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Lessons from social protection to address chronic poverty

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Abstract

This paper synthesises lessons from attempts to introduce social protection in low income countries. It is based on work being carried out in the Chronic Poverty Research, either in preparation for producing the second international Chronic Poverty Report (in 2008) or research on vulnerability as a key cause of chronic poverty – both driving people into long term poverty *and* maintaining them in that state for years at a time. It attempts to integrate: technical lessons about particular approaches to social protection; lessons about impact; and political lessons about the introduction and expansion of social protection in particular contexts of state formation and political development. It concludes that social protection, in particular social assistance, does have an important role to play in reducing poverty in low income countries, that it can be well designed, implemented, afforded, and scaled up, but that there are also limitations of context which can be severe and need to be addressed alongside the promotion of particular appropriate approaches. Although these obstacles may be significant, the paper argues that several of the prejudices about the political and social feasibility of social protection are not well founded; and that social protection can be part of the programme for acquiring a ‘developmental state’. In particular, social protection is a vehicle for socialising risk across horizontal rather than vertical social divides. International donors have several important roles to play alongside national governments. The state formation and re-formation arguments are as important as the growth arguments in promoting social assistance. It is vital that LSMS and other instruments are rapidly adapted to evaluate social protection schemes so that, come the approach to the 2015 MDG targets, there is plenty of information available about impact in different contexts. The 2000-2010 period should be treated as a genuinely experimental period, after which firm policies should be in place.

Introduction: vulnerability and social protection

The CPRC has sought to develop both an analytical framework as a heuristic device capable of explaining poverty dynamics and chronic (and inter-generational) poverty, more recently, the beginnings of a policy analysis framework which can elaborate the probably impact of single or combined policies and programmes. These are illustrated in Figures 1 and 2.

<Figures1 and 2 about here>

Since this paper focuses on social protection and chronic poverty, we will simply note that in the policy analysis framework reducing vulnerability occupies a central place. Vulnerability is understood as the likelihood that individuals, households, or communities will find themselves in poverty in the future. There is a growing body of research providing insights into how and when vulnerability and insecurity push individual, households and communities into poverty. We know that exposure to major illness, natural disasters, economic and financial crises, to name a few, result in rising incidence of poverty, but the evidence on the extent to which these hazards result in persistent poverty is less prominent. The paper will consider the findings from research focusing on the *direct effects* of vulnerability on poverty persistence, for example unemployment reduces household income but also weakens household and communities ties and stretch support mechanisms. There are also *indirect or feedback effects* of vulnerability on persistent poverty, for example where workers respond to their vulnerability to unemployment by shifting onto informal or hazardous employment, as a means to manage vulnerability. In this case vulnerability leads to poverty traps.

Vulnerability results from the interplay of two key components: on the one hand, the presence of *hazards and stresses* that threaten basic living standards; and on the other the *actions and buffers* deployed by those affected or likely to be affected. These two components jointly help identify and measure levels of vulnerability across different households or groups.

There is a vast literature making the connection between the onset of crises, shocks, and stresses and subsequent descent into poverty of affected households (Siegel and Alwang 1999). Economic crises, health shocks, unexpected changes in household composition, unemployment, or natural disasters, to name the most important, are, for many households, followed by sustained poverty spells among those affected (Jalan and Ravallion 2005). Shocks and crises will generate flows of non-poor into poverty, as well as persistence of poverty among those already poor (Suryahadi and Sumarto 2003). Large or repeated shocks and crises can lead to sustained poverty among those affected. The link to chronic poverty is stronger because of the depth, strength, or repeated nature of the shocks.

A different channel for the way in which vulnerability generates chronic poverty relates to the quality and availability of buffers protecting households against shocks and crises. Chronic poverty may result even from small or one-off shocks and crisis if the capacity of vulnerable households to protect themselves is severely diminished. Even very poor households strive to reduce their vulnerability by accumulating assets,

collecting entitlements, participating in networks, etc. However, poorer people are highly vulnerable in large measure because they have fewer buffers, or because the range and effectiveness of the buffers available to them fail to provide adequate protection (Chambers and Conway 1992). The evidence provided in these studies supports the claim that inadequate buffers strengthen the likelihood that vulnerability maintains those already poor in persistent poverty (Moser 1998).

There is also a third channel through which vulnerability could lead to chronic poverty, and this has to do with the way in which households respond to insecurity and vulnerability. Faced with high levels of vulnerability and insecurity, households may adopt micro-strategies expected to minimize the impact of vulnerability on their living standards in the short run, but which may keep them in poverty in the long run. 'Rational' responses to vulnerability adopted by poor households could create poverty traps from which they will find it hard to escape.

These responses cover a wide range: reducing the number and quality of meals (Schubert 2005); postponing health related expenditure (Cutler, Knaul, Lozano et al. 2000); withdrawing children from school and/or engaging in child labour (Emerson and Portela Souza 2003; Guarceli, Mealli and Rosati 2003); engaging in informal employment (Lund 2001); adopting less productive, but safer, crops (Morduch 1995); resorting to adverse incorporation as a means of protection (Wood 2001). The list of micro-strategies that fit into this category is a long one. Vulnerability can have feedback effects on household responses that contribute to chronic poverty. Feedback effects of this type are very difficult to identify and measure empirically, but an emerging body of research is making this link with growing confidence. More importantly, the findings from this research suggest that these feedback effects may be quantitatively dominant in explaining the impact of vulnerability on persistent poverty (Elbers, Gunning and Kinsey 2003).

Vulnerability can be a powerful driver for chronic poverty. The exposure of poor and vulnerable households to shocks, crises, and stresses can push them into chronic poverty. The most important drivers of chronic poverty are: major illness; natural hazards; macroeconomic and financial crises; household dynamics; conflict.

Vulnerability can be responsible for maintaining individuals, households, and communities in poverty for long periods of time. Vulnerability can lead to poverty traps. The key maintainers of poverty as a result of vulnerability are: asset and entitlement depletion, but also 'rational' micro-strategies to minimize vulnerability with long term adverse consequences on the capacity of poor households to escape from poverty.

The frameworks presented above indicate that vulnerability, while central to chronic poverty and poverty dynamics, is not the only factor. Building and improving returns to assets, long term social change processes like reducing or eliminating discrimination, or improving social and economic relationships such that the terms of incorporation into the wider economy and society improve from the local level – these are all potentially important aspects. Reducing vulnerability interacts with these – it contributes to maintaining and building assets, to the risks people take with their assets and therefore to the returns they can get, and depends on reduced discrimination in labour markets and other institutional contexts.

