Social Protection

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Summary

While policies that promote economic growth are central to poverty reduction, social protection measures have a role to play in reducing the vulnerability, and protecting the welfare, of the poor. Choosing the appropriate mix of social protection programs and policies to best contribute to poverty reduction requires a careful approach. A range of policy reforms, programs, and delivery mechanisms—from changes in labor law to provision of public works programs, from public to private mechanisms—may need to be introduced, modified, or strengthened to improve the poverty impact of social protection measures.

The first step in choosing an appropriate mix of SP policies is to analyze the main sources of risk and vulnerability of the population and to identify the population groups most affected by these risks. Once the groups and their characteristics are identified, the role social protection can play, alongside interventions in other sectors and at the macro level, can be investigated. Policies to ensure macro stability, rural development, and human capital formation are especially important and will complement social protection programs.

The second step is to determine which of the identified groups are covered by existing social protection programs and policies, and to assess the effectiveness of these instruments individually and in combination. Special attention should be paid to the compatibility of the policy context and the expenditure programs, the specific objectives of each intervention, their effectiveness at achieving these objectives, and their cost-effectiveness in delivering the observed outcomes.

The aim is to reveal both gaps in coverage and the cost-effectiveness of existing interventions. If full cost-effectiveness analysis cannot be done, then consideration of partial indicators such as sustainability, targeting effectiveness, administrative costs and unintended effects, and constraints can be used.

This analysis of existing programs and policies, together with information on alternative interventions and the constraints faced (for example, budget, administrative capacity, political economy) provides the basis for determining the most effective mix of interventions. In all cases the full social protection strategy will be composed of a mix of policies and programs. The appropriate mix, of course, will vary by country.

The final step is to develop an action plan that specifies the actions, resource requirements, time table and parties responsible for each action. This will help ensure that the immediate and intermediate steps are taken to lead to the medium and long run goals of the poverty reduction strategy.

To illustrate both how the line of analysis proposed here can be implemented, and how the mix of interventions selected will vary by country, the last section of the main text of the chapter considers the country cases of Argentina, Malawi and Togo.

A wealth of experience is available about different types of social protection policies and programs. Not every type of program or policy will be appropriate, or even feasible, in every country, as the country cases illustrate. The fact sheets presented in Technical Note 2 at the end of the chapter highlight key design features and lessons from experience of social protection policies and programs to help PRSP teams judge the performance of existing interventions or what might be realistically expected of new ones.

We provide in Figure 1 a schematic of the line of analysis proposed, to facilitate easy navigation through the chapter. It notes the places in the chapter that can be quickly referred to by those who want a quick overview of the ideas before or after reading the whole more thoroughly.

Figure 1: Schematic of Flow of Analysis

Step in Analysis:	**Quick references:**
1. Profile risks faced and vulnerable groups Determine mix of SP and non-SP interventions	Table 1 and Box 3 for generics Tables 4,5,6 for country examples Table 2
2. Determine cost-effectiveness of individual SP interventions (existing or potential) 3.1 Labor regulations 3.2 Contribution-financed social insurance 3.3 Effectiveness of publicly funded programs a) map vulnerable groups to interventions b) determine their cost-effectiveness - objectives - outcomes - cost-effectiveness	 Bulleted text on page 13 Bulleted text on page 14 Bulleted text on pages 15-18 International benchmarks in technical note 2.
3. Adjust program mix	Bulleted criteria on pages 21-22
4. Specify action plan	Text on page 27

1. Introduction

Social Protection (SP) interventions are "actions to (i) assist individuals, households, and communities to better manage risk, and (ii) provide support to the critical poor" (World Bank 2000). A country's policy framework on social protection will include a set of laws and regulations and a set of expenditure programs. In addition, private mechanisms—both market-based and informal—provide important support. These policies, programs, and norms are combined to manage risks, that is events that would harm a family's welfare. Some risks affect whole societies or large groups (economic recessions, harvest loss, natural disasters, war); others only individual households (illness of a family member, loss of the breadwinner's job, crime). The risk management strategies should include actions *to reduce* the likelihood that certain risks will occur, *to mitigate* risk by reducing the negative consequences associated with an event and to help the poor *cope* with the residual effects of the shock so that they do not suffer irreversible negative effects. Some examples of SP interventions appear in box 1 and later in this chapter.

Box 1. Examples of Social Protection Activities

PUBLIC ACTIONS

Labor market interventions: Improve the ability of households to provide for themselves through work via the development of efficient and fair labor policies, active and passive labor market programs, and pre- and in-service training programs.

Pensions: Help governments take care of their older and aging populations by creating or improving private pension provisions, mandatory savings, and public old-age income support schemes. Governments intervene heavily in both regulation and expenditure in this area.

Social safety nets: Provide income support and access to basic social services to the poorest population groups, and/or those needing assistance after economic downturns, natural disasters, or household-specific adverse events that lower income.

Child-labor reduction programs: Promote the development of human capital and increase equity and education for all groups by designing comprehensive strategies for broadly based poverty reduction, and craft appropriate legislation and programs specifically for child laborers to reduce the occurrence and mitigate the risks of harmful child labor.

Disability programs: Help the disabled through community-based services, including family support (respite care, child care, counseling, home visiting, domestic violence counseling, alcohol treatment and rehabilitation), support for people with disabilities (inclusive education, sheltered workshops, rehabilitation, technical aids), help for the elderly (senior citizen centers, home visits), and out-of-home placements (foster care, adoption).

Social funds: Through agencies, channel grant funding to small-scale projects to help poor communities design and implement their own projects to meet their self-defined needs.

PRIVATE ACTIONS

Market transactions: Private markets can provide insurance policies for health and physical assets, pension plans for retirement and vehicles for saving in good times and obtaining credit when needed.

Informal arrangements: Support community or family members through informal insurance arrangements. Arrangements can include marriage; children; mutual community support; savings or investment in human, physical, and real assets; and investment in social capital (rituals, reciprocal gift giving).

Promoting economic growth is necessary to reduce poverty. Social protection programs assist in reducing poverty by reducing income swings, fostering long-run investments in human capital, and, sometimes, by compensating those who are affected by policy changes meant to promote growth. Furthermore, there is growing evidence that high levels of inequality are associated with low growth due to poor policy choices, lack of social cohesion, or civil unrest. Social protection programs may improve income distribution and good policy choices and thus growth. The poor are often the most likely to face risks of many sorts, from drought-induced food shocks; to the death of a breadwinner or other earner or loss of housing due to natural disaster. Compounding this, the poor have few assets with which to face such shocks so a drop in their income is more likely to reduce them to unacceptable levels of welfare. Thus good social protection measures for the poor, especially in poor countries, are not a luxury.

SP programs can help manage risks and facilitate poverty reduction, but as do all interventions, they require fiscal, administrative, and policy resources that are limited in poor countries. It is therefore crucial for national authorities to be able to prioritize across alternative options.

The objective of the chapter is to aid policymakers in choosing the mix of social protection policies and programs to meet national goals determined by the Poverty Reduction Strategy (PRS). The chapter proposes a four step process. The first step (outlined in section 2), consists of diagnosing the sources of poverty and vulnerability and considering whether SP or non-SP interventions are most appropriate to deal with them. The second step (found in section 3) gives guidance on evaluating the cost-effectiveness of individual SP interventions. The third step (in section 4) brings together the results of these diagnoses and the information on budget considerations to make the final choice about program mix. The section suggests criteria to use in doing so. Step 4 (in section 5) is to devise a concrete plan to implement the strategy chosen in step 3. A final section of the chapter presents country case study examples from Argentina, Malawi, and Togo as illustrations of the analytic framework suggested here.

2. Step 1: Diagnose risks and vulnerabilities

The first step in determining appropriate interventions is to identify vulnerable groups, the risks that they face, and the sources of their vulnerabilities. The term vulnerability as commonly used includes several notions, all of interest. Some analysts use it to mean variability in income or an indicator of welfare, even when the average level is satisfactory. Understanding variability in income even for those who start somewhat above the poverty line is important in understanding poverty and the concerns of households and policymakers with respect to social protection mechanisms. Other analysts use vulnerability to mean the likelihood that the indicator will pass below the defined acceptable threshold – into poverty or hunger, for example. Ending up with such an adverse outcome can stem from one or combination of i) starting below the threshold (chronic poverty); ii) exposure to risks or shocks, especially for those close to the poverty line; or iii) having few risk management tools available. It is important to know how prevalent each of these problems is and how they interact as different interventions are used to address each. Box 2 gives some examples of factors that can be categorized as *structural* or *transitory vulnerability*.

This section outlines methods for identifying key risks that contribute to poverty, along with the groups most vulnerable to these risks. These methods point to potential interventions, some of which fall within social protection, but many of which are outside the sector. Guidance is also provided on deciding whether social protection interventions are the best means to address identified problems. Once a "long list" of social protection interventions has been identified, the next step is to prioritize these to reflect a country's fiscal constraints, political economy considerations, and institutional capacity.

2.1 Identify major sources of risk and affected groups

Various means can be used to identify major sources of risk faced by the poor. Analysis for several Latin American countries (see the Argentina example in section 6) categorizes the population into age groups, lists the risks theoretically faced by each age group, marshals data on the basic indicators of each risk and uses them to assess whether or not the potential problem posed is a priority to be addressed further in the particular country. For example, one would look at indicators of nutritional status to see whether children's health and development are threatened. If the malnutrition rate is low, dealing with another risk would receive higher priority. The analysis can be enriched by systematically distinguishing by gender (see Technical Note 1 for more on this topic), by ethnicity where pertinent, and by level of poverty. It has the advantages that most audiences find it easy to understand and the programs to address unacceptable outcomes match well with this approach. It has the disadvantage that it ignores the role of the family in grouping together individuals of different ages, contributions and needs.

