



Investing in rural people

# Social protection and inclusive rural transformation

by

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A decorative graphic in the bottom left corner consisting of several stylized wheat stalks in a reddish-pink color, rendered in a silhouette-like style with fine lines for the grain and awns.

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# Abstract

This research paper discusses the interactions between social protection, rural transformation and inclusiveness. The questions addressed are: How does social protection reach and facilitate the rural transformation process? What key social protection interventions can better support inclusive transformation? Based on country-level evidence, the paper analyses how different types of social protection interventions (protective, preventive or promotional) affect rural livelihoods; help rural transformation (by increasing productivity, employment opportunities or non-farm activities); and influence inclusiveness. Each context could either enhance or jeopardize social protection interventions, affecting their transformational and inclusiveness impacts.

Social protection represents a significant portion of national budgets (on average 3 per cent of national GDP in a subset of developing countries for which data were available). The resources devoted through social protection do not specifically target the rural poor, but provide relevant resources to poor households and communities more widely. Social protection has shifted from providing traditional social assistance (targeting just the poor) to offering a broader set of complex and interlinked interventions in favour of vulnerable social groups.

Although there is not enough evidence available to assess the impact of different combinations of social protection policies and programmes, they can be seen as providing useful tools to help prepare rural populations to take advantage of rural transformation (entry into the non-farm economy, training in specific skills, empowerment of rural populations, protection of the most vulnerable), and to protect groups that could be left behind during such transformation.

Social protection could enhance rural transformation and improve its inclusiveness – but such outcomes will depend on the specific context and the combination of interventions, their characteristics, scale and targeting rules.

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# Introduction

Inclusive social transformation is inherent to development. Taking a capability-based approach, development may be understood as the expansion of people's opportunities and freedom (Haq, 1999). Its purpose is to create conditions for enriching human life, not just for sustaining economic growth (Sen, 1993). In this context, social protection provides a useful platform to facilitate and instrumentalize development through both universal and targeted social interventions.

Social protection can be defined as a set of interrelated public policies and interventions implemented to reduce poverty, vulnerability and risk. It is embedded within a broader policy framework which encompasses a wider range of decisions that should promote vulnerable populations' access to equitable rights in order to become full citizens.<sup>1</sup> Thus social protection policies, promoted by either public or private institutions, and financed through contributory or non-contributory processes, can enhance the capacity of vulnerable groups to participate in and benefit from the economic, social and political life of their community (OECD, 2009). Social protection offers a means to contribute to reducing poverty, exclusion and inequality while promoting political stability and social cohesion. In that sense, the discussion that is presented in this paper departs from a broad definition of social protection which emphasizes policies and interventions that can activate inclusiveness in different rural subsectors or populations (IFAD, 2016: 9).

This research paper discusses whether social protection interventions are helping structural transformation in rural areas, and if these transformations are inclusive. The notion of inclusion is based on a relational perspective, with a focus on economic, social and civic inclusion (Sen, 2000; Iguñiz Echeverría, 2014). Conceptually, the paper analyses how different types of social protection interventions (protective, preventive or promotional) affect rural livelihoods; help rural transformation (by increasing productivity, employment opportunities or non-farm activities); and influence inclusiveness (Devereux and Sabates-Wheeler, 2004). In addition, the paper argues that social protection outcomes are ultimately dependent on their context. Thus the context, depending on its nature and characteristics (socioeconomic, political and cultural), may enhance or jeopardize such interventions, affecting their transformational and inclusiveness impacts. Finally, it should be noted that social protection interventions are designed to achieve goals that might be aligned, or not, to those of rural transformation.

This paper is organized, following the introduction, in four sections. The first explores the relationship between social protection and rural settings. The second presents key findings on how social protection enables inclusive rural transformation. The third explores a set of policy implications. Finally, the concluding section discusses the need for generating additional comprehensive evidence on the role of social protection in rural areas that acknowledges the heterogeneity of rural poor populations.

1. Social protection is understood as all policies ranging from social assistance and social insurance to traditional contributory social protection policies.

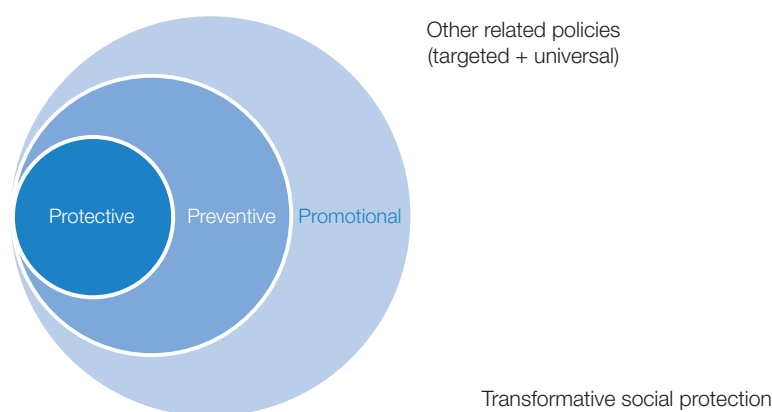
# Social protection and rural transformation

## Social protection typology: protection, prevention and promotion

Transformative social protection interventions are key supporters of inclusive rural transformation but require alignment to broader inclusive policies. Social protection needs to be contextualized and addressed “as part of, and fully integrated with anti-poverty policies, with such policies themselves being broadly conceived in view of the complex, multi-dimensional nature of poverty and deprivation” (Guhan, 1994).

Guhan distinguishes three types of social protection-related measures: **protective**, with the specific objective of guaranteeing relief from deprivation; **preventive**, directly seeking to avert deprivation in various ways; and **promotional**, aiming to enhance real incomes and capabilities (see Figure 1). The author suggests that these measures might overlap given that social protection policies and programmes could be at the same time protective, preventive and promotional.<sup>2</sup> However, this classification makes a methodological contribution in terms of highlighting the progressiveness – from general to specific – of social protection measures towards transformation.

Figure 1: Social protection interventions: types and connections



Source: Guhan (1994).

2. Guhan (1994) suggests that a comprehensive social policy can be represented by three circles: an outer circle that corresponds to promotional measures, including poverty reduction-oriented macroeconomic and institutional policies; a middle circle corresponding to preventive measures (such as financial inclusion for low-income households or social networks); and an inner circle corresponding to protective measures (for instance, targeted resource transfer programmes or sustainable livelihoods). Together, the three types of interventions will form a complete social policy.