Social Protection describes all interventions from public, private, voluntary organisations and social networks, to support communities, households and individuals, in their efforts to prevent, manage, and overcome their vulnerability. It is an extremely broad concept, and this paper progressively narrows the focus to state provided social protection, and then to social assistance, based on the following argument. Firstly, *public* provision of social protection is important because: (i) in many low income countries traditional forms of social protection are under strain, and there are groups of people – including the chronic poor – who are not seen as having potential for reciprocity, and so tend to get excluded from mutually protective arrangements; (ii) new sources of protection – for example remittances from migrants – often do not reach the poor; (iii) private insurance markets are non-existent or extremely underdeveloped and will take significant time to emerge; and (iv) there are new hazards, and combinations of hazards faced by poor people (and others) added to the reservoir of old hazards – such as the employment or income instability which has accompanied adjustment to global competitive economic conditions, or climate change.

And secondly, the focus on social assistance is supported by the following argument:

‘There is growing recognition that strengthening social assistance is an urgent task in developing countries. Social assistance is that component of social protection systems that addresses poverty and vulnerability through securing minimum living standards for poor households. In developed countries, social protection includes social insurance, which is normally employment-based; social assistance, normally tax financed; and labour market regulation. In developed countries, social assistance has a residual role and relies on income support. This is due to the presence of strong public service infrastructures, comprehensive social insurance covering pensions, health expenses and disability, and low levels of informality and strong labour regulation. In developing countries, with limited public service provision, low coverage of social insurance schemes, and a high incidence of informality, social assistance becomes a key component of social protection. Compared with developed countries, social assistance in developing countries should in theory support a greater share of the population, combine income transfers with other forms of support addressing the multidimensional nature of poverty, and take the household, and not the individual as the main unit of support. The reality is that social assistance in most developing countries is under-resourced and underdeveloped. (Chen and Barrientos, 2006)

Just as vulnerability does not explain the entirety of chronic poverty, so social protection, however beneficent or comprehensive, is not adequate by itself to remove poverty. The paper argues it is fundamental – without it the absolute poverty of millions will not be sustainably eliminated: emergence from poverty will be impossible for many; and the dangers of falling back into poverty will be too great. The latter is confirmed by the many panel household surveys which confirm significant downward mobility into poverty even while there is also significant upward mobility.

Lessons from social protection programmes and policies

The first lesson is that it can be done. Table 1 illustrates.

Table 1. Summary of selected social protection programmes in low(er) income countries

<i>Programme title</i>	<i>Description</i>	<i>Politics</i>	<i>Financing</i>	<i>Delivery</i>
Bangladesh's Targeting the ultra poor	Integrated asset and cash transfers/ learning/ microcredit	Introduced and managed by BRAC (Poverty reduction NGO) in response to operational lessons	Donor Consortium	Targets poorest, through geographic and wealth ranking/ delivery through local committees; 70k beneficiaries in 2006
Bangladesh's Old age allowance scheme and Assistance programme for widowed and destitute women	Unconditional cash transfer; US\$2 per month	Introduced in National Plan; managed by Ministry of Social Welfare and local committees	Tax-financed; cost around 0.03% GDP	Targets fixed number of poorest and oldest beneficiaries in each ward, then selection by local committees; 1.4m beneficiaries
Bolivia's <i>Bono Solidario</i>	Unconditional cash transfer US\$248 annually	Introduced to ease privatisation of utilities; entitlement for cohort aged 21 and over in 1995	Privatisation proceeds fund; cost is 0.25% of GDP	Paid to those aged 65 and over; public agency manages bond paid through banking system
Ethiopia's Productive safety net program	Conditional transfers in cash or food to chronically food insecure households with available labour, and unconditional transfers to households ineligible for work	Adopted by GoE after protracted discussions with donors over shift from emergency food aid to social protection	Mix of tax financed and joint donor group support; five year window	Geographic selection of food insecure districts, then community identification of vulnerable households; 1m households
India's Employment Guarantee Scheme – Maharashtra State	Conditional cash transfer; Public works employment	Statutory programme developed in 1970s; about to scale up nationally	Tax financed	Geographic targeting then self-selection; in 1990s supported 100m person days
Nicaragua's <i>Red de Protección Social</i>	Conditional cash transfer programme	Converted from a social fund set up to address conflict emergency	Inter-American Development Bank and social fund FISE; cost is around 0.02% of GDP; 5 year window	Geographic targeting selects poorest municipalities with available infrastructure, then proxy means test; managed by social fund; 10k households
Zambia's Kalomo District social transfer pilot Scheme	Unconditional cash transfer programme	Piloted by GTZ as an alternative to recurrent emergency food aid; managed by Public Welfare Assistance Scheme	Financed by GTZ; 4 year window; cost of scaling up nationally is 0.4% of GDP	Community targeting of 10% poorest and economically inactive households; 1k households

Data from A. Barrientos and R. Holmes [2006] Social Assistance in Development Countries database, available from www.chronicpoverty.org (Barrientos and Holmes 2006)

Social protection can also be scaled up and afforded even in relatively poor countries. The indications are that administratively at least such programmes can be scaled up – the rapid increase in coverage of the Chinese Minimum Living Standards Programme being but one example. In most situations the constraints are more political or ideological than financial or administrative. However, there will be some difficult contexts where the basic administrative and public financial management capacities may constrain. The extent to which chronically deprived countries can scale up and afford social protection will be addressed below.

It is clear that a variety of policy instruments is relevant: in ongoing work with the Government of Uganda's Social Protection Task Force to design a cash transfer pilot programme, a matrix has been developed to test out the feasibility of different instruments in terms of: targeting, the level and duration of benefits provided, financial affordability and cash delivery mechanisms, political acceptability, capacity requirements, likely effectiveness (coverage, impact), and overall appropriateness. The categories of instruments to be assessed were: unconditional cash transfers, conditional cash transfers (linked to human capital conditions); conditional cash transfers (linked to work requirements); input transfers; integrated asset transfers; and food transfers. Similar exercises are going on in other low income countries. The overall idea is often to explore what longer term policy commitments are appropriate.

In terms of choosing instruments, one possible strategy is to progress from smart single interventions which hit more than one vulnerability or deprivation, to multiple programmes to address multiple deprivations in a more comprehensive way. Many countries have adopted this approach. Intuitively this would favour conditional cash transfers focused on human capital development, since these address immediate needs as well as longer term (and inter-generational) deprivation and equity. The evidence is not wholly in support of this intuition, since poor households actually manage their resources very sensibly, and often (if not always) with an eye to human development. Nevertheless, given elite scepticism about the ability of poor households not to 'drink away' unconditional transfers, conditional transfers may be an important way forwards.