Another approach is to list all risks that have been prevalent in the country over a given time period –say, over the past five years—then relate each risk to the groups that are likely to be most vulnerable. This is the approach adopted in Togo (see section 6), where household data and analytical capacity was limited. Still another approach would be to analyze the risks faced by those in different regions or with different sources of livelihood. Box 2 shows some sources of vulnerability and risk. While structural and transitory vulnerability are obviously related, they have been separated in an effort to help isolate the different causes.

Box 2: Sources of Vulnerability and Risk Relevant to Social Protection

Structural Vulnerability

- High levels of poverty, large numbers of extreme poor, and high levels of inequality
- Lack of access to basic services
- Seasonality of employment, income or consumption needs
- High levels of lawlessness and crime
- Geographic, gender, or ethnic concentration of the poor
- Poor macroeconomic, labor, and social policies
- Low asset levels and lack of asset portfolio diversification
- Low skill levels of labor force
- Structural unemployment (especially for youth, graduates, women and so on)
- Limited social and family networks or limited flow of information
- High levels of child labor
- Permanent physical or mental disability

Transitory Vulnerability

- Natural or weather-related—earthquakes, floods, droughts, hurricanes, pests
- Economic downturn or crisis—recession, transition, inflation, wage arrears, changes in taxation or spending, decline in production in sectors from which workers are immobile, job loss
- War, conflict, violence—national, regional, or individual
- Illness or injury—individual illness, epidemics, temporary physical or mental disability
- Life-cycle events—effects on household income of old age, death of a household member, widowhood or family breakup, multiple births

Once sources of risks have been identified, each type of risk should be assessed for its severity, scope (in terms of numbers and groups of people affected), the types of effects, and the expected frequency in the particular country context. It is important to determine whether the identified risks affect specific individuals or households and are therefore *idiosyncratic* (e.g. non-communicable illness, individual short-term unemployment, family breakup); or whether the risks affect whole regions or groups of households and are therefore *covariate* (e.g. drought, seasonal price volatility, war, or financial crisis that affects an entire community at the same time). Likewise, risks can either be *single* or *repeated* events, example of the latter being repeated droughts or floods. Covariate, repeated or compounded shocks are typically more difficult to handle through informal means. An appropriate response to *catastrophic* events may be long-term net transfers. *Non-catastrophic* events that occur with high frequency but have non-severe effects (transitory illness, temporary unemployment) do not always require long-term net transfers to the affected household, as they may be able to cope in the short-term using savings, loans, reciprocal gifts, or, in some cases, private insurance. Nevertheless, to very poor households, even these types of events can be devastating.

Thus, mapping risks and vulnerable groups requires determining:

- Frequency of risks—for example, a yearly or periodic drought, or a rare economic crisis.
- The severity and scope of risks. Household data can be used to identify the income sources and expenditure patterns of the poor, together with qualitative/rapid assessments or geographic information systems (see the **Poverty Data and Measurement chapter**).
- The types of groups or individuals affected—whether the risks are limited to a particular group (women, men, those in certain regions or occupations, minority groups), or whether they affect whole areas or individuals in a totally idiosyncratic manner (see the chapters on **Poverty Data and Measurement** and **Gender**).
- The effects of risks on income, social interactions between groups and families (social cohesion), and access to social services and other non-SP risk management interventions, such as micro-finance.

Once vulnerable groups have been mapped against the types of risks they face, the results can be used to take a first cut at prioritizing interventions. Some of the risks may not be inherent in the economy but rather the result of existing policies or programs, for example, inflation stemming from poor macro or fiscal policy. Table 1 provides an example of the type of mapping that can be conducted.

Table 1. Mapping Risks to Vulnerable Groups and Interventions (Illustrative Example)

Risk	Indicator of risk	Severity of Effect			Groups most affected	Remedies	
		Income loss	**Duration**	**# Affected**		**Non-SP**	**SP**
Economic crisis	GDP growth rate Exchange rate Trade statistics Business failures	Unemployment rate Decline in wage rate	Number of months	Numbers, sectors, regions	Workers in most-affected sectors	Macro, finance, trade policies	Unemployment ins. Active labor market programs, Safety nets
Poor rains	Rainfall, timing	Income or proxy (harvest; yields)	Season	Numbers, regions, sectors	Rainfed farmers; Their suppliers and buyers	Irrigation, crop choices, agricultural inputs for next season	Labor intensive public works; Nutrition programs
Landslides	Number affected	Loss of life, livelihood, property,		Numbers, location	Residents in affected areas	Land use regulations; Insurance/savings	Safety nets
Illness	Morbidity rates	Cost of treatment, Opportunity cost of caregivers' time	Acute vs chronic	Numbers	Children, elderly, high risk groups	Health care delivery system; Health insurance	Nutrition programs for 0-5 year olds;
Retirement	Labor force statistics	Income	Permanent	Numbers	Elderly, especially from formal sector; those without family	Savings vehicles Labor market that facilitates part time employment	Pensions system

2.2 Choose between SP and other interventions

Once the major sources of risk and vulnerability and groups most affected by them have been identified, two questions should be answered: (1) Could changes in existing policies, laws, regulations, or programs reduce vulnerability and poverty? And (2) Should social protection interventions be used to address these difficulties and if so, which interventions would be most appropriate?

The decision to use SP or non-SP interventions will depend on whether risks are primarily structural or transitory. It will also depend on whether the primary objective is to reduce risk, mitigate risk, or facilitate coping with risk. Table 2 illustrates many of the options available according to these two typologies.

If risk or vulnerability is structural, *risk-reduction or prevention* efforts will in most cases be the most appropriate course of action. These risk-reduction efforts tend to fall more into the realm of policy than program-style intervention. Many key elements here also fall primarily outside the scope of SP. Of those within the scope of SP, many are in the form of labor market regulation and programming. *Risk mitigation* strategies in many instances may also be best dealt with by using interventions outside SP. Such approaches may include efforts to help diversify the 'portfolio' (physical, financial, human, and social capital assets) of the poor enough to cushion shocks. Finally, *risk-coping* mechanisms that relieve the impact of shocks once they have occurred are essential to protect against unacceptable levels of poverty. Many risk-coping mechanisms require support from SP interventions, while others do not.

Table 2: Possible Means to Manage Risks

Outside Social Protection	**Social Protection Measures**
Risk reduction	
• Macro – economic policies • Public health, education, agricultural, and environmental policies • Resources allocation (human and financial) for providing quality basic social services to the poor • Provision of essential infrastructure • Regulated and supervised financial sectors • Institutions and judicial systems • Proper feeding and weaning practices • HIV-prevention programs • Asset accumulation (land, livestock, financial)	• measures to reduce risks of unemployment or underemployment and inadequate earnings • standards to ensure basic health and safety at work • appropriate disability policies to support inclusion of persons with disabilities • measures to reduce harmful child labor • measures against discrimination in employment • vocational education and training programs that support human capital investment • some community-level interventions through social funds, such as preventative health care and accumulation of social capital through strengthening structures for community action • infrastructure produced through public works

Outside Social Protection	Social Protection Measures
Risk mitigation	
• more formal kinds of portfolio diversification • asset transfers • development of savings mechanisms for the poor and vulnerable • access to microcredit schemes • protection of property rights • provision of legal services that preempt the need for other SP programs (ensuring the provision of or improvement in key laws – property rights, gender-neutral inheritance, family law that prevents women and/or children from being left destitute by desertion, divorce or death)	• insurance programs for unemployment, old age, disability, survivorship, sickness • pension systems appropriate to and effective in the country context • market-based and informal community schemes that aim to reduce risk • support for the development of strong levels of community social capital • some types of social fund interventions, such as income diversification through micro-enterprise credit and access to education and training • public works during the season of slack labor demand to reduce seasonal variability of income
Risk coping	
• selling real or financial assets • borrowing from neighbors or banks • migration	• formal transfers or social assistance • disaster relief programs • price subsidies (e.g. food) • public works as means of transfers after a shock • informal intra-community transfers or charity

In deciding the balance between SP and non-SP interventions, one should keep in mind that:

- interventions that promote widespread poverty reduction will always be high priority;
- if poverty is more structural than transitory, interventions to deal with the structural aspects, which are usually non-SP interventions, should have priority;
- groups that are not benefiting from general economic growth may need special SP policies or programs;
- SP programs can be expected to reduce poverty both directly through reducing vulnerability to income swings and preventing irreversible losses, and indirectly by contributing to social cohesion and sound policy choices broadly; and that
- the best mix of policies and interventions in a given circumstance will depend on the context of macroeconomic policies, fiscal constraints, and competing budget priorities, institutional capacity to design and implement, and political economy considerations.

2.3 Indicators for monitoring progress

There is little international consensus on social protection indicators. However, the indicative list of potential indicators in box 3 may be a useful set from which countries can choose indicators to monitor progress in improving the lives of vulnerable groups. The choice of specific indicators in a particular country will depend both on what is pertinent to measure – the kinds of risk, the groups that are most vulnerable, the kinds of programs present – and the realities of what data are available. It will, however, usually be advisable to gather data on indicators in each of the three categories shown – indicators of exposure to risk, on mechanisms to deal with vulnerability, as well as on outcomes.

