



## The Contribution of Social Protection to the Millennium Development Goals

- 1 Eradicate extreme poverty and hunger
- 2 Achieve universal primary education
- 3 Promote gender equality in education
- 4 Reduce child mortality
- 5 Improve maternal health
- 6 Combat HIV/AIDS, malaria, and other diseases
- 7 Ensure environmental sustainability
- 8 Develop a global partnership for development

## The Millennium Development Goals

This paper attempts to highlight the major contribution that social protection can and needs to make to the Millennium Development Goals (MDGs). The cross-sectoral character and challenge of achieving the MDGs have been established in the international development discussion and is presented in the papers discussed at the Development Committee<sup>1</sup>. The crucial contribution by Social Protection to reduce the vulnerability of poor and non-poor segments of the population and hence to pave the way for the achievements of all MDGs has found much less attention. This non-technical exposition aims at presenting these crucial links at conceptual and empirical levels in client countries, and ends with a key message: without due consideration to risks in the development process and the provision of appropriate social risk management mechanisms, including social protection, the MDGs will not be achieved.



## What are the Millennium Development Goals (MDGs)?

There are eight Millennium Development Goals endorsed by 189 countries (see Annex 1 for the complete list and the indicators used to monitor them). The first goal, often referred to as MDG-1, is to halve extreme poverty and hunger by 2015. The following six MDGs relate to improvements in education, health, access to water and environment such as universal primary education, reduced child mortality, improved maternal health, and better access to water by 2015. The last goal—global partnership for development—is about the means to achieve the first seven, but also includes youth employment. The first seven goals are mutually reinforcing and are directed

at reducing poverty in all its forms. MDG+ is a shorthand often used to denote policies and reforms that help increase growth and thus reduce poverty. The most important seek improvements in investment climate, governance and rule of law, and trade<sup>2</sup>.

The MDGs provide the framework for development, progress and hence for the mission of the World Bank—a world free of poverty. The goals focus the efforts of the world community on achieving significant, measurable improvements in people’s lives. They establish yardsticks for measuring results, not just for developing countries but for rich countries that help to fund development programs and for the multilateral institutions that help countries implement them. Many of the poorest countries will need additional assistance and must look to the rich countries to provide it. Countries that are poor and heavily indebted will need further help in reducing their debt burdens. And all countries will benefit if trade barriers are lowered, allowing a freer exchange of goods and services. For the poorest countries many of the goals appear to be out of reach. Even in better-off countries there may be regions or groups that lag behind. In order that the goals are achieved, a multi-pronged, multi-sectoral strategy needs to be followed. Thus, achievements of goals relating to education, health or gender equality are not restricted to, or the responsibility of, the concerned sectors. Social protection plays a vital part in providing the wherewithal to reduce the vulnerability of the poor so that they can fruitfully access health and education services, and move towards the MDGs.

## What is Social Protection?

Traditionally, social protection has included policies that provide social safety nets, social funds, labor market interventions, and social insurance (including pensions). Social risk management (SRM) is a new conceptual framework that views social protection as *a set of public measures that support society’s poorest and most vulnerable members and help individuals, households and communities better manage risks*. It includes three strategies to deal with

risk (prevention, mitigation and coping), three levels of formality of risk management (informal, market-based, public) and many actors (individuals, households, communities, NGOs, governments at various levels and international organizations) against the background of asymmetric information and different types of risk. This view of social protection emphasizes the double role of risk management instruments—protecting basic livelihood as well as promoting risk taking. It focuses specifically on the poor since they are the most vulnerable to risk and typically lack appropriate risk management instruments, which constrains them from engaging in riskier but also higher return activities and hence gradually moving out of chronic poverty<sup>3</sup>.

The application of the risk management framework goes well beyond social protection since many public interventions such as sound macroeconomic policy, good governance and access to basic education and health care all help to reduce or mitigate risk, and hence vulnerability. It also extends social protection as traditionally defined since it goes beyond public provision of risk management instruments and draws attention to informal and market-based arrangements, and their effectiveness and impact on development and growth.

In practice, social protection includes labor market interventions (labor market regulations, programs and wage setting rules), social insurance programs (such as pensions, unemployment and family benefits, sick pay), social assistance (transfers in cash or kind, subsidies and workfare), and programs to assist especially vulnerable groups (disabled people, orphans and vulnerable children, etc.)<sup>4</sup>. The core conjecture of this booklet is that well-designed and cost-effective **Social Protection is crucial for the achievement of all MDGs**—or phrased differently, that without appropriate social protection mechanisms the MDG targets for 2015 will not be achieved. In fact, the case it makes is for a social protection perspective to infuse and inform all Bank operations, towards the end of achieving the MDGs. Table 1 illustrates in some detail how various social protection programs and policies critically help achieve the MDGs. The entries are far from complete and are open to additions. The rest of this booklet describes some of the general areas.

## Table 1: How does Social Protection contribute to the Millennium Development Goals? A Matrix of Interventions and their Potential Impact

### MDG-1: Eradicate Extreme Poverty

#### Social Protection Interventions:

- Pensions reduce poverty among the old and disabled.
- Unemployment benefits reduce transient poverty among the unemployed.
- Safety nets smooth/raise income, thereby directly affecting poverty.
- Fee waivers for health and education allow families to obtain services without impoverishing themselves.
- Transfers targeted to children or youth can help reduce current as well as intergenerational transmission of poverty.
- Social funds empower the extreme poor.
- Indicator-based local development plans help to monitor the progress in poverty reduction.
- Social funds help to build social infrastructure.
- Public employment programs provide temporary employment especially in times of economic stress.
- Labor market policies can create environment for job creation, productivity and wage growth.
- Disability insurance can smooth income for those temporarily or permanently unable to work.
- Support to informal workers in the form of skills and access to markets enhances their productivity.
- Support to organizations of workers leads to greater empowerment.
- Job creation/ wage growth raises and smoothes consumption and contributes to improved health status.
- Policies against discrimination ensure that women, ethnic minorities and the disabled have equal access to employment.

