Poverty, Vulnerability, and Vulnerable Groups:
The Evolving Role of Social Protection and Social Risk Management

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Structure of Presentation

- Changing Role of Risk and Social Protection in the Development Debate
- Social Risk Management (SRM) and the Strategic Focus of Social Protection at the World Bank: Vulnerability and Vulnerable Groups
The Changing Role of SP in the Development Debate

Transition from SP as an issue for rich countries to having a central role in the global development debate

– Specialized interventions to cushion structural adjustment, safety nets (WDR 1990)
  • Adjustment in Africa, FSU transition
– Opportunities, security, empowerment (WDR 2000/1)
  • Asian crisis, increased risks due to globalization, need to better understand causes of poverty, concerns about sustainable growth, social justice, inclusion
– Strategic importance in achieving the MDGs
  • Sector strategies, wider development agenda
Redefining Social Protection...

- Moving from an intervention-based definition of SP – e.g. labor market regulations, wage setting, social insurance, safety nets and social assistance
- To an objective/risk-based definition:

  Social Protection is defined as *policies and actions (1) to assist individuals, households, and communities better manage risk, and (2) to provide support to the critically vulnerable and deserving.*
Social Risk Management Framework

*Poverty defined as “unacceptable levels of deprivation”*

*Vulnerability defined as “exposure to risk that leads to unacceptable levels of deprivation”*

The poor are vulnerable because:

- They are most exposed to diverse risks (natural and man-made)
- They have limited means to manage these risks
- They are the most vulnerable, shocks have strongest welfare consequences
- High vulnerability causes them to be risk adverse, avoid high-risk/high-return activities – fall into “poverty traps”

Reducing vulnerability is thus both an *end* and *means* of development
Addressing Specific Needs: Vulnerable Groups

- Specific groups may be “uniquely” vulnerable, lack capacity to cope with uncertainty and risks
  - Often characterized by low levels of assets, at risk of chronic poverty e.g. widows, orphans, disabled, chronically ill
  - Many face discrimination, stigmatization e.g. ethnic minorities, displaced persons in conflict-affected environments

Children and Youth: may suffer the multiple effects of poverty, vulnerability, discrimination, powerlessness
Broadening the SP Policy Perspective: Social Risk Management

Traditional policy response: safety nets, targeted transfers aimed at vulnerable groups. SRM aims to broaden the policy agenda:

- Takes account of *multiple sources of risk and their specific characteristics* (idiosyncratic and covariant) to address vulnerability
- Explicitly recognizes the range of possible arrangements for managing risks (public sector, informal, also market-based)
  - Comparative advantage matters, shift from public provision to public support of risk management
- Also highlights multiple strategies to manage risks, including *risk prevention, mitigation, and coping.*
Types of Risks

- Natural (crop failure, droughts, earthquakes)
- Political (riots, coups)
- Social (domestic violence, urban crime, war)
- Economic (unemployment, financial or currency crises)
- Institutional (limited capacity, weak budget process)
- Environmental (salinization, pollution, deforestation)
- Life-cycle and Demographic (high birth rate, old age, death)
- Health (illness, disability, epidemics)
NIGER: Children’s Perception of Risk

- **All Children**
  - Food scarcity (40%), illness (34%), lack of clothing/leisure (26%), abuse of confidence (26%), labor beyond capacity (20%)

- **Children Living in Families**
  - Divorce, loss of parent (44%), domestic violence (41%), bad teaching (24%)

- **Street Children**
  - Violence from gangs, police or friends (41%), injustice, unfair treatment (24%), lack of affection (23%), degrading treatment (11%)

*Source: Tovo and Kielland*
Risk Management Strategies

Risk management can take place before (ex ante) or after (ex post) a shock occurs

- Prevention strategies reduce the probability that a risk will occur (ex ante)
  - Immunization, health education, stable economic policies

- Mitigation strategies (also ex ante) help to reduce the impact of a future risky event
  - Diversification, food storage, formal and informal insurance

- Coping strategies help to relieve the impact once a risk occurs (ex post)
  - Safety nets, public or private transfers
In an ideal world (perfect information, well-functioning markets) all risk management arrangements could be market-based. However...

