscript{62}

46. Unequal power relations within society may foster state institutions that fail to provide the poor with equal protection and benefits. “Poverty outcomes are also greatly affected by social norms, values and customary practices that - within the family, the community or the market - lead to exclusion of women, ethnic and racial groups, or the socially disadvantaged.”\textsuperscript{63} While promoting opportunity and enhancing security help to address the resulting exclusion and disadvantage, a comprehensive approach requires explicit empowerment policies. Empowerment policies build the human and social capital of excluded groups and make state institutions more accountable for providing equal protection and benefits. National governments and the international community can strengthen empowerment by ensuring the provision of basic services to all, improving governance, promoting pro-poor market development and extending access to justice to excluded groups. A rights-based approach to social protection also reinforces empowerment, by ensuring the poor have the basic capacities necessary to benefit from and contribute to economic growth, as well as to participate fully in society.

47. The OECD’s policy guidance \textit{Promoting Pro-Poor Growth} emphasises that “policy and institutional reforms required for pro-poor growth and wider poverty reduction are more likely to be implemented if poor women and men are empowered to participate actively in the political process and, through their representatives, able to influence the policy making process. Reducing the multiple dimensions of poverty is thus enabled by political empowerment.”\textsuperscript{64} Political inequalities may enable powerful elites to ignore the

\textsuperscript{58} HelpAge GPN (2008), page 9.
\textsuperscript{59} Cornia and Steward 1993 found that a switch from a universal to a targeted approach in 8 schemes led to a reduction in the real value of the subsidy over time. (Cited in HelpAge GPN 2008, page 9)
\textsuperscript{60} ODI GPN (2008), page 4.
\textsuperscript{61} Irish Aid GPN (2007)
\textsuperscript{62} HelpAge GPN (2007)
\textsuperscript{63} Ginneken (2005). This first paragraph reflects the analysis of this Task Team background paper.
\textsuperscript{64} OECD (2006) \textit{Promoting Pro-Poor Growth: Key Policy Messages}. Page 32.
interests of the poor, and in many countries the voice of the poor is weak and policy processes are not accountable to the poor. Strengthening the policy capacity of organisations of women, workers, farmers, small businesses and those that directly and indirectly represent the poor can begin to influence policy reforms in a pro-poor direction. More transparent and evidence-based policy processes which include expanded social dialogue and more local participation can make the state more accountable to poor women and men. Civil society plays an important role, particularly by voicing the interests of poor and excluded groups and mobilising for appropriate reforms.

**Effective social protection systems require long-term planning, strategy and political commitment entrenched in the legislative and/or constitutional frameworks of the country.**

48. Long-term political commitment to social protection programmes is essential if social protection systems are to be effective in tackling vulnerability and exclusion across the life cycle in a sustainable way. Affordability is largely a matter of political prioritisation - which depends on the political will to make the necessary trade-offs. Successful social protection initiatives often depend on committed political champions at the highest level.

49. An integrated package of social protection instruments developed to reflect the various types of vulnerabilities at different age-related and other stages of life can contribute significantly to breaking the intergenerational transmission of poverty. This “life-cycle” approach provides a powerful tool for ensuring that social protection reflects the key social and policy priorities by linking interventions to evidence on vulnerability and interdependence within households. National strategies should adopt a life-cycle approach from planning through implementation identifies opportunities at different stages of life, generating cascading outcomes as subsequent interventions reinforce the impacts from earlier social protection initiatives. Strategies that address vulnerability across the life-cycle and aim to break the intergenerational transmission of poverty maximise social protection’s transformative potential, fostering inclusive and pro-poor economic growth.65

50. The long-term process involves a focus on sustainability in terms of financing and delivery capacity. In many developing countries social protection represents a new set of interventions. Few governments have developed extensive delivery capacity for implementing these types of programmes. Limited capacity constrains successful implementation at both national and local levels. Investments in government delivery capacity at all levels will not only support the implementation of social protection initiatives but also the other social services delivered by these agencies. Given the long lead times required for effective training programmes, the long term need for capacity building should be addressed during the pilot phase. Building this capacity improves aid absorption and the effectiveness of development partner resources.

**Design and implementation must reflect the social and policy context of the country.**

51. Effective social protection policy must be rooted in a society’s specific context, taking into account factors such as poverty dynamics, demographic characteristics, the prevailing economic situation, the structure of the labour market, the degree of urbanisation, and cultural values and societal consensus.66 There is no general blueprint for successful social protection interventions. Design features that work well in one country or region may not be appropriate in another situation. Success depends even more critically on how well the systems are implemented, which in turn depends

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65 HelpAge GPN (2008)

66 GTZ GPN (2007)
substantially on a country’s administrative capacity. A World Bank study on targeting found evidence that implementation issues were more important determinants of successful outcomes than design factors.  