In order to guarantee success, social protection policies should be combined with sound macroeconomic policies (Prabhu, 2001; Justino, 2003; Ajwad, 2007). While social protection policies aim at alleviating the impact of shocks and strengthening capacities of vulnerable groups, macroeconomic policies are concerned with preventing the occurrence of shocks by, for instance, keeping inflation rates low or reducing price fluctuations. The combination of micro- and macroeconomic preventive policies would guarantee that disadvantaged groups become prepared to respond to shocks. Moreover, the International Labour Organization (ILO) has recently highlighted that social protection policies are critical for enhancing the human right to social security, reducing poverty and inequality, and supporting inclusive growth – by boosting human capital and productivity, supporting domestic demand and facilitating structural transformation of national economies (ILO, 2014). Particularly relevant is the idea that social protection floors<sup>3</sup> could be understood as a systematic attempt to operationalize the rights-based approach to social protection (ILO and WHO, 2009). Recent literature suggests that these protection floors comprise a set of interventions reaching vulnerable populations that are essential for recovery, inclusive development and social justice, and must be part of the post-2015 development agenda.<sup>4</sup> The social protection floor highlights two components: access to essential services (e.g. water and sanitation, nutrition, health, education); and essential social transfers (e.g. in cash or in kind). In sum, this approach is based on the normative belief that social protection should reflect a social contract between the government as duty-bearer and citizens as rights-holders (HLPE, 2012). To date, several countries are building strategies to create comprehensive social protection policies that become truly “inclusive” (Roelen and Devereux, 2013).<sup>5</sup> Key challenges to interlinking social protection with other policies include designing and implementing social protection policies and interventions from a rights-based and demand-driven agenda to tackle the causes of poverty.

Following Sabates-Wheeler and Devereux (2007), the transformative approach to social protection extends its scope beyond its roots in “residual and stigmatizing social safety nets” (see Box 1). The transformative nature of social protection enables the identification of synergies between the economic (provision, prevention, promotion) and social (transformation) functions performed by protection measures. Moreover, a transformative approach deals with social vulnerability as a matter of social injustice and structural inequality. Thus transformative social protection must achieve empowerment, agency, equity and rights access.

## Evidence and lessons on how social protection interventions could enable rural transformation<sup>6</sup>

Country-based evidence suggests that rural transformation outcomes vary depending on the type of social protection intervention. Each operates under different assumptions and mobilizes conditions depending on the population’s needs and potential. While **protective** interventions activate the demand for complementary public services and enhance human

3. According to the ILO definition, social protection floors are “nationally defined sets of basic social security guarantees that should ensure, as a minimum that, over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level”. See: <http://www.ilo.org/secsoc/areas-of-work/policy-development-and-applied-research/social-protection-floor/lang-ja/index.htm>.
4. The *World Social Protection Report 2014-15* (ILO, 2014) states that only 27 per cent of the global population enjoys access to comprehensive social security.
5. For example Haiti, Namibia, Niger and Mozambique, among others.
6. An analytical matrix with worldwide emblematic examples of different types of social protection interventions and their links with rural transformation is presented in Annex 1. The matrix, which follows Devereux and Sabates-Wheeler (2004), specifies the way each type of intervention operates, its main strategies, its major rural transformation outcomes and its potential overall relationship with rural transformation inclusiveness. Additionally, it suggests the impacts of social policy interventions on rural transformation outcomes.

capital for the next generation, **preventive** interventions consolidate resilience mechanisms to cope with risk and promote access to multifunctional tools. Finally, promotional interventions connect the population with opportunities and transform people from passive receivers to active, productive citizens.

#### Evidence and lessons on protective interventions

These types of intervention support access to and use of public services (activating the demand side), reduce the poverty gap and extreme poverty (deprivation), and enhance human capital for the next generation.<sup>7</sup> Their impacts depend on the scale and availability of (good quality) public services in the regions of extreme poverty. These interventions tend to be standardized. Every targeted recipient receives the same (e.g. cash or in-kind benefit, which could vary depending on household characteristics, service package). Another feature of protective interventions is that they are easily scalable at low implementation costs (distribution chains usually exist, monitoring systems tend to be simple, etc.), but due to their large scale they tend to be resource-demanding.<sup>8</sup>

An example of protective social interventions is conditional cash transfers (CCTs), especially popular in Latin America with over 20 programmes reaching around 135 million beneficiaries in 18 countries by 2011 (Stampini and Tornarolli, 2012). However, probably due to the significant urbanization rates in the region, these interventions have predominantly reached urban recipient households.<sup>9</sup>

#### Box 1 : The Productive Safety Net Programme in rural Ethiopia

In 2005, the government of Ethiopia started to implement the Productive Safety Net Programme, a large-scale, multi-year strategy to fight food insecurity among the rural poor population. To this end, the programme makes transfers of cash and food to help poor households achieve some minimum levels of food security and to prevent them from selling their scarce assets to cope with unexpected shocks. By 2014, the programme had directly reached about 1 million people with an annual budget of approximately US\$500 million (Berhane et al., 2014).

An important characteristic of the programme is its combination with complementary interventions to increase productivity in agricultural activities and to develop local infrastructure such as roads, schools and medical centres (WFP, 2012). Also, since 2009 the Productive Safety Net Programme has been interlinked with the Household Assets Building Programme (instead of the former Other Food Security Programme), the main objective of which is to provide access to productive assets, new agricultural technologies and credit services from private microfinance institutions.

Recent studies show that the Productive Safety Net Programme has had impacts on reducing food insecurity. These impacts are even greater when the programme's joint effect with the Household Assets Building Programme is taken into account (Berhane et al., 2014). Additionally, there is evidence about its positive impacts on investment in agriculture and use of fertilizers, which are considered to increase agricultural productivity (Hoddinott et al. 2012).

7. For instance, conditional cash transfer (CCT) programmes have been successful in increasing the human capital of beneficiary households. Most of this evidence is based on experimental and quasi-experimental impact evaluation techniques (Gertler, 2004; Soares et al., 2010; Henoch and Troncoso, 2013).
8. Based on the ASPIRE database, all social assistance programmes (mainly conditional and unconditional cash transfers) demand on average 1.6 per cent of the world's GDP (data available at: <http://datatopics.worldbank.org/aspire/indicator/social-expenditure>).
9. Probably with the exceptions of Peru and Guatemala.

In general, Latin American CCT experiences have been effective in alleviating extreme poverty and hunger, increasing recipient households' use of public health and education services, and benefiting the next generation's human capital. Evidence suggests that they also support early childhood development and help to reduce child labour, among others. To obtain these outcomes, health and education services need to be available to satisfy this new demand. There are several studies on the impact of CCT on other variables, with mixed results. For example, in some countries significant positive effects on nutrition were found, while in others no impact was observed. The different impacts have to do with several variables, but mainly with the complementary programmes required to achieve impacts (water and sanitation, healthy houses, etc.). In the same vein, studies on labour market participation and income generating activities are inconclusive or identify only marginal results.<sup>10</sup>

Peru is among the most recent Latin American countries to implement a CCT programme. *Juntos* began at the end of 2005, reaching around 20,000 households, and rapidly expanded between 2011 and 2013 to reach over 800,000 households. *Juntos* is probably the most rural CCT programme in Latin America. To date, 93 per cent of its recipients are rural (living in a town with fewer than 2,000 inhabitants). The programme has had significant impact in rural poverty reduction. *Juntos*, along with *Pensión65* – the targeted non-contributory pension programme started in 2011 – is responsible for the reduction of at least six percentage points in rural extreme poverty. By 2014, the extreme poverty head count in rural Peru was 14.6 per cent. According to the official estimates of the Ministry of Finance in Peru, had these two programmes not been in place, this figure would have reached 20.6 per cent. Moreover, total rural poverty in Peru diminished from 56 per cent in 2011 to 46 per cent in 2014. Out of that reduction, at least four percentage points are explained by these two cash transfer programmes.