### MDG-2: Achieve Universal Primary Education (UPE)

#### Social Protection Interventions:

- Social insurance smoothes household income (protects from shocks) and thereby increases children's school enrollment and lowers child labor.
- Benefits (cash / food) conditioned on school enrollment create incentives for families to send children (especially girls) to school.
- Increased incomes can reduce child labor and increase school enrollment.
- Child allowances or other assistance provide income and consumption smoothing for parents and caregivers.

- Direct provision of education services is an essential component towards achieving UPE, and social funds facilitate this.
- Construction and rehabilitation of schools – an important component of social funds provides crucial infrastructure.
- Social funds also contribute to access of girls to schools through attention to appropriate sanitation, security, etc. in the construction of buildings.
- Access of disabled students to schools through appropriate infrastructure, increases their enrollment, participation and inclusion and social funds can facilitate this through their focus on building construction and empowerment strategies.
- Labor market policies encouraging women's labor force participation create incentives for female education.
- Labor market policies addressing child labor can increase school enrollment.

### **MDG-3: Promote Gender Equality and Empower Women**

#### **Social Protection Interventions:**

- Girls' enrollment may be especially sensitive to income or price, and safety net interventions can address both.
- Social funds contribute to access of girls to schools through attention to appropriate sanitation, security, etc. in the construction of buildings.
- Community driven development can empower women and enhance their visibility in the public arena.
- Policies encouraging women's labor force participation create incentives for female education.

- Maternity (and paternity) leave encourages more women to enter and stay in the workforce.
- Policies against discrimination ensure that women, ethnic minorities and the disabled have equal access to employment.
- Policies encouraging the labor force participation of disabled people.

### **MDG-4: Reduce Child Mortality, MDG-5: Improve Maternal Health, MDG-6: Combat HIV/AIDS, Malaria and Other Diseases**

#### **Social Protection Interventions:**

- Income smoothing helps protect health status in times of stress.
- Health insurance makes medical treatment more accessible.
- Adequate maternity leave improves maternal health.
- Cash/food transfer programs can reward use of preventive health care.
- Income support increases access to health care.
- Safety nets for orphans and vulnerable children can help cope with impacts of diseases, and protect them from HIV.
- Direct provision of health services is an essential component towards reducing child mortality and improving maternal health and social funds facilitate this.
- Construction & rehabilitation – an essential component of social funds – provides infrastructure in the form of health centers.

### Table 1, continued...

- Access of disabled students to health care through appropriate infrastructure, increases their enrollment, participation and inclusion and social funds can facilitate this through their focus on building construction.
- Many social funds focus on building awareness about HIV/AIDS and rehabilitation of patients.
- Mechanisms to facilitate medical testing and treatment of workers for communicable diseases lead to early diagnosis and better quality of life and work.
- Sick leave protects income during periods of illness and enables treatment.
- Workers compensation and occupational safety policies protect the occupational health (and productivity) of workers and guard against work-related disability.

### MDG-7: Ensure Environmental Sustainability

#### Social Protection Interventions:

- Lower transient poverty may reduce household's need to unsustainably exploit natural resources.

- Assessments built into social funds are important for continued environmental sustainability.
- Social funds build infrastructure for water and sanitation and community based maintenance ensures their sustainability.
- Tree planting, anti-erosion terraces, etc. – important components of social funds – provide environmental benefits and temporary employment.

### MDG-8 - Decent and Productive Work for Youth

#### Social Protection Interventions:

- Well structured labor market programs help to secure access of youth to job market.
- Youth leaders can be promoted through social funds.

### MDG-8 - Global Partnerships

#### Social Protection Interventions:

- Social protection programs, such as safety nets help to cushion the stresses of economic reform for the poor and enlist public support as a consequence.
- Dissemination of social funds as a good delivery mechanism engages development partners.

## How does Social Protection help to reduce poverty (MDG-1)?

Social protection aims at reducing the vulnerability of households. For those already below poverty line, it affords the opportunity to rise above it by cushioning the impact of future shocks, such as sickness or crop failure, and allowing access to economic opportunity. For those above the poverty line, it affords the cushion that would keep them floating above the line even if shocks such as death of a breadwinner, drought or fire were to threaten the livelihood of the household. There are a number of tools and instruments within the social protection repertoire. These can be used in tandem or individually to reduce the impact of shocks—and in more positive terms—to enable households to take risk. For instance, when a household is floating along the poverty line, it may not consider the risk of switching to new and potentially more efficient technology to enhance the productivity of its crop. If on the other hand, the same household had some incentives to adopt that technology (such as targeted but time-bound subsidy) and also some instruments to manage the risk if the crop failed (such as crop insurance), it would perhaps be more inclined to take up the new and improved technology.

This section is based on the lessons from Bank projects and country level policies. Empirical evidence on the effects of social protection in reducing poverty is methodologically often difficult to separate from the effects of other policies. Conceptually and operationally, the pathways through which social protection operates in the lives of poor families are so complex and so intertwined



with myriad other inputs and needs, that few robust measurements of its impact exist. The evidence is becoming stronger as the role of social protection in poverty reduction becomes better understood and accepted. While estimations of the impact of social protection on poverty are not the norm in the literature for developing countries, they are common for poverty analyses in OECD countries<sup>5</sup>. Therefore, in this section we use some back-of-the-envelope calculations to estimate the impact of social protection on poverty reduction, relying on three pathways through which social protection affects poverty—in reducing transient poverty, lowering vulnerability, and reducing the need for income smoothing. Of course, as in the case of all other interventions, social protection instruments too are as good as their design and implementation and must be efficiently and prudently designed.