But the positive evidence in favour of conditional transfers comes largely from Latin America (see Table 2) (Morley and Coady 2003; Rawlings and Rubio 2005)– can it be transferred to other regions? Barrientos (2006) has argued that poor households do not invest as much as others in education and health services because they face high costs of accessing these services – compensating for these costs raises the likelihood they will be included. Impact evaluations have indicated that these transfers are successful in raising consumption, schooling and health status among beneficiary households. They also helps tax payers and donors achieve their objectives of seeing more poor children in school and growing up within the health system. Costs are relatively low – a fraction of 1% of GDP. Strong monitoring and evaluation mechanisms have secured cross party support for the programmes, which has meant that they continue beyond the tenure of particular governments. Graduation from these schemes is built in, as conditions apply only to certain stages of life – which helps to avoid the creation of dependency so many governments worry about. They

generally use geographic targeting to focus on marginalised communities. Progresa for example was initially restricted to marginalised communities in rural areas.

However, there are countries which have developed traditions of social protection over years which may be hard to shift. For example, India has privileged a combination of public works programmes and a targeted public food distribution programme, supported by a very expensive system of food procurement and storage. The roots of this combination lay in the urgent and politically salient need to reduce famine risk, and the application of similar approaches to addressing chronic malnutrition and low and unreliable rural wages. A high degree of inertia and therefore path dependence in choice of instrument may have already developed, in which case, realistically, the issue may be more one of shifting resources from less effective to more effective instruments over time, rather than choices between instruments. In the Indian case it has been argued that pensions have potentially better reaching power to remote and poor households than the PDS and could suffer fewer leakage problems if administered through the post offices, and that a progressive switch of resources would have substantial long term benefits for the poor (Farrington, Saxena, Barton and Nayak, 2003).

Table 2. Summary information on selected conditional cash transfer programmes in developing countries

Title	Start date	Type	Coverage	Targeting	Objectives	Benefits	Conditionality	Evaluation	Poverty reduction efficiency	Budget as % of GDP
Food for Education Bangladesh	July 1993, later changed to cash transfer for Education	initially in kind transfer on schooling, later cash transfer - demand subsidy	2.4m children (2000)	geographic targeting, then community targeting	(i) improve school attendance; and (ii) reduce child labour	mean transfer US\$ 2.4 a month or 4% poor's consumption	minimum school attendance (85%)	9-17pp rise in school enrollment (from 55%) but US\$ 1.6 to deliver US\$1	40% to non-poor; and low horizontal efficiency as covers only 2-3 households per thana	US\$ 77m in 2000
<i>Programa de Asignacion Familiar</i> PRAF Honduras	1990, later re-launched as PRAF II in 2000	targeted conditional cash transfer - demand subsidy and supply side support	4.7 percent of population. Poor households with children aged 0-3 and 6-12 who have not completed 4th grade	geographic targeting: municipalities with lowest mean height for age z-scores and with school and health centers are selected for participation; all households within that municipality are covered	(i) improve school attendance; (ii) improve nutrition of children; (iii) improve use of health care	US\$3 a month for children under 3, disabled children under 12, plus pregnant mothers and poor elderly; and four monthly benefits to children at school in grades 1-4	school enrollment and absences less than 7 days in one term and not to repeat grade more than once; plus regular visits to health care providers	includes non-poor in selected municipalities	0.019% of GDP	

<p><i>Progresa (Programa de Educacion, Salud y Alimentacion), then in March 2002 changed to Oportunidades and extended to urban areas</i></p>	<p>1997</p>	<p>targeted conditional cash transfer - demand subsidy and supply side support</p>	<p>initially rural households with children 7-14 in school, 3.2 m. households (2001); 40% of rural households, 3.38 % of population</p>	<p>geographic targeting, small rural communities with a high marginality score and access to education and health providers, then proxy means test</p>	<p>(i) improve school attendance; (ii) improve nutrition of children and their households; (iii) improve use of health care</p>	<p>US\$12.5 per family consumption supplement; US\$ 8-16.5 per child in primary school per month and US\$15.5 school materials per year; US\$ 24-30.5 per child in secondary school per month plus US\$20.5 school materials per year; up to a maximum of US\$75 per household per month</p>	<p>enrollment of 6-17 year olds in grades 3-9 and 85% school attendance; health providers and information sessions</p>	<p>US\$1.1 to US\$1 impact on progression rates; enrollments 7.2-9.3pp for girls (from 67%) and 3.5-5.8pp for boys (from 73%); stronger impact on secondary enrollments; 70% of households show improved nutrition; reduction in incidence of illness.</p>	<p>58% of benefits to lowest quintile, and 80% to lowest 40% of income</p>	<p>US\$ 1.8b or 0.32% of GDP in 2000</p>	
<p>Mexico</p>											
<p><i>Red de Potección Social</i></p>	<p>2000, as extension of Social Fund</p>	<p>targeted conditional cash transfer - demand subsidy and supply side support</p>	<p>poor households and poor households with children 7-13 who have not completed 4th grade; 10,000 households 60,000 individuals; 1.21% of population</p>	<p>geographic targeting selects poorest departments, then poorest municipalities within them with access to health and education and transpor infrastructure; and then proxy means test to identify poor households</p>	<p>(i) increase school enrollment and attendance for children in grades 1-14; (ii) improve care for children aged 0-4; (iii) supplement income of households in extreme poverty</p>	<p>US\$ 9.2 per household per month and US\$ 21 school materials per year to help with schooling; US\$ 18.7 per household per month to support health; and US\$4.6 per year subsidy to school per child covered</p>	<p>school enrollment; no more than 6 days absent in 2 months; school grade promotion; monthly or bimonthly visits to health centre for children 0-5; up to date vaccination programmes; mothers attendance to nutrition and hygiene talks</p>	<p>US\$1.1-US\$1.5 to deliver US\$1; enrollments 22pp (from 69%);reduction in child labour 8.8pp from 27% for 10-13 year olds; reduction in working hours of children</p>	<p>20.5% of beneficiary households are non-poor;</p>	<p>US\$5m (2002) or 0.021% of GDP</p>	
<p>Nicaragua</p>											

PETI Child Labour Eradication Programme	Child piloted in 1996, then extended to all other areas in 1999	targeted schooling subsidy and supply side provision of extended school day	poor households with children aged 7-14 working in hazardous or degrading conditions, 866,000 beneficiary children in 2002	geographic targeting of municipalities with high incidence of hazardous child labour; then poor households with per capita income below one half the minimum wage	(i) eradicate the worst forms of child labour (e.g. health risk); (ii) reduce child labour; (iii) provide remedial education and training	school subsidy US\$11-17 per child per month	school attendance (80%) in a three month period; participation in after school sessions; participation by parents in educational and income generating sessions	fall in the incidence of child labour from 19.6% in 1992 to 12.7% in 2001; rise in completed schooling; rise in school enrollments	90% of the target population covered; some municipalities include poor households with children not working	472.4m Reais in 2002 or 0.04% of GDP
Brazil										
<i>Bolsa Escola</i>	up scaled to federal programme in 2001, previously localised in Campinas	targeted conditional schooling demand subsidy - conditional cash transfer	poor households with children aged 6-15; 5m households and 8.2m children; 4.7% of population	participation of municipalities is demand driven; then geographic targeting within municipalities; then poor households with per capita income less than one half the minimum wage	(i) raise school enrollment	US\$ 5 - US\$ 15 per household	school enrollment and 85% school attendance		good vertical poverty efficiency due to targeting, but 43% of target households not reached	US\$ 800m or 0.13% of GDP
Brazil										