Box 3. Potential Social Protection Indicators

Indicators of Exposure to Risk and Vulnerability

- Frequency of national or regional susceptibility to specific natural or weather-related shocks
- Index of chronic or transitory macroeconomic distress and/or poor macroeconomic performance (Country Policy Institutional Assessment type indicator)
- Percent of population affected by war, violence, crime, or ethnic/class tensions
- Prevalence of communicable diseases (such as AIDS), alcoholism, drug addiction
- Percent disabled
- Percent of single heads of household and/or divorce rates (can also be an outcome)
- Percent of orphans (may also be an outcome indicator)
- Percent of elderly
- Percent of widows

Indicators for Mechanisms to Deal with Risk and Vulnerability

- Qualitative evaluation of effectiveness, efficiency, and coverage of country's SP system (poor, fair, good, excellent) within context of country realities
- Qualitative evaluation of government commitment and capacity to help the poor manage risk (poor, fair, good, excellent)
- Percent of poor and non-poor covered by social protection programs and average levels of benefits, overall and by program (coverage and incidence)
- Public and private expenditures on different SP (or SP-related) programs
- Percent of (poor) households receiving transfers (formal or informal) and average transfer amount
- Percent of (poor) households with savings accounts and average size
- Percent of (poor) households with multiple sources of income (farm/non-farm; multiple jobs)
- Percent of (poor) farmers using irrigation or planting several different crops

Indicators of Outcomes

- Poverty headcount and depth, if possible disaggregate by rural/urban and, ideally, by different potentially vulnerable groups, including the elderly and widows
- Levels of chronic versus transient poverty (again disaggregated, even approximately, for different potentially vulnerable groups)
- Prevalence of seasonal hunger
- Distress sales of livestock or land
- Child malnutrition rates
- Unemployment rates and estimates of underemployment, capturing the level of formalization or informalization in the labor market (by age and gender)
- Primary-school dropout rate (for boys and girls)
- Incidence of child labor (percent of children who work, based on age and gender)
- Hours worked by children
- Labor market situation for vulnerable groups (youth, women)
- Estimated percent of children or families left vulnerable or destitute as a result of communicable diseases (indicators for AIDS, for example, might include number of infected, number of infirmities, estimated number of orphans)

3. Step 2: Determine the effectiveness of individual SP interventions

This section includes checklists that policymakers can use to determine the effectiveness of interventions for labor market regulations, contribution-financed social insurance programs and publicly financed safety net expenditure programs. Ideally, data from several sources would be available for this purpose—budget and administrative statistics, expert opinion of officials and informed critics of the interventions, feedback from clients in the form of beneficiary assessments or client-satisfaction surveys, household survey data to reveal targeting outcomes, and sophisticated analysis of survey data to quantify program impacts.

In practice, countries often have little of this information readily available, but a first round of decisions is needed based on the data that are already available or that can be assembled quickly. In these cases, policymakers should do their best to consider all the main factors suggested below, though the conclusions may be tentative, based on imperfect data, or only on partial indicators under each factor. Policymakers should, however, seek to create mechanisms to ensure that adequate data will be available in the future for ongoing or periodic assessments of the effectiveness of interventions so that subsequent rounds of decision-making are more firmly grounded in rigorous analysis. The chapters on **Poverty Data and Measurement** and **Monitoring and Evaluation** provide guidance in that effort.

In assessing interventions, policymakers will want to consider all the important and pertinent policy, legal, and regulatory frameworks and publicly funded programs as well as private market-based or informal arrangements that provide social risk management (see Box 4). The same sort of analysis may be applied to proposals for new or reformed interventions. The treatment of public programs should be especially thorough, since government directly finances, and can most readily manipulate, these.

Box 4. Examples of Social Protection Interventions

The interventions listed here are typical of those found in many countries. Not every country will have all these—nor should it. Fragmentation may result in programs too small to accomplish much, and several interventions on this list are usually not cost-effective. This list is meant merely as a checklist to help the PRS team ensure that they have all the relevant pieces of the puzzle.

Public Programs and Policies

- Food for work or labor-intensive public works
- Social funds
- Agricultural input subsidies (prices or vouchers)
- Energy subsidies
- Food price subsidies
- Housing subsidies
- Food rations
- Food stamps
- School feeding programs
- School fee waivers or scholarships
- Family assistance

- Employment legislation—hiring and firing rules (including severance), contracting for labor, minimum wages, etc.
- Unemployment assistance
- Job search assistance
- Unemployment insurance
- Job retraining programs
- Integrated savings account
- Health insurance
- Needs-based cash social assistance
- Old age insurance, disability insurance, survivors insurance
- Noncontributory pension programs
- Regulatory framework for private pension programs

Market-Based Risk Management Mechanisms
- Savings or credit from commercial outlets or NGOs
- Crop insurance
- Property insurance
- Private pension plans
- Private insurance for health, disability, and life

Informal Safety Nets or Transfers
- Exchange of labor (for farming, construction, etc.) between households
- Transfer of cash, food, livestock between households
- Child fostering
- Reliance on children
- Dis-saving—selling assets, livestock, farm equipment, jewelry, drawing down savings
- Migration
- Tied labor
- Share cropping
- Savings or insurance associations or societies—roscas, tontines, burial societies

Interventions may be operated out of various institutions—including ministries of the presidency, of labor, of social security, education, health, housing, public service, transport. State and local interventions may be quite important and, indeed, may dwarf national or federal interventions in some sectors and countries. In many instances NGOs or large donors may sponsor programs outside government that are important parts of the SP system and should be included in the overview. And the analysis should not be limited to interventions that are meant to reach the poor explicitly. Often pensions for public employees are a major SP expenditure. Although they are not likely to have much direct effect on poverty because they accrue largely to the non-poor, they can be a significant use of budget resources and have both a political and an opportunity cost that should be included in the analysis. Market and informal mechanisms should be examined to see where comparative advantage lies and what gaps they can fill, as well as to assess whether public interventions help or hinder their contribution to risk management.

This can appear daunting and the poverty reduction strategy team will, of course, need to be pragmatic about setting a realistic agenda.

The first step is to gain a broad overview of the full range of interventions (this need not be in great detail). The team can choose a subset of interventions for more in-depth analysis. Programs that receive substantial budget allocations, policies or regulations that cause large distortions in the economy, and interventions that affect large groups of people or for which good evaluations are already available are obvious candidates for inclusion, as are smaller interventions that appear to address important, largely unmet needs. Once a triaged list of interventions is selected, the PRS team will want to quickly assess what existing analyses and data sources are available. They can then determine how ambitious to be in their analysis and where to focus any data collection efforts.

The tools for addressing regulatory, contribution-financed social insurance programs and publicly funded expenditure programs are somewhat different and are each treated in turn in the following sections.

3.1 Analyzing labor regulations

In allocating labor to its most efficient use in the economy and encouraging employment and human capital investment, well-functioning labor markets contribute to long-run economic growth and poverty reduction. Moreover, sound labor market policies and programs can reduce risks associated with unemployment, lost income, and poor working conditions and can help workers manage these risks when they do occur.

A labor market policy framework includes both regulations and programs. The details of an appropriate framework, however, are not universal and vary from country to country depending on stage of development, history, and culture.

Labor market *programs*, such as unemployment benefits and training programs, can be evaluated like other publicly funded social protection programs in terms of cost-effectiveness (see Section 3.3). However, it is generally not possible to do the same in the case of labor *regulations*, such as rules governing hiring and firing or anti-discrimination regulations. To evaluate labor regulations, policy-makers need to answer some fundamental questions:

- what are appropriate regulatory interventions?
- what is the impact of interventions (including their enforcement) on the functioning of the labor market?
- what is their impact on workers, especially on poor workers?

It must be admitted that it is very difficult to attach a value to the benefits or costs of many labor regulations. This challenge is complicated further by the fact that the key issue is not simply the regulations themselves but how they are enforced. While it may not be easy to answer these questions definitively or quantitatively, the following steps could be undertaken in an attempt to understand the labor market regulatory framework and its implications for poverty reduction:

Conduct an empirical overview of the labor market. Sound monitoring and diagnosis of labor market indicators is the first element of a labor market analysis. This will assist in identifying the trouble spots where policy-makers might choose to intervene as well as dimensions where the labor market is already functioning well.

Labor market problems can take many forms: for example, high open unemployment, low earnings, or hardship focused on particular groups. Conducting an empirical overview requires determining key indicators that are disaggregated to assess effects on the poor and other vulnerable groups (including in terms of gender and age). Some indicators that could be monitored include rates of labor force participation, unemployment, (short and long-term) employment and underemployment, as well as the level and distribution of earnings, and productivity, and formal vs. informal shares in employment.

It should, however, be noted that in many developing countries indicators of labor market problems are not straightforward (An increase in open unemployment, for example, is not always a bad thing. The poor cannot afford to be unemployed where there are few formal social protection mechanisms in place and must instead give up job search for even low paying or inappropriate jobs. If the open unemployment rate goes up, it may mean that prosperity or better social protection mechanisms are leading to longer job searches, or it may mean that jobs are harder to come by). Furthermore, the quantitative database is often limited. Hence, an ongoing policy objective should be to assess the current data situation, identify data needs, and to take steps to improve in-country capacity to monitor labor market (as well as other) indicators. This can involve strengthening survey capacity as well as improving administrative data.

Qualitative indicators can also be important for monitoring purposes, both because quantitative data may not be available and because some key aspects of labor market performance may not be amenable to "hard" data. As an example of the latter, an important metric of labor conditions is the set of core labor standards (against child labor, forced labor, discrimination and supporting freedom of association and collective bargaining) that have been agreed to internationally. An overview of the labor market should include an assessment of how the country is performing relative to these standards. This can be important for diagnosis of labor policy needs.