**Reducing transient poverty.** Transient poverty occurs when a family whose long term income is above the poverty line suffers a shock of some sort (loss of job, illness, loss of breadwinner, etc.) that reduces its income and it does not have enough risk management instruments (e.g. alternative earnings possibilities, social insurance, savings, credit or social assistance) to keep its consumption above the poverty line.

We calculate the possible magnitude of the effect of good social protection and risk management in three steps. First, worldwide evidence shows that rough measures of transient poverty are on the order of 20 to 40%<sup>6</sup>. Second, we assume that as much as half of the measured transient poverty is due to a measurement error and thus that true transient poverty is of the order of 10 to 20%<sup>7</sup>. Third, we assume that providing good management instruments through social protection will halve transient poverty. Such a calculation shows that social protection interventions could reduce the total poverty head-count rate by 5 to 10%, a useful contribution to the goal of halving poverty.

In practice, during periods of droughts and other disasters, public employment programs help to increase the purchasing power of households experiencing transient poverty, as did the Employment Guarantee Scheme of Maharashtra, India in the 1970s and 1980s. Social funds in Bolivia and Egypt also provided temporary employ-

ment during emergencies. Lessons from Argentina show that self-targeted public works programs can effectively direct the majority of cash transfers to the poor, provided the wage rate is set no higher than the ruling market wage for unskilled labor. Similarly, unemployment benefits help households tide over the period when the main breadwinner is looking for a job and this has been very important in several countries of Eastern Europe undergoing transition.

A recent estimate of poverty with and without social protection programs in the Kyrgyz Republic shows that among social protection beneficiaries, the extreme poverty headcount would have increased by 24%, the gap by 42% and the severity of poverty by 57%, if the beneficiaries had not had access to social protection. Total poverty would have increased as well, with 10% for the headcount, 22% for the gap and 31% for poverty severity<sup>8</sup>.

**Reducing the long term effects of vulnerability.** Shocks lead to a temporary fall in income from which individuals and families in many cases gradually re-emerge. However, repeated and catastrophic shocks can lead to slower recuperation, and to lower steady state income levels. Some families fall permanently below the poverty line, and in some cases, into destitution. This can happen when families are forced to sell productive assets used to support their agricultural or micro-enterprises. Another type of shock that can produce the same effect is the onset of a disability that in an environment that lacks accommodation, precludes access to the labor market or other productive work. If temporary drops in income force families to reduce investments in schooling or child health, the repercussions will continue into the next generation. This vulnerability of poor and non-poor—i.e. exposure to shocks but lack of instruments—is one of the main causes of transient and chronic poverty.

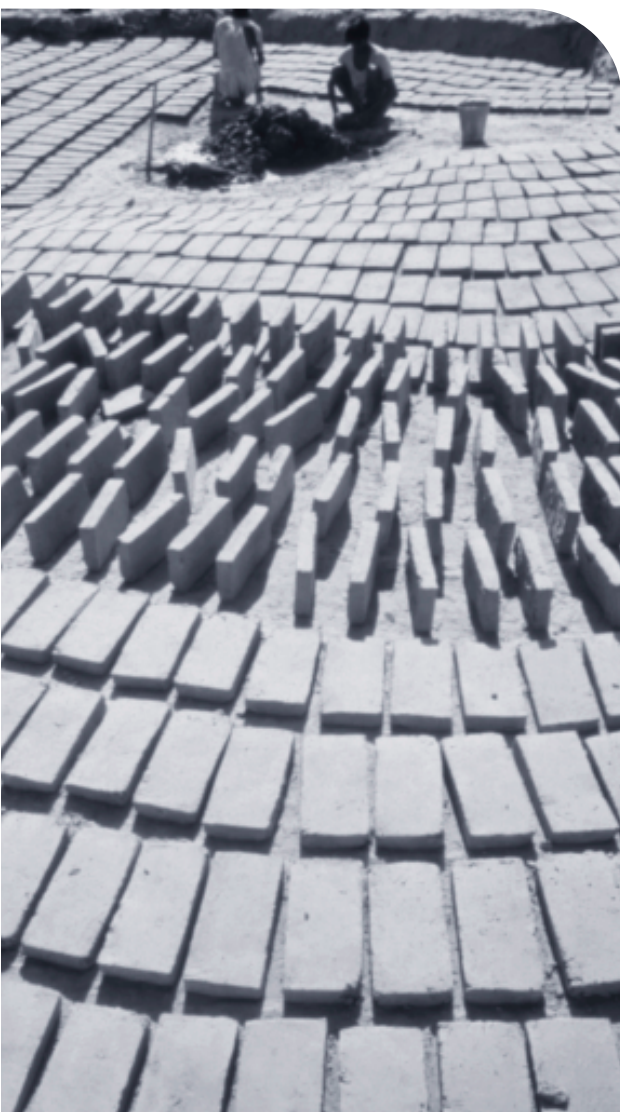
Several examples from client countries demonstrate the impact that social protection instruments have had on reducing vulnerability. For instance, fee waivers for health and education allow families to obtain services without impoverishing themselves. These and other safety nets provide households the cushion that can prevent children from being put to work and keep them in school. A study on the impact of vouchers (that gave a wage subsidy to

employers) to workfare recipients in Argentina significantly increased the probability of employment for the workfare recipients, and this impact was mainly confined to women and younger workers<sup>9</sup>. In countries with no formal old age pension system, the elderly are at a high risk for poverty. The same holds true for disability pensions. If social protection instruments in the form of contributory and non-contributory pensions are put in place,

this can have a positive effect on households with elderly persons. Thus, in most countries, individuals with access to old age pension have lower poverty rates than those who do not get pension benefits<sup>10</sup>. But there are many other ways in which public policy can help improve risk management instruments for individuals—for example, by changes in family law, which strengthens the position of children and women in the inheritance process. There are many indications that such access to assets reduces the vulnerability of individuals.

