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Social Protection Responses to the Financial Crisis: What do we Know?

Over the last decade there has been significant growth in the number of social protection programmes around the world. In times of financial crisis it is not a question of whether we can afford to support social protection initiatives; rather whether we can afford not to.

What is Social Protection?

Social protection describes a group of policy initiatives that transfer income or assets to the poor. They protect vulnerable people against livelihood risks, and seek to enhance the social status and rights of the marginalised.

Social protection programmes have generated a substantial body of evidence about *what* social protection can do and *how* it can do it. Costs associated with the absence of social protection in developing countries are now well documented (Dercon, 2005; Morduch, 1998).

The emerging consensus and evidence base on social protection indicates that it underpins other investments in development. For example, the Oportunidades Human Development Programme in Mexico (formally PROGRESA) provides cash and in-kind transfers conditional on school attendance and regular visits to health centres. In rural areas, Oportunidades has increased education achievement by 14 per cent and children on the scheme have a higher growth average and smaller levels of anaemia than children not on the scheme (Garcia, 2004). Seventy-five

per cent of the 8 million beneficiaries on the Ethiopian Productive Safety Net Programme (PSNP) reported that they had consumed more and better quality food as a result of the initiative (Devereux *et al.* 2008). In Bangladesh productive assets (e.g. livestock or land) provided through the BRAC Challenging the Frontiers of Poverty Reduction programme resulted in an estimated 85,000 women graduating up from their 'ultra poor' status (Young *et al.* 2003).

What are the impacts of this crisis and how can social protection respond?

When people struggle to cope, there is an increased need to support them more formally through national – state run social protection programmes. Social protection programmes can play four roles – *Protection, Prevention, Promotion* and *Transformation*. Each has a set of policy instruments associated with it and each can play a different role in the current crisis (see table 1).

Table 1. Social protection categories and instruments

Type of Social Protection	Social Protection instruments	Role in this crisis
Protective (social assistance)	<ul style="list-style-type: none"> • social transfers • disability benefit • pension schemes • social services 	Immediate protection and relief from poverty and deprivation
Preventive (insurance and diversification mechanisms)	<ul style="list-style-type: none"> • social transfers • social insurance • livelihood diversification • savings clubs; funeral societies 	Prevents damage to coping strategies
Promotive (economic opportunities)	<ul style="list-style-type: none"> • social transfers • access to credit, transfers/protection, common property resources • school feeding • agricultural starter packs • public works programmes 	Promotes resilience through livelihood diversification and improves security
Transformative (addressing underlying social vulnerabilities)	<ul style="list-style-type: none"> • promotion of minority rights • anti-discrimination campaigns • social funds 	Transforms social relations to reduce exclusion

“ Starting out on a modest scale, by 2002 the Oportunidades programme in Mexico was reaching over 25 million people and is now the centrepiece of the country’s poverty reduction strategy ”

What have we learnt from previous crises?

The lessons learnt from responses to previous crises in Indonesia and Mexico are informative. In Indonesia it was a case of rapid *action and learning by doing*. In 1997 the Government of Indonesia (Gol) quickly introduced a National Safety Net Programme as the financial crisis doubled the poverty rate in a year. The results of the programme have been impressive with the poverty rate reducing from 33 per cent in 1998 to 12 per cent in 2002. Without the programme, evidence suggests that recovery in this timeframe would not have been possible. It demonstrates the importance of responding quickly and boldly. The Gol, without previous experience of implementing a safety net programme, had improved the programme as they went along (Sumarto *et al* 2008).

In contrast, Mexico provides a case of *building a strong constituency for social protection through evidence*. Although starting out on a modest scale, by 2002 the Oportunidades programme was reaching over 25 million people and is now the centrepiece of the country’s poverty reduction strategy. The key to its expansion and success was the use of evidence of its impact to persuade donors and politicians from all sides to support the programme. A strong constituency for social protection was developed and was led from the front by high-level political leadership in successive governments (de Britto 2008).

What should be done?

In the current crisis we can do two things:

1. Seize on opportunities to implement social protection programmes

Historically, moments of crisis also result in social and political unrest. In some circumstances, where political leadership is strong, this has proven to be a key driver in the development of social protection schemes (for example, the New Deal in post-depression USA); in others it can provoke political paralysis and the shrinkage of state protection which triggers a spiral of long-term decline. A key lesson from recent responses is that the crisis can represent

a window of opportunity and that it is important to seize these moments for progressive social protection initiatives.

2. Develop long-term programmes through global partnerships

As we respond to the immediate impacts, the longer-term impacts of the crisis must not be overlooked or underestimated. Social protection programmes that are national in coverage and provided over the long term are therefore required. Recent discussion of financial support to develop them through a ‘global vulnerability fund’ is encouraging since they represent recognition of a sense of global responsibility and cooperation. Social protection should follow this path with cooperation in the development of national programmes that transcend national boundaries.

Further reading

De Britto, T. (2008) ‘The Emergence and Popularity of Conditional Cash Transfers in Latin America’ in Barrientos, A and Hulme, D (2008) ‘Social Protection for the Poor and Poorest, Basingstoke: Palgrave MacMillan

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Garcia, R. (2004) *External Evaluation of the Impact of the Oportunidades Human Development Programme*, Instituto Nacional De Salud Publica

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Sumarto, S *et al.* (2008) ‘Indonesia’s Social Protection During and After the Crisis’ in Barrientos, A and Hulme, D (eds.) *Social Protection for the Poor and Poorest*, Basingstoke: Palgrave MacMillan

Credits

This *In Focus Policy Briefing* was written by Mark Davies and J. Allister McGregor from the Vulnerability and Poverty Reduction Team at IDS. The series editor is Clare Gorman. For other briefs on the crisis see: www.ids.ac.uk/go/infocus7

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