Assess the role of regulations. Having identified key trouble spots through an empirical overview of the labor market, the next step can be an assessment of the role of regulations (or lack thereof) in determining the observed outcomes. Here, it is important to recognize that performance may or may not be due to labor market regulations. For example, low formal employment rates can be due to a variety of factors, some of which have little to do with labor policy (e.g., macroeconomic conditions). However, they may also be due to labor market policies (e.g., high labor costs associated with hiring and firing workers). Careful analysis is required in order to disentangle the causes of what are often complex processes.

Assessing the impacts of regulations is important for determining where policy-makers should focus attention. This is true for existing regulations that may be causing problems (such as high labor costs due to employment protection rules). It is also true for existing labor market problems that may require regulation (e.g., discrimination against women) where there are no effective regulations in place. Some of the regulatory areas that policy-makers could examine include:

- Minimum wages;
- Payroll taxes;
- Rules governing hiring/firing of workers;
- Labor standards including hours of work, leave, occupational health and safety, etc.;
- Regulations against gender and minority discrimination.

Evaluate the Costs and Benefits of Labor Regulations. Once the role of regulations has been assessed, the next step is to evaluate the costs and benefits of the various regulations that are thought to have a significant impact on poverty and growth. While the benefits and costs cannot be precisely estimated, analysis can point towards whether benefits can outweigh costs or vice versa as well as what impact these regulations may have on poverty reduction. Questions that need to be answered include:

- What is the objective of the intervention?
- Are these appropriate objectives given our understanding of the labor market?
- Conceptually, what are the benefits and costs of this type of intervention?
- From international experience, what are the costs and benefits of this type of intervention?
- What is the empirical evidence on the costs and benefits of this intervention in the context of the particular country?

Assess Options. Based on an assessment of the role of regulations and costs and benefits of various regulations, the final step would be an assessment of options that policymakers should consider with respect to labor legislation and policies to ensure that growth in demand for labor is encouraged.

3.2 Analyzing contribution-financed social insurance programs

One approach to protecting individuals against the risk of old age, disability, death of a family member, sickness, maternity, unemployment, or work injury is through the use of social insurance programs. These programs mitigate such risks by providing a source of income should the individual encounter one of these problems. In such programs individuals contribute while working, often accompanied by additional contributions by the employer and in a few cases by direct government contributions. The accumulated money can be used to pay individuals who have been affected by these adverse events. Sometimes funds are accumulated over time, but typically these are insufficient to cover the full expected future payments to currently insured workers.

Industrial countries typically have social insurance programs to provide substantial risk mitigation for these particular risks with only residual reliance on coping mechanisms. But in a typical developing country, while social insurance programs often prevent high and middle income individuals from falling into poverty when faced with these risks, they do not provide equivalent protection for the poor. There are a variety of reasons underlying the incomplete coverage, which all stem to one degree or another from the difficulty of collecting contributions from the poor. Only those who contribute are entitled to protection from these risks through these programs. The chronic poor often employed in the informal sector which does not participate in contribution-financed social insurance programs and are thus excluded from them. Even where there are schemes for the informal sector, the chronic poor are often too poor to participate, have higher discount rates, or may expect to benefit from public safety net programs instead.

Contributions-based social insurance programs often end up running deficits once they have matured, which become obligations of the government. Thus, not only do the poor not have access to these programs, but fiscal resources that might otherwise have been used for other social programs to better help the poor mitigate or cope with risk are spent on propping up the social insurance programs which benefit only the upper and middle income classes. If the general tax revenue base (for example through a VAT) is broader than that for social insurance, the situation is even worse, since taxes collected from the poor are used to pay benefits for the upper income classes.

A basic first step in evaluating a social insurance system is to determine what percentage of the working age population contributes to the system and what percentage of the vulnerable population (elderly, widows, disabled, etc.) receive benefits. Should the program be broad-based, budgetary support from the government might be justified as poverty reducing. The U.S. social security system, for example, has a redistributive benefit structure and broad coverage, and is thus often credited as the nation's most effective poverty reduction program. In doing such evaluation, the analyst should consider both current and future coverage trends. For example, in much of Eastern Europe, coverage rates among the elderly are very high, perhaps justifying some level of budgetary support. However, coverage rates among the working age population in Eastern Europe are falling as people join the private sector, evasion of contributory obligations becomes easier and, in some cases, participation becomes voluntary. This suggests that coverage rates among the vulnerable will be lower in the future and thus that budgetary support may not be justified in the long term.

Assuming that the social insurance coverage is limited, as is typically the case in developing countries, the criteria used for evaluation include the following:

- Fiscal sustainability – is the insurance system designed to be financed strictly through contributions from the covered population and its employers in both the short-term and long-term?
- Adequacy of benefits – are the benefits provided under the system adequate to prevent the covered population from falling into poverty? Are the benefits sufficient to provide incentives for contributing to the system, as compared to other means for mitigating these risks?
- Avoidance of crowding out – are the benefits provided so generous that they crowd out or prevent other means of risk mitigation through informal or market means if these are available?
- Avoidance of regressive redistribution – in all social insurance schemes there is some element of redistribution, whether it is intentional or unintentional. For example, in health insurance, premiums are often set as a percentage of salary. However, if health outcomes are positively related with income, the wealthier require less health care. Thus, because those who are in less need of the benefits contribute more, the system incorporates some level of redistribution to the poor. In contrast, higher income workers live longer than low income workers and thus can expect to receive pensions for a longer period of time, raising their overall pension gains relative to low income workers. Whether the redistribution is be progressive or regressive needs to be examined.
- Avoidance of vulnerability-raising incentives – encouraging women, for example, who on average live longer then men, to retire earlier while the pensions are often not fully indexed results in lower pensions, which fall in relative value over the longer retirement period and raise the risk of female poverty in extreme old age. Similarly, encouraging long periods of unemployment by long duration of unemployment benefits may jeopardize the individual's return to normal employment.

3.3 Analyzing the effectiveness of expenditure programs

We can think of three aspects of the effectiveness of programs: *poverty objectives*; *outcomes or impacts;* and *cost-effectiveness in delivering the observed outcomes.* Questions that should be answered in determining each of the aspects follow.

Poverty Objectives of Programs

Poverty reduction programs may have any of a gamut of specific objectives – for example, to reduce the poverty headcount, to raise wages, to shorten the "hungry" season, to improve access to health care, to improve the voice of the clients in social programs. This range of objectives stems partly from the multidimensionality of poverty itself, and partly from the complex and often difficult to measure linkages between actions and their effect on a summary measure such as income poverty. To analyze effectiveness, it is important to define the objectives of a program and to check that they are congruent with the poverty and risk diagnostics for the country.

Poverty Outcomes from Programs

Next, the analysts ask:

- Is the intervention helping to meet the poverty objective?
- Have there been changes in the indicator toward the desired objective that can be reasonably attributed to the program?

Unfortunately, analysts often do not have a good summary indicator of poverty impact, much less one with an appropriate chain of causality. So they make do with proxy indicators that are likely to “reflect” or influence the actual (unobserved) outcomes. For example, if the program reaches few among the target group, or if it gives them a tiny transfer, then we can infer right away that the overall impact is likely to be small. The particular proxy indicators used may vary somewhat by intervention, and more by the availability of data. It is also important to establish that the change in the indicator is due to the program and not to other influences. (For a more thorough treatment of outcome assessment, see the **Monitoring and Evaluation chapter**.)

Cost-effectiveness of Social Protection Programs

“Classic” cost-effectiveness analysis results in comparable numbers for different program options aimed at the same indicator – for example the cost per calorie delivered to the target group via general price subsidies, means tested food stamps or food rations given away at public health centers. We suggest a somewhat different practice here. First, “classic” analysis is limited to cases where the specific outcome indicators are identical. But as we just said, anti-poverty programs may have a range of specific objectives (increase caloric intake, decrease the headcount, lower unemployment rates). Moreover, the data required for a classic analysis are not likely to be available in quantitative form for all interventions to be evaluated. We thus suggest analysis of several aspects of the programs, in particular sustainability, targeting, administrative costs, institutional structure, unintended effects, and constraints. These are factors that would feed into the determination of a single summary indicator of cost-effectiveness of the program if that were to be constructed. If it is not, judgements can still be made after systematically considering the information on each dimension for each program. Technical Note 2 contains fact sheets on the more common social protection programs that summarize international experience and provide some benchmarks for comparison .

The questions included in this section were originally developed to evaluate public expenditure programs, though most can also be applied to the analysis of labor regulation and contribution-based social insurance programs as well. Moreover, most of the checklist is also germane to the analysis of private sector provision of SP support. Most of the concepts also apply to informal private arrangements, though the costs may not be to the government but to the individuals in the network that provides the transfer or insurance. For market-based provision of say, pensions, insurance for life, health, or property, or savings vehicles, issues of coverage and constraints may be particularly relevant.

This diagnosis not only enables a summary judgment about which programs are more cost-effective than others, but it also yields information about how each intervention might be made more effective and thus provides insights into priorities for reform. A country might, for example, discover that in its public works program, only 20 percent of the costs are for unskilled labor, which is well below the international standard shown in Technical Note 2. A change in the labor intensity of the works financed would then increase the income available to the poor in the short run.