**Reducing the need for costly income smoothing.** When individuals and households face risks to their income, but lack instruments to help smooth their consumption, they may resort to smoothing their income instead. This can lead to the choice of less risky but also less rewarding (lower return) savings and earnings activities such as holding jewelry or cash rather than more productive assets, planting low yielding but drought resistant varieties of crop, or working in several different micro-enterprises. The available few estimates suggest that the gain in income levels through access to appropriate risk management instruments may be sizable, increasing income by 25 to 50% and thereby leading potentially to a reduction in the total poverty head-count rate of some 25%<sup>11</sup> (again, toward the goal of halving poverty).

A recent poverty assessment that examined the impact of pensions on poverty in the Kyrgyz Republic shows that without having an explicit mandate for poverty alleviation, pensions have a large impact on protecting pensioners and their families



against poverty. In the absence of pensions, the poverty rate would increase substantially for pensioner households. The poverty headcount would rise by 13% for total and 30% for extreme poverty, and the gap would rise by 30% for total and by 62% for extreme poverty. This increase accounts for the fact that, without pensions, these households would have mitigated this outcome through increased savings during their active life, offsetting 50% in lost earnings<sup>12</sup>.

## How does Social Protection contribute to improvements in education and health outcomes (MDGs 2, 4, 5, and 6)?

Lower health and education capital create both lower well-being and reduce the income path of individuals and societies. Since social protection is the means by which families and individuals deal with shock it helps to achieve and conserve higher levels of education and health capital. Numerous studies confirm the link between higher income and better health and schooling outcomes. In Armenia and Cambodia, child mortality rates of the poorest fifth of the population are two to three times those of the richest fifth. In Egypt and Peru, only about 60% of adolescents complete primary school, while all those from the richest fifth do so<sup>13</sup>. As the previous section has demonstrated, social protection interventions can help lower poverty directly, which will in turn contribute substantially to improving health and education outcomes.

Social protection can help families tide over the costs of health and education. It is well-known that for poor families, poor health can be a huge cost. Moreover, if they are continually in a state of poverty, they would focus on curative rather than preventive means of health management. Instruments to manage health risks can enable individuals to access health care and attend to illness in a timely and sustainable manner, thus helping to maintain the health capital. In the case of education, social protection mechanisms such as targeted subsidies, scholarships, etc., enable poor families to send their children to school. Moreover, when the family experiences shock such as illness of a breadwinner, it may well pull a child out of school and send him/her to work, both to augment

income and pay for the costs of medical treatment. Appropriate mechanisms to manage risk, in this case, in the form of incentives to keep children in school and health insurance to manage the costs of ill-health, would help in tiding over the shock of the illness and maintain the trajectory of educational advancement for the next generation in the family. This section discusses the pathways through which social protection instruments can help to raise the education and health capital of (mainly poor) households.

**Social protection programs help to get and keep children in schools and clinics.** By providing payments in cash or in kind, linked to the use of education or health services, these interventions help bring in the target audience for many services. Recent conditional cash transfer programs, especially in Mexico and Brazil but increasingly in other Latin American nations, have been particularly diligent in measuring the programs' impact on human capital outcomes—with good effects on enrollment and attainment, child labor and health and nutrition<sup>14</sup>. And good impacts can be found for food transfers as well, as found in Bangladesh's food for education program or Chile's maternal and child health feeding program<sup>15</sup>. School feeding programs are more traditional ways of ensuring that the household receives a transfer in proportion to their children's school attendance and such programs are very widespread—both in terms of number of countries and reach within hosting countries<sup>16</sup>. Scholarships or fee waivers can help poor households maintain access to services. For example, Indonesia mounted a large scholarship program to safeguard enrollments during the financial crisis and Bangladesh has used scholarships for girls to increase their secondary enrollment<sup>17</sup>. Many countries that have user fees for health services also have mechanisms to waive fees for the poor, albeit with mixed results due to difficulties in implementation<sup>18</sup>.

**Some social protection programs increase the supply of schooling and clinics.** Although traditional labor intensive public works programs focus on providing (temporary) income to their workers, they can create and maintain infrastructure—school and clinics themselves and/or roads that facilitate access to them. Community-oriented contribute greatly to the creation of social infrastructure, leading in turn to better supply of schools, clinics and other community assets, as has been the case in the Bolivia Social Investment Fund, and other funds in Central America, Peru, Ethiopia, Malawi, Armenia and Angola. This emphasis on infrastructure has had benefits in terms

of access to education and health care and provides the opportunity to build accessible structures that allow for the inclusion of disabled people. Impact evaluations show that social fund investments resulted in increased enrollment rates in social fund communities in Armenia, Nicaragua, and Zambia. They also had a positive, significant impact on educational attainment with improvements in age-for-grade measures in Honduras, Nicaragua, and Zambia and years of accumulated education in Peru<sup>19</sup>.

Similarly, social fund investments have also resulted in better health outcomes. For instance, the community-oriented social fund in Bolivia resulted in large, positive, and significant improvements in both infant and child mortality rates. Between the baseline survey in 1993 and the follow-up survey in 1997 infant mortality rates declined from 61 to 31 per 1000 in social fund communities, while they increased from 60 to 67 per 1000 in control communities. Likewise, under 5 mortality rates fell from 94 to 55 per 1000 in social fund communities, but rose from 93 to 108 per 1000 in control communities<sup>20</sup>.

**Risk management instruments such as social assistance transfers can help maintain human capital in the face of a loss of household income.** In rural Zimbabwe, children affected before age three by drought and civil war were more likely than others to be stunted as pre-schoolers, which was in turn associated with starting school later, completing fewer grades and being shorter as adults. These effects result in lower lifetime earnings of 7 to 12%, estimates that are likely to be *lower* bounds of the true losses<sup>21</sup>. In Bangladesh, children exposed to the 1998 flood did not recover from the shock to their health, while showing that *ex ante* government programs could be much more effective than *ex post* interventions to protect the health of children from shocks like the flood<sup>22</sup>. In Nicaragua, in contrast, during a period of low coffee prices and a drought, beneficiaries of the Red de Protección Social, a conditional cash transfer program, were able to maintain and modestly increase per capita food consumption while in control areas per capita consumption declined sharply<sup>23</sup>.