There are two additional features associated with cash transfer programmes: relatively low investment and operational simplicity. Despite their important coverage, the overall investment in these programmes accounts for less than 0.5 per cent of GDP. For instance, *Bolsa Familia* in Brazil serves over 10 million households; *Oportunidades* in México – now renamed *Prospera* – serves over 6 million; and *Familias en Acción* in Colombia reaches nearly 3 million (Trivelli and Clausen, 2015).<sup>11</sup> Furthermore, these programmes are operationally simple. One intervention could adapt to different contexts, be centrally managed with relatively low administrative costs,<sup>12</sup> and use the existing public sector networks (health and education) to verify compliance. A main challenge to ensure their successful operation is to have a high-quality targeting strategy. The Brazilian *Cadastro Unico* is a good example of the support required to target CCT programmes.<sup>13</sup>

As a result of positive outcomes of CCT programmes in Latin America, they have also gained attention in Africa. Between 2000 and 2009, they grew from 25 programmes in nine countries to 245 programmes in 41 countries (Samson, 2013). Recently, such programmes are also being implemented in South-East Asia. Aside from their replication effect, in Latin America CCT programmes are also used as a platform to connect and implement more complex and multisectoral interventions. Trivelli and Clausen (2015) discuss how this perspective facilitates new sets of interrelated programmes<sup>14</sup> because of their attractiveness and simplicity, and due to the positive results of CCT not only in reducing poverty rates but also in facilitating the access of poor households to assets.<sup>15</sup>

10. Trivelli and Clausen (2015) analyse sound evaluation results of the impact of CCTs on different outcomes.

11. Argentina is the only exception, where the programme *Asignación familiar por hijo para la protección social* represents 0.55 per cent of GDP.

12. Most Latin American programmes have the informal goal of allocating less than 5 per cent of their total cost in administrative fees.

13. A useful discussion on the relevance on targeting for social policies can be found in HLPE (2012).

14. See Box 6 for a recent example of this type of intervention.

15. HLPE (2012) proposes the idea of CCT programmes being twin-track interventions that could be protective (through the transfer) and promotional (because of the improved asset base of the poor).

Finally, in addition to CCT programmes, other types of transfer programme are gaining importance. Among these are non-contributory pension schemes or social pensions. Studies reveal that non-contributory pensions significantly increase local consumption and boost economic growth.<sup>16</sup> Latin America has a varied set of such interventions, including *Renta Dignidad* in Bolivia (an example of a universal non-contributory pension) and *Pensión65* in Peru (targeting the elderly population in extreme poverty with no access to pensions) (see Box 2).

This set of interventions also includes some more complex areas. One example is the Five Guarantees (5G) in China, a traditional social security scheme targeting widows and elderly people without children. They enjoy the five guarantees of food, clothing, medical care, housing and a free burial. The scheme is based on a set of targeted transfers based on “three no’s”: no ability to work; no savings or income sources; and no relatives to depend on (Xiaoyun and Banik, 2013).

Most protective social protection interventions rely heavily on the presence of universal basic social services (education and health). The role of these protective interventions is to ensure the poor population can access universal public services. For example, to improve nutrition, social protection efforts concentrate on providing transfers and specific benefits (information, transportation, etc.) so that poor people can access basic services to avoid malnourishment (health services for pregnant women, food supplements, safe water, etc.). Public efforts towards eradicating malnourishment, usually coordinated by social development or health sectors, are a good example of how social policies need a significant level of coordination to be effective.<sup>17</sup>

#### Box 2 : Protective interventions: conditional cash transfers, non-contributory pensions and food transfers

Since the creation in 1997 of *Progres-Oportunidades* (now *Prospera*) in Mexico, there has been an increasing tendency to use different types of transfer (cash and in-kind) as the main tools of basic protective social interventions. However, there are other types of transfer that could be considered part of basic safety nets. These include the non-contributory social pensions schemes targeting the poorest (*Pensión65* in Peru) or universally (*Renta Dignidad* in Bolivia), and food transfers designed to cope with food security risks (the Productive Safety Net Programme in Ethiopia; see Box 1). These programmes offer social protection schemes that guarantee minimum living standards, especially to overcome extreme poverty and hunger.

There is evidence, based on experimental and quasi-experimental impact evaluations, suggesting that these programmes are successful in achieving their goals. The literature suggests that CCTs contribute to increasing human capital in targeted households (Gertler, 2004; Attanasio et al., 2005; Behrman and Hoddinott, 2005; Maluccio and Flores, 2005; Barham et al., 2014; Macours et al., 2013) and have positive effects in other dimensions such as risk management (de Janvry et al., 2006); entrepreneurship (Ribas, 2013); employability (Barrientos and Villa, 2013); investment in productive activities (Escobal and Benites, 2012); and empowerment and agency (Perova and Vakis, 2013).

Besides their role as protective interventions, public transfers could also enable programmes linked to productive development, empowerment, financial inclusion and graduation (Macours and Vakis, 2009; Trivelli and Clausen, 2015). The key is to articulate interventions and ensure that they are jointly implemented in the same territory, allowing people to become agents of their own destiny.

16. For an example of the impact of non-contributory pensions in rural consumption, see Martinez (2004) and the case of Bolivia.

17. A broader discussion on food security and nutrition can be found in the report by the High-Level Panel of Experts on Food Security and Nutrition states clear links between social protection and food security (HLPE, 2012).

### Evidence and lessons on preventive interventions

In turn, preventive interventions cope with risk and provide tools (e.g. training in crop diversification) and/or seek to ensure access to multifunctional mechanisms including financial services (e.g. savings, credit, payments system and insurance). Reducing risks for the vulnerable population stabilizes consumption, helps self-investment, and provides a set of formal and informal institutions that could become a safety net in times of crisis. However, if several communities are exposed to the same risks, preventive interventions are more complex to implement and require the active presence of formal institutions. In diverse contexts, measures should be developed locally. *Kilimo Salama* in Kenya (see Box 3) is a good example of an innovative micro-insurance project that combines information from local weather monitoring stations with a mobile payments system (M-Pesa) to help farmers insure their productive inputs against losses due to extreme drought and floods.