52. To promote sustainability and effectiveness, it is important to design and implement programmes that can adjust flexibly to demographic and economic change and other shocks and stresses. For example, there is an increasing need to improve understanding about the potential of social protection for addressing poor people’s vulnerability in the context of rising global food prices and climate change. A flexible design enables adaptation both to unexpected shocks and changing poverty dynamics as well as unanticipated or misunderstood country characteristics. In particular, the design of appropriate formal interventions must pay particular attention to the role of informal institutions, in order to strengthen social protection rather than undermine traditional mechanisms.

**Effective social protection requires a comprehensive mix of instruments that appropriately address coverage and targeting.**

53. One of the key challenges and determinants of success of social protection programmes is the effective distribution of social benefits, which requires a comprehensive set of instruments that appropriately address coverage and targeting. A comprehensive mix of social protection instruments is necessary to effectively address vulnerability across the life-cycle. A core group of instruments provide support at critical stages of the life-cycle, including child support grants, social pensions and transfers for people with disabilities. A second set of interventions are vital for breaking the inter-generational transmission of poverty, particularly through human capital development. While these instruments can overlap with the first group, they also include fee waivers, social health insurance and social services. A third set of interventions aims to prevent vulnerable households from sinking further into poverty when encountering shocks linked to life-cycle changes. The instruments include unemployment insurance and other contributory schemes, public works as well as some of the measures in the first two groups.

54. Much of the research on the impact of social protection has focused on beneficiaries, but much less is known about those who remain excluded. These may include the most vulnerable, who are often geographically or socially isolated, such as those in remote areas or children without caregivers. Certain types of instruments may exclude the poorest by design. Conditional programmes may exclude those who live in remote areas that have no access to the services necessary for compliance with programme requirements. Micro health insurance can serve poor and informal workers, but the poorest of the poor usually require tax-financed social health approaches. Different financing mechanisms complement each other to provide the broadest possible coverage.

55. Targeting is the means of identifying which members of society should receive a particular benefit or good, such as a social transfer (for example, a child support grant or a social pension). For example, transfers can be targeted on the basis of geography, gender, age, disability, household size or other likely indicator of poverty. Untargeted transfers may be delivered through the market (for example, subsidies) or as unconditional transfers. The choice of targeting system has an impact on the degree to which poverty

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67 Coady, Grosh and Hoddinott (2004), page 84. “80 percent of the variability in targeting performance was due to differences within targeting methods and only 20 percent due to differences across methods.”

68 DFID/HelpAge GPN 2008

69 HelpAge GPN (2008)

70 EPRI GPN (2008)

71 GTZ GPN (2007)
and inequality (for example, gender inequality) is reduced in a country and to what extent resources are spent efficiently and cost effectively.

56. In very poor countries, where information on beneficiaries is of limited reliability and coverage, and administrative capacity to implement often complex targeting mechanisms can be constrained, the challenges of targeting are particularly significant. Errors in targeting can undermine the effectiveness, credibility and increase the cost of social protection programmes. Better understanding is required on the potential benefits of categorical targeting (for example, universal child benefits and universal social pensions) which, when compared to poverty, community or geographical targeting, may be less costly to administer, more politically acceptable and more effective in reaching the very poor. At the same time, decision-making on the various targeting options is often influenced by complex political and technical factors. More broadly based benefit programmes can ally the middle classes with the poor. They are more likely to be seen as an entitlement with benefits being felt across different sectors of society, with the consequence that they are less vulnerable to political changes or economic shocks. However, in some countries, targeting has become a political selling point, demonstrating to taxpayers that the programme is cost-effective.

57. Targeting mechanisms aim to make programmes more economical by focusing social protection resources on the poorest households, but sometimes targeting backfires. In a World Bank study on targeting, over 25% of the programmes measured had regressive outcomes—a universal approach would have distributed a greater proportion of benefits to the poor. In addition, targeting imposes costs on the government and programme participants. The most direct costs are administrative—the bureaucratic costs of assessing the means of programme applicants, and re-assessing participants on an ongoing basis. Added to this government cost are the private costs applicants incur while applying for benefits—time and transportation costs travelling to the respective government offices, queuing, and the fees (and sometimes bribes) required for the necessary documentation.