There is also growing evidence that child labor is strongly influenced by exposure to shocks by the family, which leads to early labor force participation with no or very low build-up of formal education capital. Lack of access to

credit or insurance mechanisms is statistically significantly linked to higher child labor. In Guatemala, for example, access to social risk management instruments helped reduce child labor by an amount equal to what occurs when households have 40 percent higher income<sup>24</sup>.

## How does social protection help to attain gender equality and empower women? (MDG-3)

MDG 3 focuses on gender equality. Social protection interventions can be used as instruments to reduce gender disparities and empower women. Many instruments target women and girls in access to services such as health and education, as does the stipend program in Bangladesh for girls' education. Cash transfer programs conditional on girls' attending school can provide incentives for girls' enrollment and attendance. A recent survey of the literature shows that family allowances, social pensions, and cash transfers linked to school attendance tend to have positive gender effects<sup>25</sup>. Moreover, when cash is transferred into the hands of women, the benefits in terms of improved health and nutrition for the household often results.

Similarly, supply of schools close to girls' homes and availability of water and sanitation facilities in schools and health centers are often the focus of social funds directly providing these services or building infrastructure. Social funds are also important instruments for the empowerment of entire communities, but specifically of women within them. Most social funds have a strong component of gender mainstreaming and of encouraging leadership among women. They contribute to increasing the social capital and networks of women which can then be utilized in employment and raising women's productivity. In the Moldova Social Investment Fund (MSIF), specific gender-supportive mechanisms were implemented to engage rural women in community empowerment efforts. Poor women were targeted for new employment opportunities in the Honduras Social Investment Fund Infrastructure Project (FHIS), where they were introduced to construction and maintenance work. Training was

pivotal to the success of women rapidly acquiring these new skills, and but so was building community acceptance among men in order for women participating in what was once considered a male-dominated field. The project achieved the goal of training and employing over 500 women in the construction field<sup>26</sup>.

Not only social funds and transfer programs but also pensions and other social insurance programs can help to promote gender equality. A recent study of pensions shows how women have received the benefits from a targeted approach of the new pension programs in Argentina, Chile, and Mexico and have become the biggest gainers from the pension reform<sup>27</sup>. In addition, labor market policies that encourage women's participation in non-agricultural production can narrow the gap between men and women in hiring and wages. The lessons of East Asia have shown that feminization of the manufacturing sector is associated with growth and productivity. Thus, maternity (as well as paternity) leave, provision of affordable child care and policies that address discrimination in the labor market are all mechanisms to further the goals of gender equality. Moreover, labor market policies that enable women to enter and stay in the labor force are conjectured to increase the demand for girls' education.



## How can Social Protection help to achieve better youth employment outcomes? (MDG 8 - Target 16)

MDG-8 covers the employment target for youth and aims at a reduction of the rate for unemployment for the age group 15 to 24 for both sexes, and the total. While youth employment is only one of the targets under MDG-8,

for the social protection sector this constitutes part of the sector's core mission—that of employment policy for vulnerable groups. Little attention has been paid in the past to this age group, but in recent years policy makers in sponsor and client countries alike have become increasingly aware that employment objectives and instruments for the population at large can only very imperfectly handle the problems of youth employment. While a catalogue for a good or perhaps best practice to approach youth employment is still missing worldwide, the contribution of social protection and broader social risk management seems to be crucial. Suggested measures include the use of social funds as a delivery mechanisms; general skill enhancement programs and targeted training events and process, including in the informal sector; the use of multinationals to offer training programs for their workers and suppliers down the value chain; and measures which achieve an integration of jobless youth into the labor market at an early stage.

Although the experience in addressing the issue of youth unemployment is relatively sparse, some examples demonstrate that social protection is key to a multi-sectoral strategy to attain this MDG. Such a multi-sectoral approach includes emphasis on education, vocational training, growth and career counseling among other enabling conditions. Labor market policies can also play an important role in facilitating the access of young people to jobs. For instance, a highly rigid labor market is likely to present barriers to hiring of younger and more inexperienced workers, just as it presents barriers to poorer and less educated ones, whereas a more flexible market can achieve the opposite effects. Chile's Joven program offers a curative model emphasizing work experience, training and apprenticeships for structurally unemployed young people and those at "high social risk." This program has been replicated in several other countries in South America, notably Uruguay. Some social funds have also shown how youth can be integrated into their programmatic focus. Thus, the Honduran Social Assistance Innovations Fund has attempted to reach vulnerable groups (including youth) who have not been the beneficiaries of other programs. Designed to create partnerships with NGOs, the fund designates resources specifically to target specific subgroups of children and youth at-risk.

## How does Social Protection's support the global development commitments (MDG 8)?

The last MDG covers a number of mutual commitments to develop a global partnership, including an *open, rule-based, predictable, non-discriminatory trading and financial system*. The resistance of many workers and their representatives in developing and developed countries alike against quick and comprehensive trade opening is not totally without cause. Access to a comprehensive social protection system which supports workers during the often painful adjustment process will help overcome such a resistance and also create the basis to share the benefits of such an opening more equally. Ideal measures include special time-bound instruments to deal with displaced workers, skill-enhancement for the working population at large, and access to social-safety-net type arrangements, but these measures are mostly absent in developing countries.

