For Protection and Promotion: The Design and Implementation of Effective Safety Nets

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The highly respected British newspaper *The Times* recently published (23 October 2009) a text by Sam Kiley, a former Africa bureau chief of *The Times*, titled "Do starving Africans a favour. Don't feed them". The author wrote:

> There is famine in Kenya and Ethiopia again. Sending food and emergency relief will make things worse in the long term . . . Oxfam reveals in its latest paper, *Band Aids and Beyond*, that between 70 and 92 percent of US aid to Ethiopia has been food aid—and almost all of that was the surplus product of American farms. So Ethiopia has had no need to feed itself. Worse still, Ethiopia and Eritrea spent billions that should have been used to develop self-sufficiency between 1998 and 2000 on a border war over a mess of barren rocks. They could do this because we in the wealthy North fed the populations of both countries.

Thus, what can be done? The solution does not lie in providing food aid, but in facilitating improvements in infrastructure and communications, and, above all, enhancements in education. Developed countries can help those that are poor or in development by donating to charities that ring-fence funding for education. With education, poverty-stricken countries around the world can and will rid themselves of the incompetent and corrupt leaders that have been kept in power through foreign aid for decades.

Furthermore, not only in developing countries, but also in developed ones, scientists and politicians worldwide disagree greatly about the effectiveness of welfare programmes and transfers. It is often said that welfare, like other good intentions, contains the seeds of its own destruction: with too much help, people become lazy, and lose their capacity for self-reliance and will to eliminate the unfavourable conditions. Very often, help is directed and received by those that are relatively better off, while those truly in need are left out and/or marginalised. In short, all around the planet social policy is complicated; outcomes are questionable, while a huge amount of resources has been spent.

With an aim to improve knowledge on the subject and advance social policies, the World Bank recently published an excellent book: *For Protection and Promotion: The Design and Implementation of Effective Safety Nets*, edited by Margaret Grosh, Carlo del Ninno, Emil Tesliuc and Azedine Ouerghi. It is a huge book, containing nearly 600 pages, but worth every effort and minute spent reading it. In this book, safety nets or social assistance are terms used to refer to non-contributory transfer programmes targeted to the poor or vulnerable, which are usually defined as components of the welfare system.

In a short review like this one, it is impossible to recount all the valuable messages and experiences from the book; one can just mention some of the most important lessons and conclusions on how to improve social policy and social security nets. In general, poverty is generated by a lack of assets, uninsured exposure to shocks, or a combination of these factors. Poverty analysis and risk and vulnerability analysis will inform the choice of intervention: whether to use a safety net programme and which type of safety net programme would be more appropriate. Briefly, to be effective, safety nets must not only be well intended, but also well designed and well implemented. A good safety net system and its programmes should be adjusted to country circumstances, adequate in their coverage and generosity, equitable, cost-effective, incentive compatible, and sustainable.

After the Introduction, Chapters 2 and 3 make the case for safety nets and their financing. Chapter 2 explains the reasons for having safety nets: among others, the desire to provide and ensure income redistribution and poverty reduction, to allow households to invest in children and their livelihoods, and to help citizens manage risk. It is explained how safety nets fit within the broader policy agendas for poverty reduction, risk management, and social sectors, while the principal challenges to the acceptance and use of safety nets are described. The chapter underlines that safety nets are never the whole or sufficient answer to poverty reduction or risk management, but must be appropriately adjusted into the existing policy context.

Financing of and spending on safety nets are described and analysed in Chapter 3. Although financing safety net programmes is not theoretically different from financing any other government programme and is thus rarely discussed in the safety net literature, authorities face a constant stream of challenges regarding their finance. The chapter provides a brief synopsis of some of the pertinent public finance literature with illustrations from various safety net programmes. It also presents an outline of theory on how much governments should spend on safety nets, followed by a review of special considerations about each of the possible financial sources for safety nets: reallocations from other expenditures, increased tax revenues, grants, and loans. The advantages and disadvantages of a particular financial source are coherently explained. Safety nets should be financed in a countercyclical manner, yet few governments manage this, because in practice, safety net spending has tended to be procyclical rather than countercyclical. Analysis of new data shows that spending on safety nets as a part of GDP is weakly but positively correlated with income and democracy. The analysis does not find any relationship between spending on safety nets and several other plausible variables, including governance, ethnic fragmentation, and public attitudes about inequality. The chapter concludes with a discussion of how to share finance among levels of government.

Chapters 4 through 6 are dedicated to the main processes involved in the implementation of safety nets, with particular attention to benefits and costs of targeting. Targeting can increase the benefits that the poor can realize with a given budget (maximizing impact) or can achieve a given impact at least budgetary cost (minimizing costs). Chapter 4 gives good evidence that, for the most part, programmes can focus resources on the poor to a moderate or high degree without incurring high errors of exclusion and various types of costs. However, there are also cases when this does not happen. Adequate attention is directed towards four important steps that determine who is actually in the beneficiary group: precisely defining the eligibility criteria, conducting outreach to ensure low errors of exclusion, screening to ensure low errors of inclusion, and rescreening or exit policies to ensure that people move out of the programme as appropriate. The crucial question that often arises is how narrow targeting should be, especially when poverty rates are high. The chapter concludes with a discussion of the administrative requirements to achieve these tasks.