<i>Familias en Accion</i>	2001	targeted conditional cash transfer - schooling and health demand subsidy	poor households with children 0-17; 362,403 households (2002)	622 municipalities with fewer than 100,000 inhabitants, with a bank and health and education infrastructure, then households with children 0-17 identified as poor by proxy means test	(i) reduce poverty among households with children; (ii) raise school enrollments; (iii) provide a safety net	US\$6 schooling subsidy for children in primary school, and US\$12 for children in secondary school; US\$20 to households with children below 7 years of age; benefits paid to the mother	80% school attendance in a two months cycle; regular visits to health providers for monitoring of children's growth and development	raised school attendance by 13% in urban sector and 5% in rural sector; reduced incidence of undernourished children; raised vaccination incidence	US\$100m (2004) or 0.12% of GDP
Programme of Advancement through Health and Education PATH	2002	targeted conditional cash transfer	poor households; 236,000 individuals are the target beneficiary population	poor households by proxy index	(i) poverty reduction; (ii) raise school attainment; (iii) reduce child labour; (iv) serve as safety net	US\$ 6.2 (2002) fixed level benefit	visits to health centres; school enrollment of children aged 6-17, minimum attendance 85% of term		US\$22m (2003) or 0.29% of GDP
Colombia									
Jamaica									

Source: Barrientos (2006)

Identifying and Overcoming the Obstacles to Social Assistance

If the need is there, it can be done, it can be afforded, it can be scaled up, why is it so rare, especially in low income countries? Perhaps it has simply not been within the 'framework of possible thought'? Perhaps there are overwhelming national political or ideological obstacles? Perhaps the USA's 1990s rolling back of the welfare state has exerted a deep influence of developing country policy makers? Perhaps the major international advocates (eg ILO) have been marginalised? In reality all of these have played a part. Until recently (2000), social protection did not figure strongly in the international development policy agenda. The World Bank's social risk management work put it there, gave it legitimacy, although social assistance was not strongly emphasised in this work. The ILO, traditional advocates of social protection, were hampered by a formal sector focus and are under-resourced; however, that may change somewhat with the rise of social protection into the development policy mainstream. There has been little evidence of success till recently, to counter the reversals of social assistance policy which took place, against the grain of the evidence, in the world's largest and most influential society.

International scepticism has been combined with national doubts. Gaining a political constituency for social protection is a critical first step in many situations. Development of social assistance as part of an approach to poverty reduction requires a long term and serious (ie programmatic) vision of a society without want – something painfully missing in the political manifestos of national political parties in some countries. Some societies are organised along vertical lines of solidarity, in which mutual support runs within family, clan, tribe, religious brotherhood, but not across class or location lines. Here risk is 'socialised', but within distinct boundaries. This works relatively well for more advantaged groups, but poorly for the rest, and usually therefore poorly for society as a whole. However, the horizontal solidarity required to socialise risk more universally may not exist if elites are attached mainly to vertically organised patronage networks, and society's main lines of division and identity are vertical. The institutionalisation of electoral competition should provide a basis for developing horizontal solidarity within classes and across wealth divides; social protection policies provide the means to actualise such solidarity. One theory is that targeting needs to be relatively inclusive so as to maintain that cross-class support for social protection.

A study of the 'politics of what works' in social protection (Hickey et al, 2006)¹ concludes that elections do indeed throw up moments when commitments to new protective policies emerge, but also that parties that introduce pro-poor policies tend to be populist or have strong social movement-like characteristics, and broader programmatic agendas. It is key political actors who drive such change through (not civil society organisations). The interests of the private sector can also be critical in advancing such agendas. The degree of resistance to social protection should not be exaggerated, however – in none of the cases studied was there strong resistance.

¹ With case studies of the Vulnerable Group Development Programme, Bangladesh; the Office for Assistance to Vulnerable People/National Institute of Social Action, Mozambique; the National Old Agr Pension Scheme, India; the Old Age Pensions in Lesotho and Namibia, and the Old Age Grant in South Africa; mainstreaming social protection in Uganda and Zambia.

While institutionalised politics helps generate commitment to social protection, it may be the case that social protection can play a role in institutionalising politics. Work to date indicates that the effects are, however, unpredictable: citizenship and rights can be strengthened, but so can local patronage networks. This is illustrated by the way the Vulnerable Group Development Programme in Bangladesh has benefited from the dual imperatives of electoral accountability and the moral obligations of local political elites to distribute goods and services to the poorest groups.

A second critical institutional issue is the organisational location for social protection schemes. If they build on existing weak welfare programmes they may be located in a marginal under-resourced ministry or agency, far from the heart of politics. Arguably they are better taken out of such organisations and housed in a ministry of finance, if there is a need to develop the political support. Conditional cash transfers, attached to strong ministries of education or health may not suffer this dilemma.

Targeting is a critical design issue, with important political ramifications. It is important if programmes are to reach the poor and poorest. 'Rank targeting' is most useful, as opposed to binary, poor-non-poor targeting, because by ranking households policy makers can choose to start from the poorest and work progressively to include other groups. Of course, there always errors in targeting that need considering. And it is also important not to lose sight that targeting involves a political process and outcomes, with the need to avoid isolating the poorest and poor in political terms.

There is not much evidence that targeting cannot be narrow: so long as some of the less poor are included as well as the poorest. What may be politically more important is to include the significant numbers of the 'deserving poor' (eg the elderly, children – but definitions will almost certainly vary from society to society), whose 'case' can be widely empathised with. This 'political' approach to targeting might lead to the exclusion of many chronically poor: the low waged or irregularly employed, poor widows, the mentally ill poor, ethnic minorities. For such stigmatised groups it is often necessary to devote time and resources (research, advocacy, public education) to gaining them a constituency. And of course for scheme designers to work hard to find practical ways of including them – the arguments for excluding them are unlikely to be very strong.

There is ample evidence that good monitoring and evaluation and the publication of results helps to develop the case for social protection and inform public debates in a useful way. Evidence of success is critical to long term political sustainability.