Sustainability

- What is the cost of each program as percent of gross domestic product (GDP)?
- What is the budget or expenditure allocation to each social protection program as a percent of total government expenditure and of social protection expenditure?
- What is the source of financing for each program (external or internal)? Are funds earmarked? Are there issues of intergovernmental financial flows?
- Is this source of finance likely to shrink or to grow over time in concert with need?
- Is the program in conflict with existing policy or legal or regulatory frameworks that will undermine its sustainability?
- What is the unit cost of the intervention (for example, to reduce the unemployment rate by 1 percentage point or to transfer $1 to the target group of a social assistance program)?

Targeting Performance

- What percent of targeted and non-targeted groups are covered by the program?
- What percent of the transfer is going to poor and to non-poor groups?
- What is the budget or expenditure allocation for each program by administrative unit, by rural or urban location, by ethnicity, by gender? How does this correspond to the distribution of poverty by these factors?

Administrative Costs

- What is the administrative cost as percent of the total cost?
- Is it so high as to be unreasonable?
- Would additional spending allow significant improvement in some aspect of the program and thereby improve its impact significantly?
- How do these costs compare across programs?

Institutional Structure

- Which ministries operate the programs and at what level (national, regional, community)?
- What type of institutional delivery mechanism is employed by the program (direct government delivery, government contracts with NGOs or private sector, social fund)?
- Is the overall capacity (staff, equipment, transport, administrative budget, procedures, information systems) adequate to implement the program well?
- Are there issues of coordination between agencies or levels of government?
- Do the institutions and their agents have incentives to act in ways that ensure that the program is well implemented?
- Does the institutional delivery system facilitate proper targeting?
- Are systems adequate for participation or client voice?

Incentive Effects

- What are sources and potential magnitudes of unintended effects at the program level? These may vary by type of program. For example, in a public works program that uses private contractors, local contractors or supervisors may cut workers' wages below the program wage to cover costs of transporting workers to work sites or maintaining workers' sleeping facilities at work sites.
- What are the program's unintended effects at the household or individual level with respect to work incentives, fertility, household formation? In considering effects on work incentives, the nature of the labor market and the pattern of work of the poor in the country needs to be kept in mind.
- What are potential sources of household or individual-level unintended effects (institutional delivery mechanisms, targeting mechanisms, level of transfer), and can they be minimized?
- What will be the likely impact on the level of private transfers and household coping arrangements?

Constraints

- Are there institutional, infrastructural, financial, or political constraints to effective program operation at present?
- Are there existing institutions to support operation of a new program? If not, can they be set up quickly?
- Do staff members have appropriate skills and training to implement programs?
- Are there funds to implement the program?
- Is there political will to sustain the program?
- Are there aspects of the program that may be constrained by cultural considerations (for example, for some countries, women doing heavy labor on public work sites)?
- Do households face any constraints in receiving the benefits of the programs (high transport cost, overcrowding, long waiting periods to receive benefits, language barriers with service providers)?

After carrying out the analysis suggested in this section of the paper, the PRS team will have an idea of the strengths and weaknesses of each of the important SP interventions in the country.

4. Step 3: Adjust the mix of interventions as needed

This section will help identify the combinations of interventions likely to be most effective in meeting poverty reduction objectives within the country's fiscal and administrative capacity. The information needed to do this includes the diagnosis of the general character of poverty in the country and the appropriate types of public actions to reduce poverty under those conditions as derived in Step 1; the assessment of cost-effectiveness of individual interventions as derived in Step 2; judgments about the potential of different interventions (see the benchmarks provided in technical note 2); and information on budget envelopes (from other parts of the PRS exercise).

Using this information, PRS teams can construct a list of likely interventions to fill current social protection gaps and needs. The next step is to *prioritize among the potential interventions and determine the implications for existing programs or policies.* This exercise will result in one or more proposals for a more appropriate mix of SP interventions. These proposals may differ from the status quo in one or more of the following ways. They may change the budget envelope for

SP interventions; modify existing interventions to make them more effective or to change their purpose; include new interventions; or replace or remove existing interventions entirely (usually in order to reallocate fiscal or administrative resources to another intervention that is deemed more effective or that addresses a more important target group).

PRS teams will have to make their own informed judgments about the relative cost-effectiveness of different public actions for poverty reduction, considering both SP and non-SP interventions and the appropriate budget envelope for SP interventions.

A number of tools are available to help:

- The **Public Spending chapter** offers some general guidance on thinking through some of these tradeoffs.
- The ILO's Social Budget Model provides a computer-based tool to help work through how changes in one sort of social protection mechanism may affect the need or budget for another.
- The World Bank's Pension Reform Option Simulation Toolkit (PROST) includes a tool for judging how different parameters in the pensions system will affect costs and outcomes.
- Technical Note 2 gives some information on the likely range of unit costs for different kinds of programs.

Often it is helpful to *modify existing SP interventions.* In some cases, manageable changes in program rules or administration can markedly improve the effectiveness of the program. In these cases the program should already be reasonably well suited to the poverty situation.

Introducing a new SP intervention is often tempting, especially when a major risk or cause of poverty is going (largely) unaddressed. (Fact sheets in Technical Note 2 give a summary assessment of which groups and circumstances are best served by each program reviewed.) Although there is a prima facie justification for the program in this case, the value of the new program vis-à-vis other use of funds must be assessed.

It is tempting to establish a new program that addresses an issue that should have been addressed by other, poorly performing programs. Particular care must be taken in such situations. Sometimes it is appropriate to start new programs, as when small local programs cannot be scaled up without losing effectiveness. But in many cases starting a new program rather than resolving an old one's flaws will prove quite costly in the long run. The forces that led to the need to reform the old program, or that made it difficult to reform, may, over time, affect the new program, leaving the country with two poorly performing programs. Moreover, neither program will have as much opportunity to achieve full economies of scale.

Replacing or removing existing interventions may be desirable if they are ineffective and cannot be feasibly modified or if they address lower-priority groups or risks. To make such a move palatable, it is usually necessary for a government to show that the funds (and sometimes staff and structures) will be used for some other intervention in support of a broadly similar goal.

In developing working proposals for the "best" set of SP interventions in a country, PRS teams must keep firmly in mind the reality of limited budgets and administrative capacity. These sometimes require harsh tradeoffs between SP and other poverty reduction interventions (transport, education, etc.) and, within SP, between social protection programs intended to reduce or cope with risk and those that affect different target groups. The situation is further complicated when poorly designed or badly functioning social insurance programs already exist because individual contributions to such programs carry with them some entitlement to future benefits, making reform difficult.

There is little international consensus, either in the policy advisory community or among governments, on what share of a country's resources should be spent on SP programs or how to divide the resources among different SP programs. This is illustrated in Table 3, which shows the regional averages and high and low country cases for social security and transfer-related government expenditure. The range overall is quite broad, and neither the poorest countries nor OECD countries can be said to be completely meeting the needs of the poor. The poorer countries do not spend enough to make their programs effective, and in the countries with the highest expenditures, like Germany, the need to contain or reduce SP expenditures is often a central element of the political and social policy dialogue.

Table 3. Expenditures on Social Security and Welfare

Region/Country	% GDP
Sub-Saharan Africa	
Average	1.11
High (Guinea-Bissau)	1.94
Low (Liberia)	0.29
South Asia	
Average	2.31
High (Sri Lanka))	4.53
Low (Nepal)	0.08
East Asia and Pacific	
Average	4.40
High (Japan)	8.29
Low (Singapore)	0.51
Latin American and Caribbean	
Average	4.67
High (Chile)	8.69
Low (Haiti)	0.65
Middle East and North Africa	
Average	5.68
High (Israel)	10.51
Low (Bahrain)	0.85
Eastern and Central Europe	
Average	10.94
High (Poland)	21.35
Low (Turkey)	0.53
North America	
Average	11.19

High (United States)	14.12
Low (Canada)	8.26
Western Europe	
Average	12.34
High (Luxembourg)	19.32
Low (Iceland)	5.37

Source: Extracted from Besley and Burgess 2000

The data include expenditures in the following categories: social security affairs and services; sickness, maternity or temporary disablement benefits; government employee pension schemes; old age, disability or survivors' benefits other than for government employees; unemployment compensation benefits; family and child allowances; other social assistance to persons; social security affairs not included elsewhere; welfare affairs and services; children's residential institutions; old persons' residential institutions; handicapped persons welfare services; other residential services; welfare services not delivered through residential institutions. Figures are unweighted averages across each of the regional groupings. Figures are for central government.

In developing program and budget proposals, the political economy of change deserves particular attention. PRS teams must ask if there are groups or stakeholders who stand to either gain or lose from changes that should make the intervention more cost-effective. What are the potential forms of loss that can be associated with these groups or stakeholders? Will compensating these groups ensure the political viability of the reform or the sustainability of the program or policy? What is the least costly way to compensate these groups? Is there public support or political will for the program or policy? (see Technical Note 1.3.)

Policymakers must also consider whether any proposed change to the current mix of programs will be limited by the same constraints and pitfalls (see box 5) that existing programs face. When policymakers find that existing social protection programs are the best that can be in the country, further attempts at reducing poverty will necessarily have to focus on non–social protection programs and policies.

Box 5. Common Pitfalls for Countries' Mix of Interventions

Many countries' mix of SP interventions have suffered several generic pitfalls:

- Trying to cure the ills caused by poor policy choices more generally (e.g., inappropriate macro structural policies).
- Lack of coordination of the many diverse policies, programs, and actors involved in SP interventions.
- Having so many interventions that few have adequate resources to operate efficiently, much less to accomplish their objectives.
- Missing the possible synergies and complementarities between programs (which leads to duplication or to missed economies of scale).
- Expanding the intervention's coverage or benefit level without dealing with the design or implementation issues that would make the interventions more effective.
- Focusing on the groups for which there is popular support but only a moderate correlation with poverty – for example, in some countries formal sector pensions may not reach the poor.
- Concentrating attention on the formal sector when poverty is largely in the informal sector; or on urban occupations when poverty is largely linked to agricultural activities or residence in rural areas.
- Failing to reach groups that may be highly correlated with poverty but outside the reach of traditional mechanisms or sympathies – for example refugees, internally displaced persons, ethnic minorities.
- Not taking into account long run impact when designing initial interventions.