## How does Social Protection's attention to vulnerable groups help with the MDGs?

**Meeting the MDGs requires attention to disability.** About 600 million people worldwide have disabilities, of which about 400 million reside in developing countries, with the highest rate of disability among the poor<sup>28</sup>. Only some 5% of disabled children participate in formal education<sup>29</sup>. Hence, Education for All will not be achieved unless disabled children are enrolled in schools. Doing so will require changes in societal attitudes, in school infrastructure, and in teaching methods. Better access to maternal health services will not only bring down maternal deaths but also help in reducing preventable disability. Not only education, but also access to health care is often major issue for poor disabled persons. In such cases, attention to access—both physical and societal—are very important determinants in reducing primary and secondary disability. Finally, rates of employment are lower

among people with disabilities and policies must be put into place to enable and encourage productive employment. These include education, training, the expectation of work, and the ability to return to work with appropriate supports. It is vital to combat the stigma associated with disability and the perception that disabled people are unable to contribute.



While not all of the solutions lie in the Social Protection sector, it has traditionally been a home to efforts to address disability issues, and is particularly well suited to thinking about how individuals and their families can absorb the shock of an unexpected disability, and its associated costs and concerns. Social funds do address the needs of marginalized groups including disabled people and are particularly potent instruments for doing so<sup>30</sup>. Funds in Malawi, Uganda Tanzania for example, are a only a few countries where social funds have worked with disabled individuals.

**Meeting the MDGs requires special attention to children.** The commitment of the Bank to advance the interests of children and youth worldwide is evidenced in the new Strategy for Children and Youth under preparation<sup>31</sup>. Children in general, and orphans and vulnerable children, (such as street children, child laborers, child soldiers and disabled children) in particular, are prone to live in poverty and fail to attain basic education and health levels. Social protection programs can enhance the capabilities of children and youth to lead more productive lives in the future. Through a number of interventions aimed at keeping children in school, reducing child labor and malnutrition, social protection becomes a key tool to deal with the vulnerability of these groups. Targeted policies that address not only children, but particularly, the most vulnerable amongst them and their parents, all go towards enhancing the quality of life of future generations—a noble end in itself, but also an end towards enhancing the human capital and thus the growth potential of low-income countries.

The situation of children in especially vulnerable circumstances deserves additional mention. Especially following the rapid spread of AIDS, the number of orphans is growing at an alarming rate, such that by 2010, the number of AIDS orphans is expected to have roughly doubled (from 11 million in 2001 to 20 million in 2010)<sup>32</sup>. In areas wracked by conflict, the vulnerability of children to death, diseases, orphanhood, abandonment, institutionalization and crime is very high. In such scenarios, planning for mechanisms that specifically address the risks faced by these groups becomes an important priority of social protection programs.

## How does Social Protection help with the MDGs+?

There are three main avenues by which good social protection policies contribute to high economic growth and hence accelerated poverty reduction sought in the MDG+ agenda, elaborated below. If through improvements in these, average growth rates from 2000 to 2015 were increased by 0.5%, poverty would fall by about 12%; if average growth rates were increased by 1.0%, poverty would fall by about 23%<sup>33</sup>.

**Improving the Outcomes of Labor Markets.** Labor is most often a poor person's only asset. A growth process that is not associated with job creation may therefore fail to reduce poverty<sup>34</sup>. Moreover, a well functioning labor market can be key to a business climate where new firms are created and private agents find the proper incentives to invest and innovate. Sound labor-market conditions are needed to guarantee the success of structural reforms, to maintain the political support for those reforms, and to ensure that the benefits are widely distributed. Achieving these targets is crucial to an effective implementation of poverty-reduction strategies and, hence, progress toward the Millennium Development Goals.

There are three main protection aspects in labor market interventions—labor market regulations (such as hiring and firing rules), labor market programs (such as active labor market measures), and wage setting rules (such as minimum wages). All three interventions provide elements of protection for the individual in a partly

complementary, partly substitutive manner. On the other side, they are often (but not always) costs for the employer, which reduce the demand for labor. For the low-income workers, regulations and rules that are too strict help those inside the formal social protection scheme but may discriminate against those outside. Thus, well designed labor market interventions are crucial for economic growth, as they co-determine the investment climate in a country, contribute to enhanced human capital formation (as in-job training is increased), and support the functioning of the output and other factor markets (most importantly the financial market).

**Supporting Change and Openness.** The basic motor for sustained economic growth is innovation in a competitive environment. This leads to changes in products and production mode, to expanding and contracting sectors and profession, in short to the phenomenon of “creative destruction<sup>35</sup>.” Enterprise and sectoral restructuring as the result of changing relative prices, demand or production modes are at the core of economic changes, which require supportive social protection policies such as retraining of staff, labor market information systems and job-matching, severance payments and unemployment benefit systems, etc. If they are missing, the political support of reforms can disappear quickly. Making these changes socially and politically acceptable requires inclusive policies, including social protection instruments to deal with the covariate shocks that such changes imply.

Opening up to the world with the liberalization of trade and services are major policies to generate innovation, imitation and competition. While the dynamic (long-term) effects of trade liberalization are little questioned, there is also no doubt that the effects are not equally distributed. More to the point, trade liberalization will and should lead to the demise of unproductive and outdated sectors and a shift of resources to competitive and expanding ones. Supporting these changes with social protection instruments should help more people profit from globalization and protect the most vulnerable (through social assistance, public works programs, etc.).

**Social Protection, Risk Taking and Economic Growth.** Good Social Protection systems allow individuals to take risks and hence to engage in higher risks but also higher return activities as discussed above. In addition to helping a particular household out of poverty, allowing risk taking can also be conjectured to contribute to a perma-

nently higher economic growth path. Innovation is driven by expectations of (temporary) economic rents through new products and processes, of which many will fail. Providing consumption security against these income risks for the broader segment of the population makes risk taking more acceptable. Of course, too much security which is furthermore badly designed and implemented, and too costly to operate may weaken these incentives for innovation with negative effects on growth and employment.

## In Summary

Social Protection interventions are important contributors to the achievement of the Millennium Development Goals from a variety of angles, especially if they designed and implemented with considerations of efficiency and prudence.