There are two further aspects of ideology about the poor and poorest in society which inhibit political support for social protection. the first is the desire to direct public resources to 'productive' rather than welfarist ends; and the second is to avoid creating dependency among the poor – the belief that poverty can only be sustainably eradicated by the poor helping themselves. Welfare should only support that process not obviate it. The latter argument would militate against high levels of transfer, for example.

CPRC is completing research in South Africa which provided high quality qualitative evidence to challenge the dependency thesis.² This detailed investigation of how grantees used their grants showed (as has other work in southern Africa – eg Devereux, 2002) that grants play a role in other economic activities – investments, seed money for informal economic activity, involvement in agriculture, acquiring, building, improving homes, supporting education or migration in search of work. Grants were often allocated after co-operative household decision-making – though there were exceptions where grants were used selfishly or inappropriately. Private remittances to grant receiving households were reduced at the level of the benefiting household, but they were redirected usefully within extended family networks. Grants also allowed poor women in particular (eg poor single household heads) to transact in social networks from which they would otherwise have been excluded.

Dependency is nevertheless a serious elite concern (not only in South Africa), which links strongly to doubts about affordability and sustainability of social assistance. The idea of dependency is used politically to oppose and limit social assistance, ensuring a strong focus on the negative – the potential for free-riding and abuse of the system. The South African study produced little evidence that a culture of dependency is being created. Rather the livelihood strategies of the people who participated in the study was animated by an overriding focus on participating in the broader economy, investing in their own wellbeing and productive capacity, and retaining or acquiring a measure of economic independence - or at the very least, the ability to engage on some equal footing in the acts of reciprocal exchange on which their wellbeing depended. And this militates against simply subsisting on social grants.³

Within the context of the vulnerability and uncertainty of life at the margins of the formal economy, social grants allowed some people to invest not only in their own wellbeing, but also in that of their dependents and families, and often gave those who would otherwise have been socially marginalised some vital social resources with which to barter. These are important and worthwhile effects, and need to be recognised as such.

Social policy on welfare grants should of course be informed among other things, by the need for appropriate targeting and the need to avoid welfare fraud; but Rather than minimizing the negative, policy should focus on maximising the positive; strengthening the poverty-reducing, economically and socially empowering aspects of the grant system

It can be addressed in design – through careful targeting, and mechanisms to avoid welfare fraud undoubtedly; by ensuring that graduation mechanisms either occur naturally (eg death of a pensioner, leaving school, end of pre and post natal period) or are induced whenever possible – through progression from receiving grants to training and involvement in savings and insurance schemes, to access to credit, or skill enhancement, work placement/experience and labour market assistance.

² What follows is based on Andries du Toit, pers comm. The research report is not yet available.

³ In a European context, dependency has a lot to do with the combination of benefits and taxes, the latter preventing those on benefits from taking up short-term, badly paid, or precarious employment; but the issue of taxation is not so strong in developing countries, so accessing social assistance entitlements seldom leads to withdrawal from the labour market

However, the policy makers can be much more persuasive than they often are about the benefits of social assistance: it reduces poverty; and it is socially and economically empowering. It is important that the overall terms of welfare policy should not be in the first place and above all be dictated by the need to eliminate 'free riders' and 'undeserving recipients'.

The urban-rural dimensions of social protection are likely to be important. While the urban poor are visible and threatening and are therefore sometimes able to make stronger claims through social and political movements and effective local government representation (the Mozambique GAPVU and China MLSS are cases in point), and urbanisation can thus be a stimulus for social protection policies; the chronically poor are often more numerous and more trapped in rural regions and may be left out of such schemes for longer. Beyond this, increasing migration means that social assistance may flow within family networks, as illustrated in the South African study.

Context

The framework above presents country (or local) context as important both to understanding chronic poverty and poverty dynamics, but also to the business of finding appropriate and feasible pathways out of poverty for the maximum possible number of people. Context is particularly important to this analysis since the majority of lessons from social protection policies come from middle income countries, and from low income countries where there is a relatively strong tax and administrative base. Lessons cannot be 'read' straightforwardly from these countries to other low income countries which may face much greater developmental challenges. For social protection design work, detailed knowledge of the national and local context is necessary, as it is only here that a myriad factors operates to determine the success of a given approach.

In our policy analytical work, country context is represented by an analysis which attempts to distinguish countries' progress on 4 welfare indicators (GDP per capita, child mortality, fertility and under-nourishment) over long periods of time (1960-1993 and 1970-2003) among non-OECD countries, and to isolate groups of countries on the basis of whether they can be said to be chronically deprived, partially so, good performers, partially so, or neither one nor the other, and to isolate those making transitions out of the chronically deprived or partially chronically deprived categories. This paper represents the first attempt to link this contextual analysis systematically to the examination of a policy issue, an approach which requires much further investigation. It asks the question: should we not be able to prescribe different approaches to social protection, based on the trajectory and the reasons for the trajectory of a country or group of countries?

The key explanations for chronic deprivation (20-30 countries, and an additional 30-45 countries chronically deprived on some indicators) and good performance (10 countries, and an additional 10-20 countries which are partially good performers) are to do with geography – location in the tropics, land locked and distance from major OECD markets. Vulnerability to conflict was also strongly related to chronic deprivation status, along with inequality and ethnic fractionalisation. The chronically

deprived countries are arguably under-aided, if aid should act as compensation for basic disadvantage.

However, institutional factors also figure: European settlement, education, a higher Sachs-Warner trade policy index, greater fiscal surpluses (or smaller deficits), favourable terms of trade changes, and higher institutional quality as measured by both the Kaufman rule of law index and the Freedom House political rights index. This is important, as the political, financial and administrative feasibility and utility of social protection policies and programmes will be affected by some of these institutional factors – fiscal surpluses (representing quality of economic management and tax effort), the rule of law (representing the quality of administration), and political rights (representing the level of accountability).

Arguably, chronically deprived countries, which have a higher than expected proportion of the world's deprived people, have the greatest need for social protection, but the least capacity to deliver it. There is significant overlap between CDCs and 'fragile states' as measured by the Low Income Countries Under Stress, the HDR 2003 'priority countries' or the Low Income Poorly Performing Societies (LIPPS) indicators (though the concept of a 'fragile state' is a heuristic device which does not stand up to rigorous scrutiny). Most of chronically deprived countries are in the group of Least Developed Countries, as classified by UNCTAD. Whereas most countries from which lessons about social protection can be read are not in this category, nor are they in the categories of chronically deprived countries, or partially chronically deprived. There are some exceptions – Namibia, Nepal, Nicaragua and Bangladesh, for example, and it may be especially useful to look at the experiences of these countries for wider application to low income (or chronically deprived and partially deprived) countries. More countries with a social protection experience big enough to read from tend to be in the hardly chronically deprived category (South Africa, India), or in the partial good performer or good performer categories (Brazil, Mexico, Chile). (Anderson, 2006)

Comment [MSOffice1]: Include some discussion on conflict and social protection

Can one envisage a social protection trajectory which might apply across these categories of country trajectories? Table 3 below attempts to do this in a preliminary way. But first it is useful to explore whether there is a low income social protection trap (Barrientos, 2006). Where most workers are employed at low wages and with little security in the informal sector there is no scope for formal social protection: it requires a critical mass of formal sector employment before employment related social protection (social insurance, pension plans, health insurance) can take off. Without this the tax base may also be too small to finance social assistance. However, this requires further political and economic investigation. Tax payers have preferences for their own consumption, but also for that of the poor, and it is hard to conceive of situations in which tax payers were not at all interested in preventing the social unrest or destitution which can be avoided through social protection. They will also likely prefer higher coverage because there is a chance that they or their associates will be included, and because the operational costs reduce as coverage increases.