Preventive interventions vary in their complexity. Highly extended safety nets could be scaled up based on their cumulative effects. Interventions are highly demanding of local informal and formal institutions and of local opportunities to cope with risk. These interventions are critical in periods of significant rural-to-urban migration trends due to the dismantling of traditional – informal – institutions (savings clubs, rotating communal services, etc.). In these cases, preventive actions support people in dealing with new risks.

### Evidence and lessons on promotional interventions

Finally, promotional social protection interventions are of special interest in the context of rural transformation. These interventions are intended to solve key restrictions to a sustainable path out of poverty that are faced by poor and extremely poor families.

#### Box 3: Preventive interventions: the case of *Kilimo Salama* (Kenya)

People in poverty are particularly vulnerable to unexpected negative shocks and have greater difficulties in addressing risks. Moreover, poor households in rural areas lack efficient instruments for risk management (insurance) and consumption smoothing (savings and credit), increasing their vulnerability to weather risks, especially for those working in agriculture. *Kilimo Salama* (Safe Agriculture) is a micro-insurance initiative focusing on maize and wheat farmers, which combines index insurance with mobile payment mechanisms to provide poor farmers with an affordable tool to protect them from food insecurity and income deprivation.

*Kilimo Salama* was designed by the Agricultural Index Insurance Initiative and is currently implemented by a partnership involving two local agribusinesses; Safaricom (a telecommunications company); the Kenya Meteorological Department; and the NGO Cultivating New Frontiers in Agriculture (CNFA)/Agricultural Market Development Trust (AGMARK). Due to the difficulties associated with traditional insurance schemes, *Kilimo Salama* employs an index insurance methodology based on information provided by local weather monitoring stations. Farmers insure their productive inputs at the time of purchase and receive a (mobile) payment if the monitoring station registers less rainfall than necessary to carrying out farming. The insurance covers productive inputs which guarantees that, in times of drought or flood, farmers can participate in the next agricultural cycle.

In addition to the directly positive effects in reducing the vulnerability of poor farmers, *Kilimo Salama* has been useful in creating trust between farmers and micro-insurance providers, encouraging greater large-scale adoption.

In rural areas this goal has to do with improved human capital (to increase productivity), access and means to increase poor households' assets base; tools to protect and prevent families from worsening their situation and to consolidate resilience (e.g. improved health, activity diversification, financial inclusion, access to key institutions, land titling); and better access to basic infrastructure (e.g. irrigation, roads, communications, electricity) to help sustained access to product markets.

As part of the analysis of promotional interventions, there is an ongoing debate on what are known as "graduation models". Sabates-Wheeler and Devereux (2013) suggest that "graduating" from social protection should not be confused with overcoming the poverty threshold.<sup>18</sup> The authors emphasize that the former has to do with resilience and the latter with economic results. Devereux and Sabates-Wheeler (2015) conclude that the economic graduation approach needs to be complementary to social protection. To date, there is little evidence around graduation processes as an exit route out of certain social protection programmes.

Recently the debate has focused on whether "graduation interventions" oriented to the population in extreme poverty actually allow a sustained path out of poverty. Such interventions usually combine several components (cash transfers, training and capacity development, asset transfers, empowerment, financial inclusion, health and coaching programmes, among others) (see Box 4). Rural areas have witnessed a long sequence of such interventions, from the "integrated" rural interventions in the 1980s; to the traditional livelihood development programmes that followed;<sup>19</sup> and now moving to the graduation models based on the experience of the Bangladesh Rural Advancement Committee (BRAC).<sup>20</sup> At present, the debate focuses on the pertinence, cost-effectiveness and sustainability of such interventions and the role they play in relation to social protection (as either complementary or substitute measures).<sup>21</sup>

As stated by Devereux and Sabates-Wheeler (2004, 2015), these graduation interventions form part of a larger set of policies aiming to become transformative, inclusive and sustainable. Furthermore, social protection interventions tend to enhance the inclusiveness of rural transformation just through making the rural poor and those in extreme poverty visible and reachable. A good example of this impact is the creation of public registries of rural and extremely poor populations that were invisible to the state prior to social protection interventions.<sup>22</sup> However, the rural poor population – especially those living in less accessible areas and with limited access to public services – tend to be the last to be reached by social protection programmes, and this reinforces their exclusion.

As discussed above, social protection interventions are of different types and have different implementation mechanisms, relevant to their coverage and the level of resources mobilized to the poorer households and towns. However, despite their rural prevalence, they are not necessarily

18. Carter and Barrett (2006); Barrett, Carter and Ikegami (2008); Banerjee and Duflo (2011).

19. IFAD has a long history of investment in this type of programme.

20. The BRAC Graduation Model has been well documented and evaluated; see for example Das and Misha (2010); Samson (2012, 2013).

21. Based on six randomized control trials to evaluate the graduation model in rural contexts, Banerjee et al. (2015) concluded that BRAC's model works for those in extreme poverty by increasing consumption, well-being and resilience, and that these impacts tend to be sustained over time. They found that the programmes were cost-effective. These models could include validated social protection interventions such as transfers (CCT or food transfers) or preventive interventions (early childhood development programmes, risk management). Their relevance for inclusive rural transformation relates to promoting resilience for the extreme poor and connecting them with opportunities; and transforming the role of those in extreme poverty from passive receivers to agents in their community. If they include complementary goals, such as women's empowerment or youth training, the inclusiveness of such rural transformation can be enhanced.

22. In some countries the outreach of social protection programmes has helped to complete national identity registries and to complement existing (or non-existent) national identification systems.

targeted at rural areas. There is no such thing as “rural social protection”, but there are some rural social protection programmes or rural versions of social protection programmes (see Boxes 1-3). Social protection interventions are reaching significant portions of the rural poor, by chance or design, and there is sufficient reason to argue that rural areas should be addressed. Social protection interventions support relevant rural transformation outcomes. A combined set of social protection interventions (protective, preventive and promotional) could enhance rural transformation and enable its inclusiveness. Interventions should be designed and implemented in light of the rural characteristics of the targeted recipients. A good example of such interventions, with significant results for the rural poor, comes from the graduation interventions described above.

Several lessons learned from current social protection could be used to enable inclusive rural transformation. Social protection interventions offer tools, information and resources that, if well aligned, could support links with sectoral and territorial programmes to help the rural poor population take advantage of new opportunities and adapt to changing environments. The challenge is to readjust, complement and target those interventions to more complex objectives. To do so, public offices responsible for social protection have to coordinate effectively with rural development agencies and territorial units to attain the goals of inclusive rural transformation.