58. Indirect costs arise when applicants change their behaviour in a costly way in order to become eligible for the grant. Assessments which exclude beneficiaries that receive in excess of a specified income can create disincentives to achieve increases in reportable income, particularly if the targeting test is blunt. Social costs from targeting include stigma, the possible deterioration of community cohesiveness, and the potential erosion of informal support networks. Targeting the poor also imposes political costs—primarily by eliminating middle class beneficiaries who could lend their support to social transfers. However, in some countries, the effectiveness of targeting has become a political selling point, demonstrating to taxpayers that the programme is cost-effective.

59. Appropriate mechanisms balance the potential financial savings from targeting against this portfolio of direct and indirect costs. The effectiveness of targeting depends on government’s capacity to administer the sometimes complex bureaucracies associated with the implementation mechanisms. The costs of targeting are lower for more categorical approaches that target vulnerable groups—such as social pensions, child benefits or grants for people with disabilities. These more categorical approaches, however, usually require a greater financial investment. Categorical approaches, however, run the risk of excluding very poor households who do not fit the profiles conventionally associated with poverty.

60. The evidence base on appropriate targeting approaches continues to evolve, and effective design elements depend critically on a country’s social and policy context. Low government capacity, high

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72 Coady, Grosh and Hoddinott (2004), page 42.

73 Prospective workers in the Maharashtra Employment Guarantee Scheme sometimes need to provide cash payments for obtaining and filling in appropriate forms, submitting them to the correct officials and enlisting the attention of the social services committee (Pellisery 2005).
poverty rates and large informal sectors tend to indicate more universal or at least categorical approaches—since the costs of heavy targeting will likely be high and the benefits low. Political factors are often important in the decision to target. Mobilising robust evidence can support appropriate design and implementation.

61. Likewise, governments and development partners are increasingly recognising the importance of evidence for informing key design questions such as the decision to condition social transfers on compliance with behavioural requirements—such as requiring programme participants to ensure children in the household attend school or receive immunisations. While a rich collection of evaluation studies document the powerful impact of social transfer programmes that require these conditionalities (often termed “conditional cash transfer” programmes), little evidence demonstrates that the conditionalities themselves—and the associated penalties—have any impact on the observed positive outcomes. Since conditionalities can be expensive and potentially undermine the social protection objectives, it is vital to build a better evidence base that focuses sharply on the central questions about conditional cash transfer programmes.

62. HIV prevention, treatment, care and support remain central to the global response to HIV and AIDS, while at country level, equitable access to these services must be incorporated into national targets, with particular attention to the removal of barriers inhibiting the most vulnerable. Cash transfers have a significant AIDS mitigation impact and may be advocated and supported in the context of their ability to remove barriers to health and education access, while preventing adoption of non-reversible coping mechanisms among the most vulnerable households affected by HIV and AIDS.

63. In fragile states, social protection instruments have been frequently limited to humanitarian aid. These countries frequently require the full range of potential interventions, and in fact more imaginative alternatives. In Zimbabwe, for example, a diverse toolkit of instruments that provide social protection, livelihoods support and food security has proven valuable in the country’s complex situation.

Institutions and institutional capacity are important for cost-effective delivery of social protection, and investments in monitoring and evaluation systems are critical.

64. Providing any kind of social protection requires delivery capacity in terms of planning, coordination and the actual delivery of cash, food, inputs, other goods or services to people. In many developing countries social protection represents a new set of interventions, and few governments have developed extensive delivery capacity. Limited capacity and institutional co-ordination constrains successful implementation and achievement of impacts. Investments in building up delivery capacity not only support the implementation of social protection but also other services delivered by these agencies.

65. Social protection interventions are not magic bullets for poverty eradication but typically generate their impacts by improving the effectiveness of investments in complementary institutions. For example, social protection initiatives can improve poor people’s access to health and education, and link them to complementary programmes, resulting in improved human development outcomes—but only if the necessary clinics, schools and other institutions can supply the services demanded. Social protection initiatives in Latin America, Africa and Asia have documented improved health outcomes, increased school attendance rates, reduced hunger and expanded livelihoods and employment.

74 World Bank (2006)
75 Irish Aid GPN (2007)
77 Samson et al. (2007)
however, depend as much on the complementary institutional framework as on the interventions themselves. A conditional cash transfer programme in the Honduras, for example, failed to produce expected human capital outcomes—largely because the programme neglected to invest in the necessary schools and other institutions. Brazil multiplies the impact of its successful Bolsa Familia cash transfer programme through a comprehensive and integrated system of complementary programmes which link poor households to developmental institutions.