Chapter 5 presents a dispersed body of knowledge on the conceptual and practical details of programme benefits and payments. It covers the problems related to benefit levels and how to structure them, and analyses the question of labour disincentives and how they can be handled through the benefit structure. The chapter discusses programme elements designed to move households towards independence through required or optional linkages to actions or services that are likely to help in that effort. Tentative lessons suggest that compulsory links should be limited to cases where the supply of required services is ample, the services will be useful to all, or most transfer recipients already use the services. In a wide range of other cases, voluntary links through information, referrals, one-stop shops, and the like may be applicable. Payment mechanisms should be affordable, safe, reliable, and easily accessible to all beneficiaries. A number of different payment instruments are available, including cash, checks, vouchers, and in-kind benefits.

Chapter 6 discusses the value added by and the experience involved in developing and using monitoring and evaluation systems for safety net programmes. A monitoring system is an essential management tool that regularly provides required information about how well a programme is working so that its managers can take action to improve the implementation. Programme evaluation refers to an external assessment of programme effectiveness that uses specialized methods to confirm whether a programme meets required standards, to estimate its net results or impact, and/or to identify whether the benefits the programme generates outweigh its costs. The chapter explains the most frequent types of evaluation used for safety net programmes: process evaluation, assessment of targeting accuracy, and impact evaluation. For each type, guidance is provided regarding the value of the programme evaluation and how it should be conducted.

The quality and care with which programmes are designed and implemented, from the selection of beneficiaries to the provision and monitoring of benefits, have a large impact on the efficiency and effectiveness of a given programme. Because there is no single recipe for a safety net, policy-makers must clearly understand the range of options they face. Thus, Chapters 7 and 8 summarise design features and choices of specific interventions. Chapter 7 is dedicated to understanding common intervention possibilities and presents a menu of options, such as cash transfers of various sorts, food transfers, general price subsidies, public works, conditional cash transfers, and other possibilities, that are important as determinants for access to critical services. For each option, the authors describe key design features, outcomes, advantages, disadvantages, and lessons. It is underlined that even within a given type of programme, there are many variations in detail and the way these are handled can significantly change the programme and its success. Three factors emerge as crucial for the success of a given safety net programme in achieving the desired goals. The first is selecting the right programme to address the needs of the intended beneficiaries given the existing political and administrative environment. The second factor is customizing the design of the selected programme. The third factor is paying adequate attention to the details in all aspects of programme implementation, from the selection of beneficiaries to the distribution and monitoring of benefits.

Information that can help in assessing choices is given in Chapter 8. The list of groups that may be especially vulnerable is long – and usually includes people with disabilities, the elderly, orphans and vulnerable children – although their size and degree of vulnerability differ from place to place. There are some common themes in considering how to serve these groups via safety nets. A key issue is whether to have special programmes for these groups or to serve them within the social assistance programmes designed for the wider population. This is problematic, since the members of the observed groups are not all poor, yet the group as a whole is poorer than average and the members have some specific vulnerability. In general, the preference is to serve vulnerable groups through a single and simplified social assistance programme having in mind equitable inclusion and efficiency of operations. If the vulnerable groups are to be helped by general social assistance programmes, these programmes may need to be modified somewhat. The text outlines the importance of the coordination of policy – or, in other words, primarily the integration of transfers and services.

The principles to be used in "weaving" the safety net are explained in Chapter 9. The objective is to help policy-makers and sector specialists in selecting the appropriate mix of safety net policies and programmes to achieve national goals. The development of the safety net consists of two interrelated components: adjustment of individual programmes into a congruent unity and ensuring that the safety net sector complements other social policies in the country. The chapter describes a four-step process to assess the safety net sector: (1) defining the sources and understanding causes of poverty and vulnerability, (2) assessing the effectiveness and efficiency of individual safety net interventions, (3) determining possibilities to improve the safety net programme mix, and (4) proposing a concrete plan to implement the chosen strategy. In this process, there is a need to find adequate answers to questions like, what are the major sources of risk, and what are the characteristics of the risks? In organising the safety net, one should keep in mind

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the importance of its long-term sustainability: not only fiscal, but also political and administrative sustainability.

Chapter 10 illustrates how those principles lead to different variations of safety net systems and programmes in different country circumstances. The authors are fully aware that there is no single recipe for a successful safety net system, as needs and capacities differ by context. Furthermore, the programme mix and the handling of individual programmes are different from place to place and change with time. Safety net systems should be built up from a few programmes maintained over time to allow institutional capacity to be developed. Safety net systems in middle-income countries, like Croatia, may aspire to cover all target groups and motivations for safety nets, although they tend to focus on helping the chronically poor.

Although it is a voluminous book, due to the user-friendly approach and key messages for each chapter presented at the chapter's beginning, it is easy to go through. Regardless of the fact that globalization is lifting more people out of poverty faster than ever before in the history of the world, there are still many people and families in need.

While I was reading *For Protection and Promotion*, I was reminded of the late John Lennon who was killed on 8 December 1980 in front of his apartment in the Dakota building in New York. I was humming and whistling one of his songs. At the beginning, it was just an unknown melody passing through my head, but after some time I became fully aware what song it was. It was Lennon's "Jealous Guy," because I was jealous (or envious) that I did not participate in the preparation of this excellent book. Thank God, there is still good old Jagger and the Stones' "Time Is on My Side."

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