- **Informal arrangements**
  - Family, community support systems, real assets

- **Market-based arrangements**
  - Cash, bank deposits, bonds and shares, insurance contracts

- **Publicly provided or mandated arrangements**
  - Social insurance, transfers in cash or kind, subsidies and public works (also economic policies, irrigation infrastructure, etc)
<table>
<thead>
<tr>
<th>Risk Reduction</th>
<th>Informal</th>
<th>Market-based</th>
<th>Public</th>
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<tbody>
<tr>
<td>• Out-fostering of children</td>
<td>• Less risky production</td>
<td>• In-service training</td>
<td>• Good macroeconomic policies</td>
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<td>• Child migration</td>
<td>• Migration</td>
<td>• Financial market literacy</td>
<td>• Pre-service training</td>
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<td>• Proper feeding and weaning practices</td>
<td>• Company-based and market-driven labor standards</td>
<td>• Labor market policies</td>
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<td></td>
<td>• Engaging in hygiene and other disease preventing activities</td>
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<td>• Labor standards</td>
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<tr>
<th>Risk Mitigation</th>
<th>Portfolio</th>
<th>Insurance</th>
<th>Hedging</th>
<th>Risk Coping</th>
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<td>• Multiple jobs</td>
<td>• Marriage/family</td>
<td>• Extended family</td>
<td>• Child labor, informal</td>
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<td>• Investment in human, physical and real assets</td>
<td>• Community arrangements</td>
<td>• Labor contracts</td>
<td>• Child begging</td>
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<td>• Investment in social capital (rituals, reciprocal gift-giving)</td>
<td>• Share tenancy</td>
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<td>• Child expulsion</td>
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<td>• Old-age annuities</td>
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<td>• Witch, Talibe</td>
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<td>• Disability, accident and other insurance (e.g. crop insurance)</td>
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<td>• Early marriage</td>
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<td>• Out of school</td>
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<td>• Less food</td>
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<td>• Less nutritious food</td>
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<td>• Neglect</td>
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**Diversify children’s education/labor**

**Many children**
- In-fostering
- Prevent edu.

**Child marriage**
- Strategic fostering
  - Talibe

**Child labor, ec. act.**
- Sell child (organs, sex)
- Rent child
- Child bondage (child as collateral)
Thinking and Working Across Sectors

SRM provides an integrative framework for the Bank’s work on vulnerability and vulnerable groups. However many essential ex ante measures are outside SP

- Example: climate shocks (droughts, flooding, land slides)
  - Food security, food aid get global attention (ex post)
  - But ex ante measures are equally important – water resources management, grain storage, crop diversification, futures markets, rural roads and microcredit

- Example: health risks
  - Treatment of illnesses and injuries (ex post)
  - Preventative care, immunizations, clean water and sanitation, health insurance, education and awareness
Move Proactively to Implement the SP/SRM Agenda

- Better diagnostics and analytics: (Poverty) Risk and Vulnerability Assessments
  - PA/RVAs: new analytic tools for client countries
  - 3 completed in 2000, 36 completed in 2004

- Assessing old, developing new risk management instruments
  - Labor markets, pensions, social safety nets and social funds: core competences for the Bank
  - Supporting informal and market-based RMIs

- Addressing the needs of critically vulnerable groups
  - Children and youth (OVCs, child labor, unemployed)
  - Disabled, elderly
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<th>Goals</th>
<th>Specific Content</th>
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| Eradicate extreme poverty and hunger       | • Promotion of income-generating activities: public works (food and cash for work), access to micro-finance  
|                                            | • Access to social insurance (formal and informal)  
|                                            | • Targeted social assistance (cash, food transfers, and nutrition programs)  
|                                            | • Active and passive labor market policies  
|                                            | • Skills development and training policies  
|                                            | • Street children- Children/Youth at risk initiative  
|                                            | • Labor market regulations                                                          |
| Achieve universal primary education        | • Access to basic social services: fee waivers, targeted subsidies, infrastructure (social funds), child labor and protection |
| Promote gender equality and empower women  | • Gender and risk:  
|                                            | • Differentiated gender impact of shocks  
|                                            | • Risk pooling within households  
|                                            | • Labor market and gender issues (discrimination, regulations, etc.)  
|                                            | • Pension reforms and gender issues (contribution, coverage, life expectancy etc.) |
| Ensure environmental sustainability        | • Improved access to basic services (safe water) through social funds              |
| Contribute to good investment climate and sound public finance | • Skilled labor force  
|                                            | • Well functioning financial markets (Pension)  
|                                            | • Social Peace (reducing inequality)                                                 |
Concluding Remarks

- SP/SRM is not a luxury but a necessity for all countries, most importantly developing countries

- However, challenges are significant:
  - Better understand causes of vulnerability, existing formal and informal strategies to manage risks, particularly for highly vulnerable groups
  - Develop better instruments to help households/communities manage risks, pilot (design, implement, monitor and assess) new instruments – e.g. social pensions, conditional cash transfers, adjustable public works programs