#### Box 4 : Promotional interventions: different approaches to graduation models

The Bangladesh Rural Advancement Committee (BRAC) Graduation Model (Challenging the Frontiers of Poverty Reduction) was an initiative implemented in 2002 targeting ultra-poor households (100,000) in the poorest 15 districts. According to MacMillan (2013), BRAC’s methodology combines multiple interventions in order to enable those in extreme poverty to achieve sustainable improvements in income and other dimensions of well-being. The five main components of BRAC programmes are: targeting, consumption stipend, formal savings accounts, transfer of productive assets, and productive training. Das and Misha (2010) provide evidence for the success of the programme. They found that the positive results for income, food security, employment and asset holding remained six years after the intervention concluded. The BRAC programme central goal is to help the poorer households in the selected communities (all rural).

Although BRAC graduation pilots are promotional interventions, there are other social protection schemes that combine public interventions to achieve similar results. For instance, *Haku Wiñay* (Let’s Grow) in Peru is a productive development programme designed as a major strategy for economic inclusion of people in extreme poverty in rural areas. This programme was based on previous successful previous experiences in Peru such as *Sierra Sur* and *Corredor Puno Cusco* (both pilot programmes implemented by the Peruvian Government and co-funded by IFAD). The four components of the *Haku Wiñay* programme are: strengthening and consolidating rural household production systems; housing improvement; promotion of inclusive rural entrepreneurship; and financial inclusion. An important characteristic of *Haku Wiñay* is that it is implemented in areas with a high concentration of the *Juntos* programme. The combination of *Juntos* and *Haku Wiñay* is an example of joint social programmes aimed at setting their users on sustainable paths to overcome poverty.

# Key findings

## Wide coverage of effective social protection enables inclusive rural transformation

The benefits of social protection are reaching a significant proportion of the vulnerable population worldwide, although a major gap remains unattended. The International Food Policy Research Institute (IFPRI) estimates that between 0.75 billion and 1 billion people in low- and middle-income countries are recipients of some cash support (Kanbur, 2015). They also estimate that at least 150 million people are prevented from entering extreme poverty by existing social protection programmes. Furthermore, the *World Social Protection Report 2014-2015* concludes that only 27 per cent of the world's population benefit from full social protection, while the remaining 73 per cent receive partial or no protection. Only 51 per cent of people of pensionable age receive social protection (ILO, 2014). As shown in Table 1, in all regions between 15 per cent and 26 per cent of people receiving social and labour support are part of households that belong to the poorest 20 per cent of the income distribution. In Latin America, more than 60 per cent of the population in the poorest quintile receive social protection and labour support.<sup>23</sup>

Table 1: Social protection coverage<sup>a</sup> and beneficiary incidence<sup>b</sup> (per cent) in developing regions (1998-2014)

Region	Total coverage (per cent)			Coverage in poorest quintile (per cent)			Beneficiary incidence in poorest quintile (per cent)		
	All social protection and labour <sup>c</sup>	Social insurance	Social assistance	All social protection and labour	Social insurance	Social assistance	All social protection and labour	Social insurance	Social assistance
Sub-Saharan Africa	21.5	4.1	17.4	16.2	5.5	10.6	15.1	26.6	12.1
South Asia	21.5	1.1	17.1	22.9	0.0	21.1	21.3	0.5	24.6
Middle East and North Africa	52.3	15.1	44.6	50.7	12.2	45.5	19.4	16.2	20.4
Latin America and Caribbean	56.3	26.1	35.0	62.3	6.8	58.1	22.1	5.2	33.2
East Asia and Pacific	44.2	10.6	39.1	57.7	8.2	55.5	26.1	15.5	28.4

### Notes

a (Number of individuals in the quintile who live in a household where at least one member receives the transfer)/(Number of individuals in that quintile).

b (Number of individuals in each quintile who live in a household where at least one member participates in a social protection and labour programme)/(Number of individuals in the population participating in social protection and labour programmes).

c According to ASPIRE (World Bank, 2015b), social protection and labour policy refers to three kinds of programme: social insurance, labour market protection and social assistance. The full classification is available at <http://goo.gl/MYUvpv6>.

Source: World Bank (2015b).

23. Mostly through CCT, non-contributory pensions and/or school feeding programmes.



Nevertheless, social protection expenditure and coverage rates are lower in rural regions and expenditures are usually not devoted to address rural poverty specifically. In sub-Saharan Africa (see Table 1) only 16 per cent of the people living in the poorest quintile, most of them, if not all, rural, are receiving social protection (where almost 47 per cent of the population lives below the \$1.25/day poverty line and more than 63 per cent of the population is rural). In the same vein, only one out of the 15 African countries included in Table 1 spends more than 3 per cent of its GDP on social protection, while most have a rural poverty headcount above 50 per cent. In turn, in more urbanized regions such as Latin America, only three out of the 15 countries spend less than 3 per cent of GDP on social protection.

Evidence suggests that social protection has shifted from traditional social assistance to a broader set of complex and interlinked interventions in favour of vulnerable social groups (instead of targeting just the poor). Today social protection interventions can encompass complex multisectoral interventions (e.g. school feeding programmes tied with small-scale farmers' productivity programmes), and may be targeted at specific groups (e.g. CCTs for poor households with school-age children) or universal (e.g. non-contributory pensions for old-age people).

Despite its contributions, social protection faces challenges. One challenge is tailoring strategies to reach the rural population where chronic poverty is concentrated. To date, in most countries, social protection policies are not specifically designed to serve the rural poor, to have a rural focus, or to address rurally specific vulnerabilities.

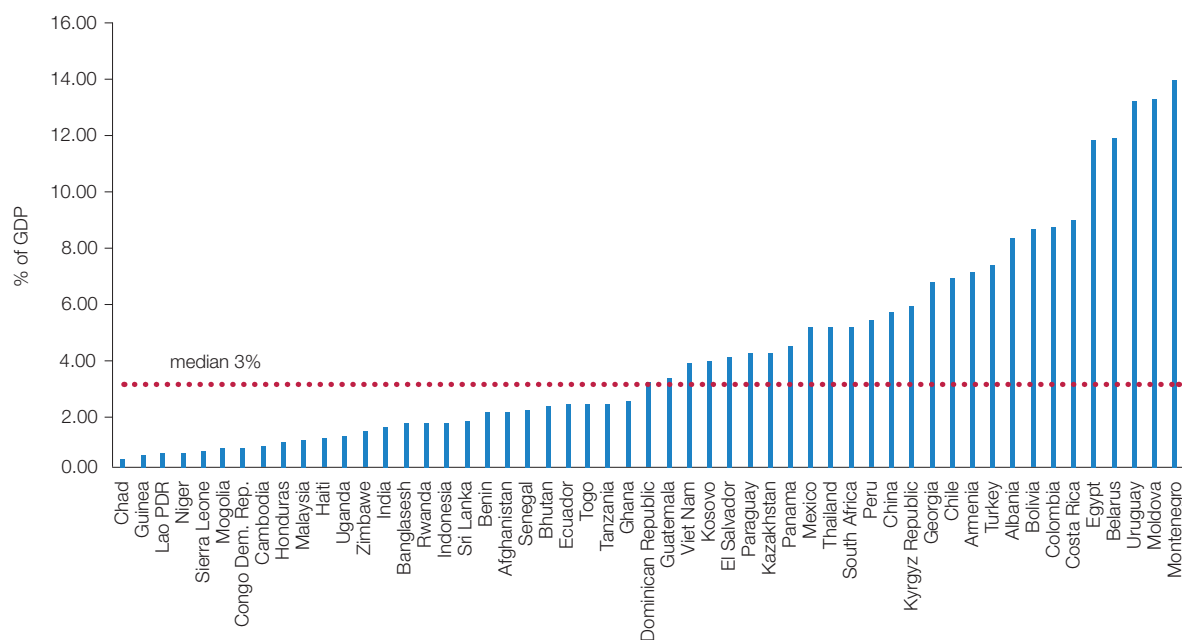
### Social protection currently represents an increasing proportion of GDP: resources reaching the poor