In evaluating proposed changes to SP programs and policies, the fundamental criterion should be the impact on poverty. Often, however, good estimates of this are not available within the time frame used in making the decisions. Thus we must fall back on other criteria that we expect to contribute to poverty reduction. Cross-country experience suggests the following criteria, which are listed in the order they could be considered. The "best" program or policy change would satisfy the highest number of criteria. (See Klugman 1999; World Bank 1999c ; Subbarao et al. 1997; Grosh 1995; Social Safety Nets Assessment Tool for Latin America, World Bank, forthcoming.)

- Is the potential mix of interventions suited to the context (characteristics of poverty, economic state —crisis, post-conflict, normal times, economic boom)?
- Is the net benefit or impact of the proposed intervention higher than for other options (existing interventions or modifications thereto) after netting out administrative costs, errors in targeting (of both exclusion and inclusion), costs to the participants (in particular, opportunity costs like forgone wages), and any behavioral changes induced?
- If there is an urgent and immediate need for the proposed change (crisis, post-conflict, booming economy), can the intervention be rapidly scaled up or down, while still maintaining reasonable quality?
- Will the intervention prevent persistent or irreversible effects? For example, will it ensure that young children are nourished adequately, so that their future intelligence and health develop fully? Will it ensure that girls and boys remain in school so that their future earnings capacity is not reduced? Will it ensure that small farmers and entrepreneurs (both men and women) do not have to sell the assets (traction animals, tools, land) upon which their livelihoods depend?
- Will the intervention improve the balance of social protection among different target groups (young children, the elderly, the unemployed, the working poor)?
- Is there are a match between institutional requirements of the proposed change and capacity within the country? If not, is there congruence between the proposed change and the potential for realistic and timely buildup of capacity?

- Is the political economy of the intervention favorable? Will there be political support for the intervention sufficient to sustain its budget? Could public information or other campaigns help contribute to its attractiveness?
- If the intervention is targeted toward mitigating potential poverty rather than coping with existing poverty, is it fiscally self-sustainable or will it draw resources away from more directly poverty-focused programs?

5. Step 4: Develop an action plan

The purpose of an action plan is to ensure that medium and long run goals are accomplished by making sure that the immediate and intermediate steps are taken. At minimum the plan should include details on: i) what steps are required to get from the status quo to the goal; ii) the resources required; iii) the timetable, and iv) and who is responsible for each action. It may also be useful to include other factors such as how stakeholders will be consulted and indicators to monitor progress. Many of the issues in developing an action plan for the SP sector of a PRS are generic to action planning generally.

Often the plan will need to be developed iteratively. For example, a first, general version might have an entry like "reform public works program". A more detailed version might elaborate on sub-components of the reform – get an exemption from minimum wage law, develop a poverty map, develop a manual of unit costs for tools and materials with suitable regional variations. A third version might detail the steps required to pass legislation or to gather the data for the unit cost manual. As successive levels of detail are added, inconsistencies between goals, resources and timeframes may be revealed. It is important to identify these so that they can be resolved. The different levels of detail are also useful for the different users of the plan. The policy matrix in the PRS and pamphlets for dissemination to the general public may reflect only broad goals and minimal detail. But those who are actually implementing the plan will need a good deal of detail if the work is to stay on track, especially where it is necessary to coordinate work among multiple offices. And the detailed development of the plan is an important way of verifying that what is in the general version is achievable.

The resources required can be specified in several ways. The one-time investment requirements and the annual recurrent costs may be specified separately. Each will need to be squared with the respective budget envelopes (see chapter on **Public Spending**).

It can be useful to specify in detail the administrative resources required (personnel, training, equipment, processes). Though their financial cost may be small relative to benefits to be distributed in the program, it may take significant lead time to make them available – for example, if significant training is required, if new tasks are to be accomplished so that new staff must be hired or jobs redesigned, or if data bases or administrative systems need to be built. By identifying the specific needs it is possible to see what measures are required to meet them and what phasing of the whole program is possible.

Determining the total resources required to achieve a given improvement in an SP or poverty indicator is the hardest part of developing the PRS action plan. Ideally, prior impact evaluation and cost-effectiveness studies will be available to guide the magnitudes. Usually these are not available for most interventions and a good deal of guess work will be required.

The timetable helps decision-makers and task teams visualize how all the actions come together. It is useful to specify in the timetable which things can proceed in parallel and which must be in sequence.

Specifying who is responsible for each action can be particularly important for SP strategies, since SP interventions are carried out by so many actors. There is no single “head of sector” as the ministry of education is for all matters relating to education. Thus who is in charge of cross-cutting actions like “ensure that SP programs carry out impact evaluations at least once every five years” is quite unclear until specified. A single desk (usually in the planning, finance or prime minister’s office) may be assigned to monitor progress and provide technical assistance, but many agencies will have to carry out evaluations of their program (see Box 4). And many single programs involve multiple actors (central ministry, local offices, municipality, NGO, grassroots groups). It is especially worth noting that donor agencies have a large role in some safety net programs and they may have to take some actions to bring about the desired reforms. The assignment of responsibility in the action plan is meant to ensure that each action is carried out and none omitted with each party thinking someone else is responsible. It may also reveal the complexity of the process or highlight potential synergies. A single consultative process might, for example, be done jointly by several actors rather than each doing their own.

6. Country examples

This section of the chapter summarizes three case studies: Argentina, Malawi, and Togo. Although these cases were not conducted as part of a PRSP and thus do not reflect the process that a PRSP would require, they do illustrate applications of the analytical approach outlined in this chapter. The objectives, constraints and approach of these case studies differ, but each provides insights with regard to various methods adopted in identifying vulnerable groups, risks, and potential programs and in prioritizing among these in different country contexts. Examples from countries which have elaborated a PRS will be built upon in future versions of this chapter.

Each case has its own areas of strength for our purposes of illustration, with different relevance for applying this approach in low-income countries. Argentina is a good example of a comprehensive approach, particularly with regard to the use of indicators. While the Argentinean programs may be more heavily weighted to broad social insurance than in many low-income countries, the analysis provides a valuable illustration of program evaluation under less than ideal circumstances. The Malawi case demonstrates good analysis of an ad hoc, donor-driven type of social protection ‘system’ in a poor country. The study analyzes a number of programs in depth and develops and proposes an *affordable* social protection strategy within the country context. Togo is included because of its focus on analyzing informal social protection mechanisms that are important in most low- income countries. It also offers ideas on the implications of the analysis of informal mechanisms for social protection systems in poor countries.

The approach and conclusions of each of these studies is presented, with a final section on the state of the dialogue in each country, the data requirements and the approximate time frame for undertaking these studies.

6.1 Argentina

The Argentina case study draws on the work summarized in the World Bank report "Argentina Managing Social Risks" (draft, January 2000). The report diagnoses key social risks and vulnerable groups in Argentina, outlines a conceptual framework for managing social risk, analyzes current SP program coverage, and discusses options, key issues, and general principles to follow in designing effective safety-net programs.

It is generally less costly to prevent risk than to cope with its effects. In an upper middle income country such as Argentina, first-best solutions would enable individuals and households to protect themselves through social insurance such as unemployment insurance or pensions rather than having to turn to government social assistance programs. This is reinforced by OECD experience that shows that social insurance plays a far larger role in reducing poverty than social assistance programs.

Country Context. About 29 percent of Argentina's population is classified as poor, and 17 percent of the poor live in rural areas (which contains 8 to 12 percent of the population). Although it has the highest per capita GDP in Latin America (US$9,000), and relatively high social sector expenditures (17.6 percent of GDP, or $1,594 per capita, and 65 percent of total public expenditures), large pockets of poverty still exist as a result of the highly unequal distribution of income and public resources. In addition, the social insurance system reinforces a dualistic labor market that favors formal sector employees, to the detriment of workers in the informal sector where the poor are concentrated. The policy challenge is to find ways of improving the cost-effectiveness of existing programs and of dealing with the needs of those outside the large formal sector. At the same time, the scope for reallocating funds within the social sector is somewhat limited since roughly half of social spending is controlled by municipal and provincial governments, another third of expenditures is earmarked for federal pensions, and the remaining 20 percent finances basic sectoral programs such as education and health. This leaves targeted SP programs (only 3.5 percent of total social sector spending and 0.6 percent of GDP) to respond to the large holes in coverage generated by the dualistic system.

Constraints and Challenges. There were tight time constraints in this case. As a result**,** the analysis relied on already available data to provide estimates of the degree of risk, its severity, and vulnerable groups affected by these risks, as well as for estimates on program effectiveness. Poverty measures were derived from the semi-annual income-employment survey that covers 70 percent of the urban population. The 1997 national demographic survey, which covers 85 percent of the population (and excludes rural settlements with fewer than 2,000 inhabitants) was used for estimates on social indicators and social program incidence. Unfortunately, these surveys do not cover rural areas where most of the extreme poor are located, and where the sources of risk are also likely to be different. Finally, there is limited information available on the SP expenditures of provincial authorities, making it difficult to assess how much in total is actually allocated to SP interventions for the vulnerable.