- **Policies** such as those in the labor market and governing social insurance affect growth and incomes and thus poverty reduction.
- **Improved risk management** lowers poverty directly through preventing temporary descents into poverty by those who are not, on average, poor; by preventing those facing shocks from being mired permanently in poverty, and by helping the poor to avoid inefficient income smoothing and thus raise their incomes.
- **Social assistance** decreases the severity of poverty and can help achieve health and education goals, especially when receipt is linked to service use.
- **Improved access to education and health** can come directly—from expenditures through social funds or public work programs that improve roads, schools, health facilities or indirectly—from improvements in income.
- **Programs for specific vulnerable groups** such as disabled people, orphans, children affected by harmful child labor, and elderly help ensure that these groups share in the progress sought.

# Annex 1

## Millennium Development Goals (MDGs)

### Goals and Targets (from The Millennium Declaration)

### Indicators for Monitoring Progress

#### Goal 1: Eradicate Extreme Poverty and Hunger

**Target 1:** Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day

1. Proportion of population below \$1 (PPP) per day
2. Poverty gap ratio [incidence x depth of poverty]
3. Share of poorest quintile in national consumption

**Target 2:** Halve, between 1990 and 2015, the proportion of people who suffer from hunger

4. Prevalence of underweight children under-five years of age
5. Proportion of population below minimum level of dietary energy consumption

#### Goal 2: Achieve Universal Primary Education

**Target 3:** Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

6. Net enrollment ratio in primary education
7. Proportion of pupils starting grade 1 who reach grade 5
8. Literacy rate of 15-24 year-olds

#### Goal 3: Promote Gender Equality and Empower Women

**Target 4:** Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015

9. Ratios of girls to boys in primary, secondary and tertiary education
10. Ratio of literate females to males of 15-24 year-olds
11. Share of women in wage employment in the non-agricultural sector
12. Proportion of seats held by women in national parliament

#### Goal 4: Reduce Child Mortality

**Target 5:** Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

13. Under-five mortality rate
14. Infant mortality rate
15. Proportion of 1 year-old children immunised against measles

Goals and Targets (from The Millennium Declaration)	Indicators for Monitoring Progress
<b>Goal 5: Improve Maternal Health</b>	
<b>Target 6:</b> Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	<ul style="list-style-type: none"> <li>16. Maternal mortality ratio</li> <li>17. Proportion of births attended by skilled health personnel</li> </ul>
<b>Goal 6: Combat HIV/AIDS, Malaria and Other Diseases</b>	
<b>Target 7:</b> Have halted by 2015 and begun to reverse the spread of HIV/AIDS	<ul style="list-style-type: none"> <li>18. HIV prevalence among 15-24 year old pregnant women</li> <li>19. Condom use rate of the contraceptive prevalence rate</li> <li>20. Number of children orphaned by HIV/AIDS</li> </ul>
<b>Target 8:</b> Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	<ul style="list-style-type: none"> <li>21. Prevalence and death rates associated with malaria</li> <li>22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures</li> <li>23. Prevalence and death rates associated with tuberculosis</li> <li>24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course (DOTS)</li> </ul>
<b>Goal 7: Ensure Environmental Sustainability</b>	
<b>Target 9:</b> Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	<ul style="list-style-type: none"> <li>25. Proportion of land area covered by forest</li> <li>26. Ratio of area protected to maintain biological diversity to surface area</li> <li>27. Energy use (kg oil equivalent) per \$1 GDP (PPP)</li> <li>28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs (ODP tons)</li> <li>29. Proportion of population using solid fuels</li> </ul>
<b>Target 10:</b> Halve, by 2015, the proportion of people without sustainable access to safe drinking water	<ul style="list-style-type: none"> <li>30. Proportion of population with sustainable access to an improved water source, urban and rural</li> </ul>

## Goals and Targets (from The Millennium Declaration)

## Indicators for Monitoring Progress

### Goal 7, continued

**Target 11:** By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

- 31. Proportion of urban population with access to improved sanitation
- 32. Proportion of households with access to secure tenure (owned or rented)

### Goal 8: Develop a Global Partnership for Development

**Target 12:** Develop further an open, rule-based, predictable, non-discriminatory trading and financial system

*Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally*

**Target 13:** Address the special needs of the least developed countries

*Includes: tariff and quota free access for least developed countries' exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction*

**Target 14:** Address the special needs of landlocked countries and small island developing States

*(through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)*

*Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked countries and small island developing States.*

#### Official development assistance

- 33. Net ODA, total and to LDCs, as percentage of OECD/DAC donors' gross national income
- 34. Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
- 35. Proportion of bilateral ODA of OECD/DAC donors that is untied
- 36. ODA received in landlocked countries as proportion of their GNIs
- 37. ODA received in small island developing States as proportion of their GNIs

#### Market access

- 38. Proportion of total developed country imports (by value and excluding arms) from developing countries and LDCs, admitted free of duties
- 39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries
- 40. Agricultural support estimate for OECD countries as percentage of their GDP
- 41. Proportion of ODA provided to help build trade capacity

Goals and Targets (from The Millennium Declaration)	Indicators for Monitoring Progress
<b>Goal 8, continued</b>	
<b>Target 15:</b> Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	<b>Debt sustainability</b> <b>42.</b> Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative) <b>43.</b> Debt relief committed under HIPC initiative, US\$ <b>44.</b> Debt service as a percentage of exports of goods and services
<b>Target 16:</b> In co-operation with developing countries, develop and implement strategies for decent and productive work for youth	<b>45.</b> Unemployment rate of 15-24 year-olds, each sex and total
<b>Target 17:</b> In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries	<b>46.</b> Proportion of population with access to affordable essential drugs on a sustainable basis
<b>Target 18:</b> In co-operation with the private sector, make available the benefits of new technologies, especially information and communications	<b>47.</b> Telephone lines and cellular subscribers per 100 population <b>48.</b> Personal computers in use per 100 population and Internet users per 100 population
<p><i>The Millennium Development Goals and targets come from the Millennium Declaration signed by 189 countries, including 147 Heads of State, in September 2000 (<a href="http://www.un.org/documents/ga/res/55/a55r002.pdf">www.un.org/documents/ga/res/55/a55r002.pdf</a> - A/RES/55/2). The goals and targets are inter-related and should be seen as a whole. They represent a partnership between the developed countries and the developing countries determined, as the Declaration states, "to create an environment - at the national and global levels alike - which is conducive to development and the elimination of poverty."</i></p>	

## Endnotes

This is a ‘living’ document produced by the Bank’s Social Protection Sector that draws on writings and ideas inside and outside the Bank. Comments, additions and corrections are welcome and should be sent to [socialprotection@worldbank.org](mailto:socialprotection@worldbank.org).