The expansion of social protection coverage is the result of political decisions that are reflected in the public budget to finance such interventions. Thus, from worldwide data available from 2009 to 2012, the median of public social protection expenditure as a percentage of GDP (excluding health care) was about 3 per cent, with a range between 0.3 per cent (Chad) and 13.8 per cent (Montenegro). Figure 2 indicates that 26 out of the sub-pool of 53 countries are below the median, 3 per cent (to the left of Dominican Republic in the figure). Most of them are African countries although some are Asian and a few Latin American. In turn, 11 out of the sub-pool to the right of the median are Latin American countries followed by Eastern European, some Asian and only 2 African.<sup>24</sup>

This trend might also be reflecting the favourable macroeconomic context and the regional political commitment towards social protection. Nevertheless, the demand for increasing social protection-related expenditure represents a major concern for ministries of finance that consider it an unsustainable approach which, under less favourable macroeconomic conditions, could put social protection expenditures at stake due to lack of fiscal resources and the possible slowdown in poverty reduction (and even an increase in poverty in some countries (Laborde and Martin, 2016)).

24. Wermer (2008) reviews several studies and notes that developing countries implementing universal non-contributory pensions spend nearly 3 per cent of their GDP on such programmes.

Figure 2: Expenditure on public social protection as percentage of GDP (2009-2012)



Source: ILO (2014).

It is critical to note that this important portion of public budgets is not necessarily devoted to helping the rural poor, even in countries where most of the poor population live in rural areas. To illustrate this, Figure 3 shows that countries with higher levels of rural poverty do not necessarily spend more on social protection.

In turn, social protection appears to be more related to variables such as human development and inequality. For instance, as shown in Figure 4, there seems to be a positive relationship between the inequality-adjusted human development index and public social protection expenditure, independently of the scale of the economy (measured as per capita GDP). Nevertheless, this relationship must be taken with caution as it is not clear whether it reflects the impact of social protection on human development and inequality, or that higher human development and less inequality lead to a higher demand for social protection expenditure from the government. Exploring the direction of this causality remains a knowledge gap for further research.

However, social protection could be a useful tool to address the challenges of rural poverty and rural transformation. Social protection contributes to preparing rural populations to take advantage of rural transformation (e.g. by entering the non-farm economy; receiving training in specific skills to enter the labour market; and/or being empowered to face adverse rural transformation through increasing protection for the most vulnerable, replacing informal institutions with safety nets, savings groups, etc.). It is clear that, without social protection, rural transformation-related interventions would be far from including those in extreme poverty and the most vulnerable rural groups.

In sum, for most stakeholders social protection is becoming an investment (not just a public expenditure). Economists around the globe are building a sound body of evidence to prove the positive links between social protection and economic growth (Samson, 2013).<sup>25</sup> This shift is crucial to the sustainability of such interventions.

Figure 3: Public social protection and rural poverty headcount (2009-2013) in developing countries

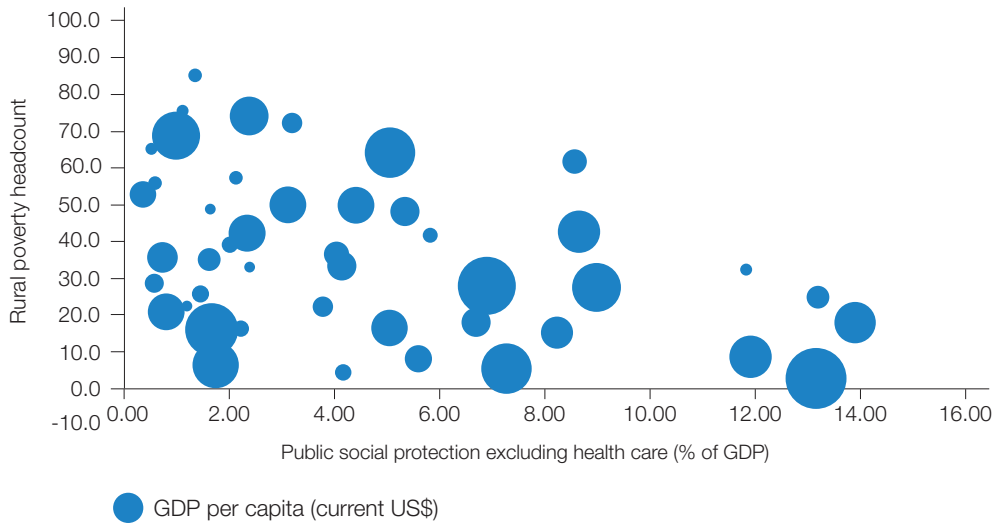
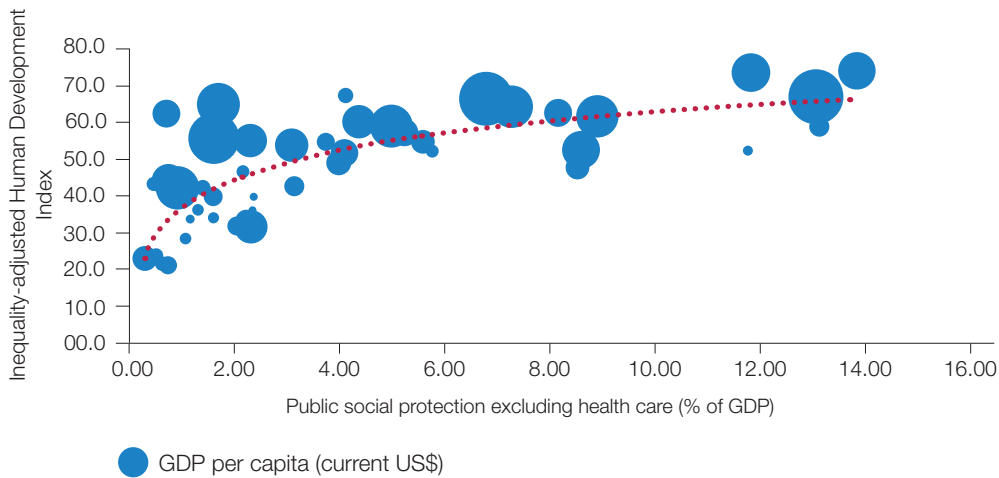


Figure 4: Public social protection and inequality-adjusted human development index (2009-2013) for developing countries



Source: ILO (2014); UNDP (2014); World Bank (2015a) (details in Annex 2).