Identifying Sources of Risk, Vulnerable Groups, and Potential Interventions. In diagnosing the key social risks and vulnerable groups in Argentina, the population was first classified by age group, and the number of poor and very poor individuals in each group was estimated. The main risks faced by each of these groups were then identified along with the leading indicators of these risks. (The team that prepared the report noted that using age-group classifications results in missing some key risk groups, such as indigenous populations, or risks that affect all poor regardless of their age, such as housing. Distinguishing systematically by gender within each age group would have allowed a more detailed and accurate analysis.) Current estimates for each indicator were given, where possible, and an estimate of what percentage of each group is covered by social protection programs was made. Finally, the team identified possible measures to address gaps, classifying the measures according to which gaps they covered (based on the type of risks faced by each group). These measures were distinguished according to whether they prevent risk, mitigate risk, or facilitate coping with risk. The role of SP programs in complementing these various aspects of risk management was specified. Table 4 below provides a summary of the results of this diagnosis.

Identifying the Optimal Mix of SP Interventions. The team used rough estimates of cost-effectiveness of existing programs based on available data on national programs. The analysis focused on cost per beneficiary, under- and over-coverage rates, and targeting efficiency—that is, the percent of the target group reached by the program and the percent of beneficiaries who are poor. This analysis highlighted the fact that there is a complex array of over 60 programs with overlapping objectives and target groups. It also pointed to programs that need to be scaled back, and to programs for which targeting can be improved to increase coverage within current spending levels. The complexity of the array of programs is compounded by the fact that municipalities run many local programs drawing on either co-participation funds from the federal level or their own resources. Hence one recommendation of the report is to reduce overhead costs by moving towards a model in which provinces and municipalities are responsible for administration and implementation under federal guidelines.

Based on the analysis of risks and vulnerable groups, the report identified both direct SP and non-SP areas that required change. A number of non-SP interventions were identified as essential to improving the SP 'system'. These included: better macroeconomic, labor market policies, to promote long-run increased demand for labor and reduce rigidities in the labor market; and policies to improve the quality of education to raise earnings potential. The direct SP programs were prioritized according to the key risks that they address for each of the vulnerable age groups. Taking into account the fiscal constraints, recommendations were geared to making better use of funds rather than expanding the budget envelope. The emphasis was on improving targeting of well-functioning programs and scaling back those programs that are not performing well.

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

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

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

6.2 Malawi

The situation in Malawi holds valuable lessons for other low-income countries: It highlights the ad hoc, donor-driven state of the safety net 'system' in a low-income country and demonstrates how to evaluate, prioritize, rationalize, and move forward with reforms.

Country Context*.* The challenges Malawi faces are typical in many ways of the issues faced in providing safety nets in low-income countries. With a poverty line of $150 per year, less than 50 cents per day, 65 percent of the population would be classified as poor. Furthermore, it is estimated that around 30 percent of the population is absolutely poor (less than 25 cents a day) and prone to shocks (drought, HIV/AIDS). The vast majority of the population is dependent on subsistence agriculture and has limited involvement in the cash economy or wage employment. Growth is unlikely to be rapid enough in the near or medium term to pull significant numbers of the poor out of poverty. Domestic revenue for redistributive transfer is very limited. The database is weak, making it difficult to identify and target the poorest. There is limited administrative capacity to manage complex programs and there are a multitude of ad hoc (and often inconsistent) donor initiatives whose aggregate effect on reducing poverty is probably limited.

Constraints and Challenges. The basic challenge in this context is to design a safety net system that is able to target effectively, while delivering benefits as efficiently as possible. In addition, the majority of programs falls beyond the control of Government and the ability and willingness of donors to coordinate and collaborate at the overall strategy and program levels is critical. Data constraints are also a significant problem. The analysis relied on data from a survey on income and consumption conducted in the early 1990s. A new Integrated Household Survey has however been completed, and will be used to develop targeting mechanisms.

Identifying Sources of Risk, Vulnerable Groups, and Potential Interventions. The identification of vulnerable groups is based on the poverty analysis carried out in the early 1990s and underlined four groups most at risk: rural households with small or no landholding; female-headed households (especially those with a labor constraint); AIDS orphans and their relatives (the extended families and communities who traditionally care for orphans are being overwhelmed because of the scale of the problem); and those who cannot look after themselves (and are not in households that can provide for them, including orphans, the disabled, the elderly, and the infirm). Table 5 summarizes the size of these various groups.

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

Groups—by order of priority	Estimated size	Proportion of the population	Potential interventions
Those who cannot provide for themselves (disabled, elderly, infirm not supported by their community/family)	Not available	Not Available	• targeted direct transfers (through local communities?)
AIDS orphans	500,000	5 %	• targeted transfer program through NGOs/communities • nutrition supplementation for malnourished children
Female-headed households	2,700,000	27 %	• targeted transfer program
Landless (with less than 0.2 hectare)	1,000,000	10 %	• public work program • targeted starter pack (through voucher for work scheme) • targeted transfer program (by local communities?)

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

The sources of risk in Malawi are closely linked to the agrarian nature of the economy (with 90 percent of the population in rural areas, mostly engaged in small holder rain-fed agriculture). Using information on food shortages, price changes, history of droughts, and macroeconomic trends, three major risks are identified: 1) annual seasonal shock in food shortages and price increases; 2) periodic droughts; and 3) large periodic macroeconomic shocks. To these, the threat of HIV/AIDS has to be added. Malawi has one of the world's highest prevalence rates, with an estimated lifetime risk of dying of AIDS of about 45 percent.

Based on the above risks and vulnerable groups, potential interventions to address these problems have been identified. Because of the highly seasonal nature of poverty in Malawi, the proposed interventions focus mostly on the four-month lean season during which a large proportion of the population suffers severe nutritional stress. Targeting to specific households or vulnerable groups is difficult due the lack of data, low administrative capacity, and to the political economy factors. These difficulties in targeting suggest that self-targeted programs or programs that use simple categorical or geographic targeting mechanisms (for example, targeting of malnourished children or AIDS orphans) will be best in this setting. Finally, the proposed bundle of interventions tries to focus, when possible, on productivity-enhancing mechanisms, which can help alleviate extreme poverty in the longer run. The options considered for the different groups are summarized in table 5.

Identifying the Optimal Mix of SP Interventions. A cost-effectiveness analysis of existing programs has been conducted, before prioritizing among potential interventions. The analysis revealed that approximately US$ 65 million (for both donor and government programs) was spent on safety net programs during 1998/99, with relatively little expected sustained impact on poverty. About 42 percent of this was spent on agricultural starter packs, 30 percent on a maize subsidy, 15 percent on food distribution, 8 percent on public works, 3 percent on various food-for-work schemes, and 2 percent on school feeding programs. The analysis also estimated program costs, coverage, value of the transfer, and targeting efficiency of each of the major programs, along the lines outlined in section 3 of this chapter. Sensitivity analysis was also conducted, based on the estimated target populations for the proposed programs.

National budget constraints play an important role in the choice of interventions. The proposed approach aims to reach the poorest 25 percent of the population via: self-targeting safety net programs for 15-20 percent of the population and a more substantial transfer for the bottom 5-10 percent. The transfers would be targeted first to the elderly, disabled, infirm, and orphans who are not in households or who are in very poor households; second to labor-constrained female-headed households; third to the rural landless; and fourth to the urban poor and or the rural poor with very small landholdings. With regard to specific programs, the results from the cost-effectiveness analysis and identified risks and vulnerable groups, and the need to focus on productivity enhancing interventions gave rise to the following programs for a safety net strategy in Malawi:

- *Public works.* Because programs need to enhance productivity while considering fiscal constraints, public works are identified as a key priority, given their risk- reducing benefits, their production of assets to improve productivity of the poor, and their self-targeting nature, which reduces administrative costs;
- *Transfers* for those orphans who cannot be supported by their communities or who live in very poor households. Targeting could be done by the community groups that work with AIDS sufferers and orphans;
- *Nation-wide nutrition program* for malnourished children; and
- *Targeted cash transfers* to the needy – given administrative and information constraints, transfers need to be self-targeting as far as possible. The targeting of starter packs and food subsidies is a politically sensitive issue. However, cost calculations show that universal provision of these two programs is not fiscally sustainable, and is therefore not recommended. Instead, national nutrition programs and targeted cash transfer programs are suggested.

Following a similar approach to that outlined earlier in this chapter, the proposed program mix – adopted by Government as their National Safety Net Strategy - includes an expansion and improvement of some of the existing programs (public works, nutrition program), creation of new programs (orphan support scheme), and elimination of some existing programs (starter pack and subsidies).

Many of the social protection interventions in Malawi are likely to remain outside Government's direct control in the short term. The authorities have therefore decided to focus the activities of the newly created National Steering Committee of Safety Nets and its secretariat on developing targeting mechanisms, developing and disseminating best practices and lessons from past experience, analyzing the impact of existing programs, playing a central role in the mobilization of resources and in the coordination of interventions. These activities should allow a progressive shift towards the objectives set in the National Safety Net Strategy while enhancing the effectiveness and relevance of specific interventions.

6.3 Togo

In "A Social Protection Strategy for Togo" (World Bank July 1999) social protection is defined, by the Togolese themselves, within the constructs of a very poor country. The report provides a description of social protection mechanisms and attempts, within the limits of data availability, to assess the effectiveness of these mechanisms. The main points illustrated through this example are the identification and analysis of informal social protection systems and the reforms that might be pursued to support them.