A general reluctance to pay taxes derives partly from the fact that the state provides very little in the way of services to SMEs and to households and informal enterprises. As a result there is little incentive to register as they are unlikely to get anything from the government. To escape this 'chicken and egg' situation, the state needs to provide

services to persuade people to pay taxes, but cannot do so because of lack of financing.

Most low income countries do not have developed ‘welfare regimes’, and are at the early stages in developing them. Welfare typically depends still on the informal social protection provided by family and community, and on NGOs and international development agencies, especially but not only for disaster relief.

Table 3 Country trajectories and social protection approaches

<i>Country category (and examples in the text)</i>	<i>Approach to social protection</i>	<i>Comments</i>
<i>Chronically deprived countries</i> <i>Mozambique, Zambia</i>	Insurance covers only small formal sector. Resilience through assets; safety nets dominate; social assistance initially with external resources. Build constituency.	Debate on safety nets vs social protection. Targeting critical. In-kind transfers may work better than income/cash if markets do not function well.
<i>Partially chronically deprived</i> <i>Bangladesh, India, Namibia, Nepal, Uganda</i>	Targeting remains critical. Social assistance gradually increases reach. External resources remain important.	Difficult dynamic to grow and universalise schemes. Urban deprivation likely to lead policy development. Politicians gradually become more credible.
<i>Partially good performers</i> <i>Brazil, Mexico</i>	Broaden access to insurance markets and social assistance; treat labour as a serious issue – deal with employment risks	Health insurance introduced, but social assistance remains key mechanism against impoverishment
<i>All round good performers</i> <i>China</i>	Progressively switch from assistance to social insurance, once certain levels of GDP and wealth per capita achieved	In the meantime social assistance can be spread dramatically as the economy grows and access to social services improves

Chronically deprived countries are highly vulnerable to economic and other shocks and have to cope with relatively frequent disasters (economic, political, natural) with widespread impacts. Safety nets have represent the predominant response, and have often been dependent on international responses – which are notoriously poorly coordinated and delivered. There are a number of chronically deprived countries attempting to move away from disaster relief towards more permanent social assistance programmes. Examples would be Ethiopia’s Productive Safety Nets programme, and Uganda’s and Malawi’s commitments to develop social protection as a theme under their growth and poverty reduction strategies. This paper has attempted to pick up the early lessons from these experiences, including the political lessons on how constituencies can be built and elite fears controlled. However, given resource limitations and administrative constraints, as well as likely political disinterest where there is no pressure from below, the limitations may be difficult to overcome unless

there is sustained external commitment in terms of advocacy at the highest levels, improved and accessible data for policy makers, civil society and the public, and external resources to support experiments and new schemes.

Box 1. Ethiopia's Productive Safety Net Programme (PSNP)

This programme reaches the poor through public works and unconditional transfers for households with no labour. Its objective is to target timely and adequate transfers to the most food insecure people in the most food insecure areas. Survey and qualitative research findings suggest that the programme is reaching the food insecure, that targeting errors are within manageable bounds, and that the availability of public works near poor people's homes has enabled them to avoid distress migration, even if the wages provided have been low. The budget available cannot cover all food insecure households (defined as those with 3 months or more of food shortage); thus some exclusion is inevitable. Labour-poor households are excluded from unconditional transfers, which creates difficulties for the; and there is some confusion over eligibility for unconditional transfers. However, the programme has demonstrated a strong capacity to evolve and improve with time, it would be expected that improvements in these aspects are also possible.

The PSNP is supported by a joint donor group comprising the EC, World Bank, DCI (Development Cooperation Ireland), USAID, CIDA, DFID and WFP. The donor group provides a range of financial, in-kind and technical assistance. More than 99% of the financing (including food aid resources) for the current phase is from the donors.

However, the government has been very actively involved in developing and implementing the programme. Donor funds are pooled in an account managed by the federal Ministry of Finance and Economic Development (MoFED), and the programme is implemented very largely through government institutions and by government staff from regional to district and community level. WFP and some NGOs are delivering the programme in some districts, but always together with the local government.

The degree of ownership by the Ethiopian government (specifically the Ministry of Agriculture and Rural Development) is very high, in terms of political commitment, human resources and hands-on implementation. At district level the campaign to familiarise people with the PSNP has stressed the fact that this is a government programme, in contrast to previous projects and relief operations which were run by foreign aid agencies.

Sustainability / transfer of expenditure

The current funding and implementation plan is for 5 years. There's a general expectation, at least among the donors, that this will be extended – but the PSNP is not intended as a permanent social protection programme. It is supposed to be temporary, transitional support during the implementation of the wider food security and poverty reduction programmes. The official government line is that the beneficiaries will have achieved food security by the end of the programme period, so the safety net will no longer be needed. Therefore the issue of the government taking on the costs in future is not really on the agenda.

Coverage

The coverage expanded from about 5 million people in the first year of implementation (2005) to about 7 million in the second year (2006). There is constant demand from the districts to raise numbers, and further expansion will no doubt be on the table for discussion in future reviews and funding negotiations. However, coverage of all the poor or all the chronically food insecure may not be feasible as this would require half or more of the rural population to do public works. This is thus not only a budget issue, but suggests that other complementary programmes will be necessary.

Source: Sharp, K., Brown, T, Teshome, A. (2006); pers. Comm., Kay Sharp; see also comments in Table 1.

The next stage is to develop social assistance schemes which have significant reach and significant depth of impact. Pressure for significant public expenditure is likely to come from better represented social groups, which would probably be significantly urban in character. Thus the Minimum Living Standard Scheme in China was originally a response to 'old style' urban poverty, but expanded significantly, from 2.6 million in 1999 to 20.6 million in 2002, as 'new' poverty generated by rapid economic transformation threatened social unrest (Chen and Barrientos, 2006: 2). Arguably the institution of rural health insurance in China was a response to a similar ratcheting up of vulnerability in rural areas due to increased exposure to market forces. By comparison, Mozambique's food subsidy programme for the urban destitute (originally GAPVU, then later INAS – the National Institute for Social Action) expanded from 2,000 to 80,000 between 1990 and 1995, when it was a purely urban programme, and covered an estimated 8% of all destitute people by 2003, with closer to complete coverage of the estimated destitute in Maputo, the capital city and its province. However, it has not yet garnered the political strength to allow recipients to meet their basic needs through the programme. A high level corruption scandal led to the closure of GAPVU in 1997, and developing a new organisation from scratch (Hickey et al, 2006: 27-8).