25. Institutions such as the Overseas Development Institute are working to gather these data together. A good example is its study on Brazil's social protection policies and their impact on growth, inequality and poverty (Holmes, Hagen-Zanker and Vandermoortele, 2011).

## Social protection effects on rural transformation are dependent upon the context

As discussed above, each type of social protection enhances rural transformation outcomes in a different way. However, the impact of such interventions on the inclusiveness of rural transformation is not automatic and relies heavily on the context. The rural transformation path defines the extent to which social protection can achieve inclusiveness. Based on each country's rural transformation path, the potential role of social protection in enabling the inclusivity of transformation varies widely.

In contexts of classic transformation, with or without poverty reduction, there are at least two roles for social protection interventions: helping the rural poor take advantage of new (labour) opportunities; and supporting and protecting the groups left behind to ensure they have a common social protection floor. Thus interventions aiming to provide training to rural people in specific technical skills could unlock access to new urban job opportunities, or support specific groups to gain skills to enter into new competitive labour markets (e.g. rural women accessing agribusiness). Context matters, both in activating rural transformation outcomes, and in the impact of social protection on inclusiveness. Social protection interventions can unlock opportunities for specific groups among the rural poor to take advantage of a favourable overall situation; or can protect specific groups to help them cope, in better conditions, with adverse contexts. A third possibility is that social protection could discourage people from taking opportunities to improve their situation in order to avoid being considered "non-poor" and being excluded, as a consequence, from the benefits they receive. Illustrative cases can be found in countries like China, Viet Nam and Chile.

In the context of slow transformation, social protection could play a relevant role in engaging poor populations in non-farm activities or informal labour markets. Social programmes that promote productivity, offer new skills, transfer productive assets, or connect producers more effectively to markets are critical to help these populations take advantage of such transformations. Illustrative cases can be found in Ecuador and Peru in slow rural transformation processes with significant poverty reductions (slow transformation with inclusion); and in Colombia and several African countries facing slow transformation but without poverty reduction (without inclusion). In turn, countries facing adverse situations, with no positive rural transformation, should use their social protection programmes to help the rural poor survive under such difficult conditions. Protective social protection becomes critical to ensure that living conditions improve and that vulnerable groups are protected (e.g. children, pregnant women, people with disabilities, elderly people). Guatemala and South Africa could illustrate these situations. The role of social protection in achieving inclusive rural transformation depends heavily on the context, scale, coverage and diversity of such interventions in rural areas, as well as its interlinkages with other policies (at both macro and micro levels).

## There is no rural social protection – but its interventions do target rural areas

As part of the discussion to inform the preparation of the *Rural Development Report 2016: Fostering Inclusive Rural Transformation* (IFAD, 2016), rural transformation is back in the debate and embedded in processes of structural transformation. Rural transformation involves increasing agricultural productivity, commercialization, and diversification of production

patterns and livelihoods within the agricultural sector and towards the rural non-farm sector. This implies that transformation is also related to contextual factors such as the structure of land holdings, technology use and labour force. The objective of inclusive rural transformation is to generate better livelihoods for all rural people (small-scale farmers, land-poor and landless workers, women and youth, marginalized ethnic groups, and victims of disaster and conflict). It involves enhancing human development through social and environmental objectives, not just economic ones. In short, inclusive rural development is driven by the empowerment of poor and marginalized groups in the economic, social and political spheres, and by their access to markets, infrastructure, social and agricultural services, finance and technology.<sup>26</sup>

As a corollary, Devereux and other authors have argued – in contrast to the World Bank and others – that social protection can be transformative if it recovers its emphasis on justice,<sup>27</sup> equity and rights, and involves a broader set of conditions. Among these, it needs to be affordable, extended to all the population, and able to contribute to poverty reduction and to empower marginalized people. One innovation in social protection is the increasing number of countries moving towards holistic policy frameworks that integrate social protection into national development plans, and that complement this with new institutional arrangements to support more effective integrated and interlinked policies (Samson, 2013).

Rural transformation has a direct connection with social protection interventions. The question is whether social protection interventions, policies and programmes include in their design and implementation (targeting rules, budget allocations, etc.) the objective of reaching out and helping the rural poor specifically. Some programmes do reach the rural poor; others reach them because they are universal (e.g. school-feeding programmes or non-contributory pensions) or because they seek to target those in extreme poverty. There are, of course, interesting social protection programmes reaching specific groups of the rural poor and enabling them to engage in inclusive rural transformation patterns, but these interventions tend to be few, isolated from other interventions, and limited in their scope. The fact that social protection reaches some populations of the rural poor does not mean that rural social protection exists.

26. This is aligned with FAO's Social Protection Initiative, which aims to reduce vulnerabilities faced by rural women as they have less access than men to land, labour, education, financial services and agricultural technologies (FAO, 2014). It is widely recognized that targeting women as direct beneficiaries of such initiatives improves the education, health and nutritional level of household members, especially children. This perspective adds to the relevance of mainstreaming gender equity as another priority of social protection initiatives.

27. As suggested by Deneulin (2014), who emphasizes that the capability approach to justice can offer an operational alternative in order to assess the extent to which social changes can help to reduce injustice (Sen, 2010).

# Policy implications

## Analysing the context helps to identify which type of social protection better supports inclusive rural transformation

Even where economic growth could bring some opportunities for reducing rural poverty and enhancing the quality of life of deprived populations, it is not an automatic process. The persistence of high inequality patterns (especially urban-rural gaps) reduces the capacity of economic growth to expand opportunities for the most excluded in rural areas. In any rural transformation context, the levels of inequality between rural populations in extreme poverty and the rural non-poor must be taken into account. In a context of high inequality, growth-derived opportunities will only reach those rural poor who are already integrated. In such situations, the role of social protection interventions could be to connect rural populations in extreme poverty with existing growth-related opportunities. This can be achieved through social programmes, support to improve local infrastructure, or social services reaching the rural poor, or just through making a formal connection via social registries, national identification systems or targeting rules.

Evidence suggests that the effects of rural transformation outcomes on inclusiveness vary depending on the economic context. This reinforces the observation that the context (the type of economic and rural transformation)<sup>28</sup> affects the outcomes in different ways. To make social protection policies and interventions positively inclusive, these new sets of opportunities have to create improved and more stable livelihoods for rural people, and these should be part of a broader and complex set of socially and economically inclusive policies (giving voice to the poor, proving access to local decisions, reducing discrimination, etc.). These efforts could ensure that vulnerable populations are actually included and, as a result, effectively expand their life opportunities.