Country Context. Togo has experienced a deterioration in living standards over the past decade, with real GDP per capita now 25 percent below its 1980 level. The government has been able to collect only around 15 percent of GDP in revenues, and only about 0.4 percent of the budget is dedicated to social protection. As with Malawi, the social protection system in Togo is woefully insufficient in coverage and effectiveness, while even the provision of basic social services such as health and education have deteriorated from already low levels. People have retreated into kinship-based networks and patron-client networks. Yet even traditional, informal SP mechanisms and 'systems' have come under strain as society has become urbanized, and been exposed to persistent economic and political crisis. Exclusion from traditional support mechanisms is a sign of utter destitution. While new, informal, grassroots answers to risk management are appearing to try to fill the gap left by inadequate government basic services, these efforts are typically small, fragmented, and require increased coordination of a much wider range of stakeholders.

Constraints and Challenges. A major policy challenge is the lack of data to quantify the degree of risks and vulnerability faced by poor groups and to assess the existing interventions. However, qualitative methods and various sources can be drawn upon to determine the risks of most concern to various groups.

Identifying Sources of Risk, Vulnerable Groups, and Potential Interventions. In Togo, the approach was to review different risks resulting from natural, social, economic, and political factors at the individual or household level, the community or regional level, and the national level. Given the multitude of risks, the analysis then prioritizes and identifies those risks that should receive particular attention, either because they are the most damaging or because they are not easily recognized and therefore are most likely to be ignored. These include the death of a family member (loss of income, funeral costs, traditional rituals imposed on surviving wives); failed crops and unemployment (loss of income and assets, deterioration in human capital); disease (loss of productivity and loss of assets to pay for treatments); environmental degradation (reduced productivity, incomes, and diversification potential); high fertility; gender discrimination (in the family, at school, and in access to services); and HIV/AIDS (death of breadwinners and increased number of orphans).

The analysis then identifies and attempts to quantify vulnerable groups that are most exposed to the identified risks or are least equipped to manage them. In the absence of comprehensive household data, these have been identified through consultative processes, and the estimation of their size is based on a variety of sources, including a number of university, Ministry, and NGO-specific studies, as well as information from WHO and UNAIDS. It is recognized, however, that since some of these groups are heterogeneous, all members might not be at particular risk (for instance, not all the elderly are abandoned, not all female-headed households are poor) and that some individuals might fall into more than one category. Table 6 below presents the main groups identified.

The Togolese rely on mostly informal arrangements and strategies, organized both by households and by local and international NGOs. The existing public sector activities take primarily the form of (a) information or education and regulation; (b) social security for a privileged few (with a pension system catering to public servants and private sector employees—a total of around 5 percent of the population); (c) social assistance (mainly public works and regional social funds) for only 10 percent of those in principle eligible to receive it; and (d) basic health and education services. With the government finding it increasingly difficult to provide these basic services to its citizens, the “modern” private sector is filling some of the gaps with private schools, private clinics, and private insurance schemes. However, these are still extremely limited, and most of the gaps are filled by communities themselves. These informal arrangements rely on various mechanisms, including marriage and well-structured kinship-based reciprocity networks, rotating savings and credit associations, and socio-professional or geographic-based associations.

Identifying the Optimal Mix of SP Interventions. The analysis proposes a strategy that relies on the entire range of actors according to their comparative advantages (including NGOs, local institutions, and international agencies). The proposed interventions are summarized in Table 6, corresponding to the risks identified. They concentrate on two areas:

(1) preventing risks, in collaboration with other line ministries, the donor community, and local communities, through information and education campaigns; revised laws and regulations; and improved access to basic services; and

(2) strengthening existing well-functioning informal mechanisms and filling the gaps currently not addressed by supporting the existing informal efforts (supporting NGO networks, disseminating information, facilitating communication, and supporting training); discouraging ineffective or harmful arrangements (such as widowhood rituals, female genital mutilation, or expensive traditional ceremonies), in collaboration with local leaders and NGOs; stepping in for those with no access to informal arrangements (the e.g. very poor, children at risk, the mentally ill); reforming the existing pension programs; and developing interventions in areas not covered, including to discourage child labor and trafficking, and more efficient mechanisms for large-scale disaster relief.

Table 6: Priority Risks, Vulnerable Groups and Potential Interventions in Togo

Risks	Groups	Estimated size (and basis of estimate)	Interventions
Most damaging risks			
•Death of a family member •failed crops and unemployment •disease •HIV/Aids	•members of female-headed households •the handicapped •the elderly •the unemployed •displaced persons /refugees •the mentally ill	•1,350,000 (African standard, 30% households) •450,000 (WHO, 10% population) •246,000 (6% population) •600,000 (33% labor force) •101,000 •45,000 (African standard, 1% population)	•support existing informal mechanisms •develop disaster relief systems •revised family law and land tenure •discourage harmful/ineffective arrangements •improved access to social services and infrastructure •reform existing SP system •measures to fill in the gaps
	•HIV/Aids victims and their families	•170,000 (UNAIDS, +78,000 orphans)	•information campaigns
	•school drop-outs	•309,000 (35% enrolled primary students)	•improved access to social services and infrastructure
	•children in difficult circumstances (street children, domestic servants, prostitutes, victims of trafficking, etc.)	•150,000 (80,000 girls)	•improved access to social services •campaigns, legislation, measures to reduce households' difficulties
General risks—not easily recognized or likely to be ignored			
•high fertility			•information campaigns •improved access to education and contraception
•environment degradation			•information campaigns
•gender discrimination			•information campaigns •discourage harmful/ineffective arrangements •revised laws and regulations

Source: "A Social Protection Strategy for Togo" World Bank, July 1999

6.4 Conclusion

None of the analyses just reviewed took place within a PRSP context though that done for Malawi was an important input into the later I-PRSP. Rather these analyses were selected for the coverage and quality. The teams in the three countries were faced with different challenges, some of which are typical of PRSP contexts. The data available upon which to undertake the analysis were different, and usually limited. The approaches chosen in each study reflect these differences.

***Immediate Purpose and Approach**.* In the Argentina case, a newly elected government was about to take office. As background for and input into policy dialogue it expected to have with the incoming government, the World Bank decided to undertake an analysis of the social protection system. The initial process was thus less participatory than in the other two cases presented or than would be the case in a PRSP. Nevertheless, it did include collaboration with a number of government ministries and agencies in gathering data and undertaking some of the analysis. The speed and use of only existing information was not atypical of that in I-PRSP processes. The dialogue is now underway with the new government. In Malawi the analysis and dialogue on social protection issues was developed more jointly with the government. This dialogue has followed a substantial process of public consultation, including agreement on tentative priorities for target groups. Hence, this study has relied on direct collaboration with the government and donors. In Togo the process was launched with a workshop for key stakeholders from government and civil society to define social protection in a way meaningful in the Togolese context, take stock of knowledge, and assess formal and informal social protection mechanisms. This was followed by short fieldwork to fill gaps in knowledge. The preliminary results of the analysis have been discussed both at the World Bank and with key stakeholders who participated in the first workshop as well as representatives of all sectoral ministries, and further fieldwork followed.

***Approach and Data**.* All three case studies were hampered by data problems. As a result, each of the three teams had to apply common sense and broad assumptions in order to arrive at general magnitudes in the analysis. While the Argentina analysis was able to draw on a recent poverty assessment and a number of recent analyses of labor market issues, the national household survey data did not include rural areas where poverty is likely to be more severe and program coverage is likely to be lower. As a result, estimates of poverty rates and the identification of at-risk groups and their sources of vulnerability do not reflect conditions in rural areas (where an estimated one-sixth of the poor reside). In addition, little is known about coverage rates of existing social programs in rural areas or social protection expenditures by provinces. Government agencies were, however, able to provide information on the national budget and a matrix with a list of SP programs, their objectives, and their target populations (where available), the number of beneficiaries per year (where available), the annual program budget, and, on occasion, information on actual coverage and amount of transfer.

Data availability in Malawi was much more limited. The analysis is based on poverty data from 1992 (updated to 1998 prices). As in Argentina, estimates of SP programs' expenditures, direct beneficiaries, coverage, and average transfer and benefits were based on information provided by various agencies (with varying degrees of accuracy and bases that are not necessarily comparable with one another). Thus a healthy dose of common sense and broad assumptions were applied in undertaking the analysis. It relies on a general sense of the relative magnitudes and ranges with respect to the quantitative analysis.

In Togo, the analysis built on work undertaken for the poverty assessment (with much of the background work having been undertaken in 1994 and before). It thus relied on a participatory process to define issues, fieldwork to test hypotheses and fill knowledge gaps, further consultation, and another short data- gathering phase. It also relied on a number of academic, ministry, and NGO studies on specific issues in Togo. To arrive at its orders of magnitude for estimates of different vulnerable groups, it used information from WHO, UNAIDS, and other sources. It did not attempt to quantitatively evaluate existing social protection programs.

Time Frames and Costs. The time frame for these studies and their cost were in large part very much determined by the amount of existing information and analysis. In Argentina the team was able to draw from background analysis prepared for the Poverty Assessment, the adjustment operation on pensions, and the labor market study. In Malawi the team benefited from other donors' financing local background work and some individual consultant inputs. In Togo the team was able to draw on analysis in the Poverty Assessment, which had already identified vulnerability factors and vulnerable groups. Generally speaking, the time frame for these studies was around eight months to a year. The costs are difficult to express in a way transferable between countries since they consist primarily of analysts' time. The price of local analysts' time and whether task team members are hired and paid separately or seconded from participating institutions will vary from country to country.

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