We can identify two problematic stages in the evolution of low income country welfare regimes based on social assistance: firstly, how to escape the social protection trap in a situation where there is a history of chronic deprivation and no developmental state committed to a progressive and inclusive national development 'project'; and secondly, at a later stage, how to expand the revenue base to enhance coverage of the population in a situation where there are few willing tax payers and revenue raising administrative capacity remains limited. The second is beyond the scope of this paper; however, a commentary on the first is in order.

Non-developmental states do not provide political environments which allow the aggregation of the interests of the poor who would benefit most from social assistance. Current undynamic understandings of poverty based on the headcount ratio do not provide a strong intellectual basis for a discourse on social protection, which is by its nature dynamic. Because of this social protection does not gain currency as a concept among policy makers. Politics tends to be person-centred rather than policy centred, and there may be little competition among elites for electoral support. The common idea that the undeserving poor do not merit support constrains advocacy: even CSOs may be wary of advancing the interests of people who may be

blamed for their own poverty. Government capacity to deliver social assistance is weak, and poor civil service pay and other fundamental conditions constrain the scaling up of perfectly good pilot projects. Policy makers believe social protection is unaffordable.

Changing this situation is of course challenging. However, it may be worth it not just to protect the poor and vulnerable; it may also have a substantial impact on the nature of a polity. The hypothesis would be that making social assistance a strong aspect of national growth and poverty reduction policies would help to lay some of the foundations of, and directly contribute to building a developmental state. If it could be achieved a substantial, targeted social assistance programme (or set of programmes) could help develop civil service and programme delivery capacity, could help to make government (not just a particular government in power) more legitimate, and could provide a visible and immediate return to people for paying taxes. However, today's developmental states – the East Asian Tigers – did not have a hugely strong record on social protection prior to the financial crisis of the late 1990s, which in general exposed the thinness of public and private provision. The argument is that in today's more globalised economy where states have less capacity to protect their populations against any negative impacts of global or regional economic change through protection, social protection provides something of an alternative approach; and also that countries could learn from the mistakes of the Tigers – it is widely recognised that stronger social protection would have helped the poor bounce back more quickly from crisis. The ability of social assistance to be targeted to poor regions may also help integrate those regions politically into the nation-state – regional underdevelopment being a frequent source of state fragility.

Hence the interest in supporting the 'drivers of change' in favour of social assistance approaches to social protection. This occurs at national level (see Box 2), but also at international level, where there is an active debate about the approach and method of social protection between the World Bank and the ILO for example.

Box 2. The 'drivers of change' in Zambia

Creating demand for social protection involves supporting the constituencies which have an interest in it. These may start small – external donors, a few civil servants, trades unions. Opportunities to expand the network may arise with elections or debates about constitutional change. However, these may also be high risk as elections may be fought on a personality rather than an issue basis. The annual budget cycle may be a less risky, lower profile opportunity.

Few civil society organisations, with the exceptions of trades unions and faith based organisations, are likely to support social protection. however, there is widespread dissatisfaction with emergency relief and in-kind (eg food and fertiliser distribution) approaches to welfare, and this can be a basis to argue for more systemic approaches – as has happened in Ethiopia.

Carefully monitored pilot programmes can help to convince CSOs, and eventually a wider public that social protection, and particularly social assistance, can work. This is an approach tried out in Zambia (Schubert, 2005), but probably needs a period of dissemination and wider testing before it has a significant impact.

A key constraint is the willingness of aid donors to fund social assistance. In principle, this has been achieved in Zambia at least for a five year period. However, it may be necessary for donors to make the kind of long term 20-25 year commitment which they are extremely reluctant to make before governments with low revenue generation and collection capacities will make the necessary commitments.

Measures to generate greater demand include: strengthening research on poverty, vulnerability and social protection; wide dissemination of the ideas, and results of any pilots and existing protection; greater engagement of the ministry of Finance in particular; and stronger donor commitment. Strengthened oversight of programmes, and design of programmes with reference to how they will be interpreted politically. For donors, social protection could provide a substantive policy focus for generating positive political change.

Source: Hickey et al, 2006.

Concluding comments

There is already significant development of social protection, especially social assistance, towards meeting the interests of the chronic poor in MICs especially Latin America. Disseminating the lessons from these experiences is an important part of a dynamic policy based approach to poverty reduction. Nevertheless, social protection is not the *same* as poverty reduction/elimination, and there are other elements of anti-poverty policies – inclusive growth, human development, the prevention and management of conflict and other hazards, combating exclusion and discrimination – which remain critical, but which social protection can help to achieve.

This paper has also begun to put the argument that the state formation results of the social protection agenda may be as important in the long term as its contribution to growth and poverty reduction. This is an argument which needs further elaboration, and **evidence**.

Comment [MSOffice2]: This needs to be done.

Finally, we can see the current 10 years between WDRs on poverty as a 10 year experimental period on social protection (2000-2010), which needs to be properly monitored. In order to do this existing monitoring instruments need to be re-assessed: are the LSMS, the census instruments fit for purpose? What else is needed? By 2010 the world should be able to produce a social protection strategy which would contribute strongly to poverty reduction in the large number of low income countries which find making progress a steep challenge.