1. For strong message on the cross-sectoral challenge on reaching the MDGs see the Synthesis Paper for the Spring Meeting 2003 of the Development Committee on “Scaling-up” (World Bank, 2003a).

2. A complementary interpretation of MDG+ refers to objectives and measures to improve living conditions for the poorest segment of the population in middle-income countries. E.g. concentrating on chronic diseases to enhance life expectancy when infant mortality is already low.

3. Holzmann and Jorgensen (2001)

4. Many other instruments contribute importantly to managing risk, but are usually thought of as lying outside the social protection sector (crop or weather insurance, savings and credit).

5. See, for example, Foerster (2000).

6. Dercon (2002), Baulch and Hoddinott (2000).

7. Measurement error is likely to be substantial because transient poverty is measured by the difference between consumption or income in two periods, each of which is likely to be measured with substantial error. Thus the original measurement error is compounded. Dercon (2002), Baulch and Hoddinott (2000), Deaton and Grosh (2000).

8. Kyrgyz Poverty Assessment, Chapter 8, 2003.

9. Ravallion (2001).

10. Schwarz (2003).

11. These results do not use perfect insurance as a benchmark; rather, they involve insurance of a similar magnitude to what is experienced by richer households. Dercon (2002), Binswanger and Rosenzweig (1993), Dercon (1996).

12. Kyrgyz Poverty Assessment, Chapter 8, 2003 (World Bank, 2003c).

13. World Development Report 2003, overview chapter, pg 6. (World Bank, 2003b).

14. In Mexico the conditional cash transfers in PROGRESA raised primary enrollments for both girls and boys. Impacts were highest at the secondary level, increasing girls’ enrollment by 7-9 percent and boys’ enrollment by 3-6 percent. In Nicaragua, where initial enrollment rates were lower, primary enrollment increased by 22 percent under their conditional cash transfer program (Rawlings and Rubio, 2003). Evaluations of conditional cash transfer programs also showed that they decreased child labor. Participating in the Brazil PETI program reduced the probability of 7-14 year olds working by 26 percentage points in Bahia (which has the highest child labor

force participation rate in Brazil), 13 percent in Sergipe, and 4-7 percent in Pernambuco. Mexico's PROGRESA showed a 10 to 14 percent reduction in the probability of boys between 8-17 years working. See Rawlings and Rubio (2003); Yap, Sedlacek and Orzaem (2001); Coady and Parker (2002). Further, conditional cash transfer programs have been shown to improve the health and nutrition of children. Children between the age of 0 and 5 who benefited from PROGRESA in Mexico had a 12 percent lower incidence of illness than non-beneficiary children (Gertler, 2000). There was also a lower probability of stunting for participants who were 12 to 26 months old. The Nicaragua conditional cash transfer program showed nutritional gains to beneficiaries with 70 percent of children receiving iron supplements (vs. 45 percent in control areas) and 90 percent of children under 3 benefiting from nutrition monitoring (vs. 67 percent) (Rawlings and Rubio, 2003).

15. For Bangladesh Ravallion and Gallasso (2000); for Chile, Vial et al (1994), or examples for other food programs (several types) in Rogers and Coates (2002), in Gillespie (1999) (MCH supplemental feeding) and in Miller del Rosso (1999) (school feeding programs).

16. See Rogers and Coates (2002) and Miller del Rosso (1999)

17. On Indonesia: Cameron (2002). On Bangladesh: Khandker et al, (2003).

18. Bitran and Giedion (2003).

19. Sherburne-Benz et al. (2002).

20. Sherburne-Benz et al. (2002), Newman et. al. (2002).

21. Alderman et al. (2001).

22. Del Ninno and Lundberg (2002).

23. Rawlings and Rubio (2003).

24. Rosati et al (2003).

25. Tabor (2002).

26. Kuenhast (2003).

27. James et al. (2003).

28. Lansdown (2001).

29. Habibi (1999).

30. McLeod and Tovo (2001).

31. The zero draft of the children and youth strategy (World Bank, 2003d) has been presented and discussed internally in June 2003, with consultations with partner institutions and partners to follow in autumn. The final draft is expected to be published in early 2004, but will be available on the Bank's web before that.

32. Subbarao and Coury (2003).

33. Own calculations based on data and spreadsheet from WDR 2003.
34. This view is also shared by the ILO and has been the theme of the 2003 Labour Market Conference; see ILO (2003)
35. This notion was coined by the Austrian economist Schumpeter and determines much of our modern thinking about (endogenous) economic growth but also business cycles explanations. See Schumpeter (1927) for the original references and Francois and Lloyd-Ellis (2003) for the modern links between destruction, growth and volatility.

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**For more information:**

Social Protection Advisory Service

1818 H Street, NW

MSN G7-703

Washington, DC 20433 USA

Telephone: (202) 458-5267 Fax: (202) 614-0471

E-mail: [socialprotection@worldbank.org](mailto:socialprotection@worldbank.org)

Web: [www.worldbank.org/sp](http://www.worldbank.org/sp)