66. The global evidence base on social protection has improved significantly over the past decade. Countries adopting new interventions can benefit from a global learning curve and development partners are supporting important initiatives to share developing country experience and build capacity. Nevertheless, important gaps remain. While persuasive evidence exists regarding impacts in terms of reducing poverty and promoting social outcomes, more convincing evidence is required on the direct links between social protection and economic growth—particularly in the context of low-income countries. Operationally, better evidence on appropriate targeting and payment mechanisms, better management structures and the role and design of conditionalities will improve programme delivery. Continued support for national capacity building will likely yield substantial returns in terms of promoting the long-term sustainability of these vital initiatives tackling poverty and vulnerability.

67. South-South learning and exchange between middle-income and low-income countries as well as regional bodies provides innovative approaches to capacity building for partner governments. A recent African Union meeting called for a network of African experts to share knowledge and experience across the continent and serve as a resource for countries who are beginning to implement social protection initiatives. Development partners are supporting study tours linking Africa, Asian and Latin America and South-South training courses that have effectively built capacity and contributed to inter-regional sharing of national lessons of experience. Given the long-term nature of social protection requirements in developing countries, investments in the building of national and local capacity are likely to generate very high returns.

68. A co-ordinated strategic framework is essential for national approaches to succeed. Co-ordination improves cost-effectiveness by improving the economies of scale of administrative systems and ensuring appropriate allocations of resources. Countries without co-ordinated approaches suffer from inefficient over-coverage in some areas and sectors while suffering high rates of social protection exclusion in others. Good administrative institutions with well-developed capacity and appropriate management information systems at both national and local levels are essential for effective co-ordination.

69. Strengthened health and education systems are crucial to the realisation of universal access to HIV prevention, treatment, care and support. Support strengthening and development of civil registration systems in countries with a high HIV prevalence in order to facilitate access to health, education and welfare systems on a citizenship, rights and entitlements basis.

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78 Samson, van Niekerk and Mac Quene (2006); Adato and Bassett (2007), page 50.
79 Dakar resolution on social protection, African Union meeting organised by HelpAge, June 2008.
80 For example, DFID has supported Brazilian technical assistance to African countries, developing country study tours to Southern Africa and Brazil and several global training programmes situated in developing countries. GTZ and other development partners support important capacity building initiatives in developing countries.
81 Irish Aid GPN (2007)
70. One less successful approach for social protection for informal workers has been to create special schemes and programmes, outside of mainstream institutions. A sustainable approach should mainstream interventions for informal workers into existing institutional structures.\textsuperscript{82}

71. Effective and credible monitoring and evaluation systems are essential for communicating operational lessons, demonstrating programme impact, developing a global evidence base and building the foundation of support that fosters long-term sustainability. As social protection interventions are relatively recent innovations, many governments and stakeholders in developing countries are just beginning to develop an understanding of what works in a particular social and policy context. Monitoring and evaluation (M&E) can mobilise essential learning and evidence to link programme performance to ongoing improvements that are best adapted to a country’s specific situation. Independent and credible M&E systems helps to fill the evidence gaps that otherwise undermine appropriate design and effective implementation.

72. Positive evaluations can mobilise political support and expand the resources available for scaling up scope and coverage. M&E can identify problems and propose solutions, and the evidence generated can serve not only the programme itself but also the global community involved in designing and implementing social protection programmes. The public good nature of effective M&E and its useful role in managing fiduciary risk provide fertile opportunities for development partners to support these types of interventions.

\textit{Governments and development partners must pay particular attention to fiduciary risks in order to protect programme success and ensure sustainability.}

73. Social protection interventions require appropriate fiduciary risk management controls, and a number of countries have engineered systems that minimise fraud and corruption, ensuring checks and balances. Good practices exist and should be promoted, and development partners have a comparative advantage in sharing these lessons of international experience. The Paris Declaration recognises that “corruption and lack of transparency, which erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development”. Social protection interventions require appropriate fiduciary risk management controls, and a number of countries have engineered systems that minimise fraud and corruption. Brazil’s “single registry” of programme participants has become a global role model, and Kenya is piloting an innovative approach that establishes independent service providers for key components of the programme, ensuring checks and balances. The Paris Declaration provides a framework enabling development partners and partner countries to strengthen mutual accountability and improve aid effectiveness.

\textsuperscript{82} Lund (2007)
VII. References


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