Figure 1 The conceptual framework in context

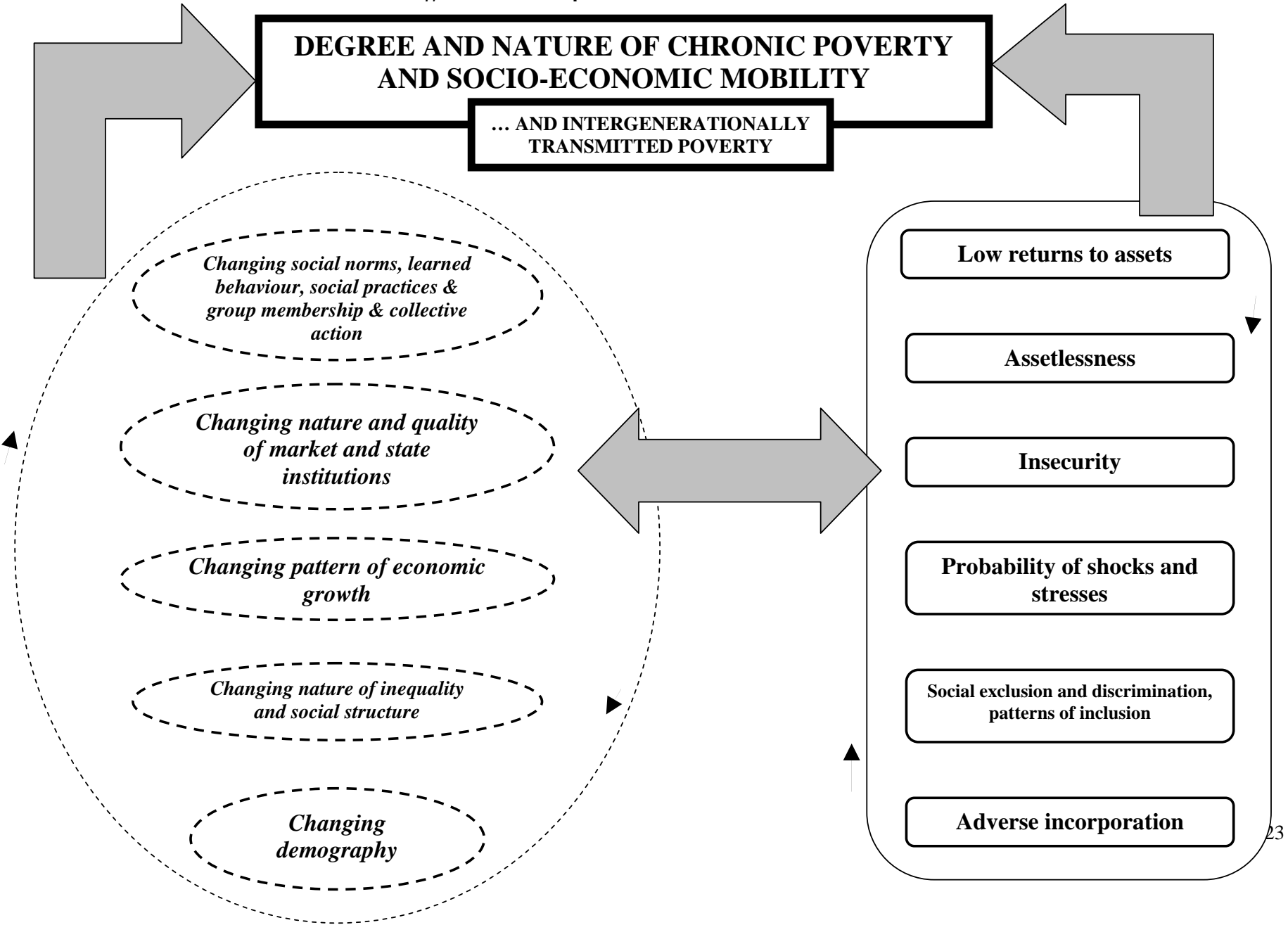
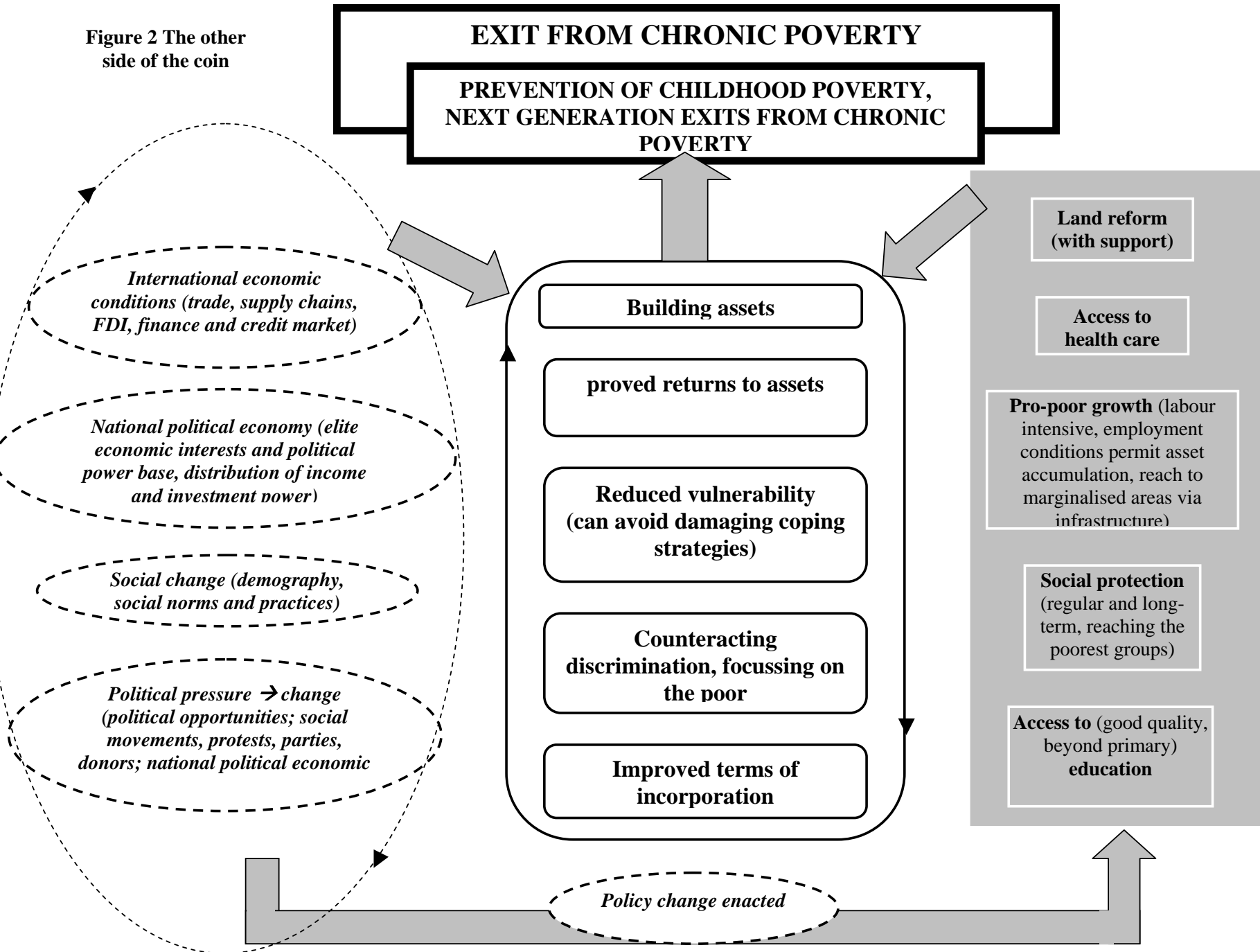


Figure 2 The other side of the coin



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