## Generating specific and complex (unavailable) evidence would help to identify what types of social protection support inclusive rural transformation

A set of hypotheses has been proposed to explore how different types of social protection could enable inclusive rural transformation depending on the context (see Table 2); further in-depth analyses are needed on the role of social protection in the inclusiveness of rural transformation. For example, in a context of urban growth with a significant expansion of labour demand in the industrial sector, social protection interventions that support the development of specific skills and capacities in traditionally excluded groups (youth, women) would help them enter the growing urban labour markets. Thus preventive and promotional social protection could facilitate the achievement of more inclusive rural transformation outcomes. Social protection programmes such as day care for young children or extended schooling hours could help mothers to engage in formal jobs.

Table 2: Country context and social protection interventions: proposed relationships and examples

Social protection type	Example of social protection programme	Rural transformation path		
		Classic	Moderate	Adverse
Protective	CCTs, <sup>a</sup> food programmes, non-contributory pensions	+ <sup>b</sup>	+	+++
Preventive	Insurance, early childhood development programmes, grants for elderly people, youth fellowships	++	++	+
Promotional	Livelihood development, technical training, asset transfers, financial inclusion	+	+++	+

Notes

a Recent literature on social protection suggests that its effectiveness increases when it simultaneously delivers social assistance and provides productive assets that contribute to economic growth. CCTs could form part of a twin-track strategy aimed at transferring food or cash while investing in physical infrastructure and human capital formation, and thus also be understood as promotional. This approach requires strong links between sectors – agriculture, education, finance, health, etc. (HLPE, 2012).

b More (+) signs indicate the types of social protection that better enable inclusive rural transformation.

However, in classic rural transformations, the extent of final outcomes will depend on the initial rural-urban gap related to productivity and available skills. This will reflect on the capacities to adjust to urban labour markets and on the strategies of social protection interventions to overcome the gaps. The typical inclusive rural transformation intervention in this context will have to do with improving the likelihood of traditional excluded groups to enter formal urban labour markets, for example through youth training for work programmes. In turn, in a context of rapid growth in the urban formal labour markets, the main social protection inclusiveness support will not be helping the rural poor to obtain new job opportunities, but supporting non-migrant rural poor households (or household members who are not migrating, usually women, children and older people) to be able to sustain a minimum set of living conditions while they adapt to the new context (including providing means to receive and use remittances, for example).

Moreover, in adverse development contexts, with no formal job creation opportunities in the urban sector or in non-farm activities, protective and preventive social protection will support the inclusiveness of rural transformation. This is a low-level situation in which building a social protection floor is the most inclusive outcome. Thus, in an adverse rural transformation context, social protection should focus on building that floor. Preventive and promotional interventions will be devoted to sustaining the common social protection floor (helping food security, health access, etc.). In adverse contexts, temporary employment programmes have shown to have significant impact.<sup>29</sup> As discussed by Berg et al. (2012), India's National Rural Employment Guarantee, which provides a minimum of 100 working days a year, increases agricultural real wages, especially of less-skilled workers.<sup>30</sup>

Finally, in a slow-growth development context, where opportunities arise in the informal sector or through the consolidation of non-farm activities, promotional social protection could be effective for supporting the rural poor to engage in these new sectors on a sustainable path.

29. See, for example, Kareemulla et al. (2013).

30. HLPE (2012) found that public works programmes, when well designed, have a positive impact on food security and nutrition.

Social protection could help rural people entering the urban informal labour markets or, most commonly, taking advantage of non-farm opportunities based on asset transfers or capacity-building programmes that aim to increase production and productivity. In countries with slow rural transformation processes, the three types of social protection intervention could explain the difference between observing a reduction in poverty, and not. In Andean countries (Ecuador, Peru and Bolivia), social policies are key (mainly because of its large scale and coverage) in explaining the observed rural poverty reduction. For example in Peru authorities recognize its role publicly.<sup>31</sup> Recent evaluations by Banerjee et al. (2015) and previous work on the BRAC initiative (Bandiera et al., 2013) show that graduation model interventions help the extreme poor to enter a sustained path out of poverty through their engagement with non-farm activities in a cost-effective way (see Box 5).<sup>32</sup>

### Enabling inclusive rural transformation requires timely social protection responding to the type and pace of transformation

Social protection interventions do not naturally enable inclusive rural transformation; their contribution depends on the context. Thus, given that such interventions are not usually oriented towards or specifically targeting rural areas, their outcomes may not necessarily lead to rural transformation outcomes. Particularly, it has been argued that the effect of standardized social protection interventions on rural livelihoods and opportunities is related to the timely coexistence of social protection policies (protective, preventive and promotional) with territorial (rural) specificity. This perspective might create a sustained new set of opportunities for the vulnerable rural population through different venues (e.g. increasing agricultural productivity or favouring non-farm activities), allowing them to connect to the market, public policies and/or the private sector (a good example could be the *Territorios Productivos* in Mexico).

In adverse contexts, social protection has to remain oriented to its protective role. In the context of classic transformation, social protection has to do with supporting the process and helping rural people in rural territories while they adapt. Thus preventive social interventions should be prioritized. However, the most interesting role for social protection interventions arises in the cases of slow and moderate transformations when new options for the rural poor arise in the urban informal sector, and especially in the non-farm economy. In such contexts, promotional and preventive social protection initiatives can be true enablers of inclusive rural transformation. Promotional and preventive interventions not only help rural vulnerable groups to engage in new economic activities, but also widen the available options for the rural poor population in a sustainable way. In all cases, the impact of these social protection interventions will depend on the size, coverage, targeting and implementation of the initiatives, and on the combination of such social protection interventions with broader policies.

31. In Peru, without the two main social transfer programmes (targeted CCTs and a non-contributory pension for elderly people in extreme poverty), extreme poverty in 2014 would have been above 6 per cent (the actual measure is 4.3 per cent). (<http://gestion.pe/economia/no-implementado-programas-sociales-habria-aumentado-pobreza-2145309>)

32. These impact evaluations are setting a new standard. New “graduation” interventions will need to prove they do at least as well as the BRAC model. Adapting the BRAC model to public social protection interventions (scale, public sector rules, implementation limitations, etc.) will require innovations and a new round of evaluations to prove that the “public sector graduation model” reaches at least the same results as the pilots described.



### Box 5 : Impact evaluation results of the Ultra Poor Graduation Program (CGAP, Ford Foundation, IPA/J-PAL)

Based on the encouraging results of BRAC's experience (see Box 4), the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation designed a graduation model, implemented in six countries (Ethiopia, Ghana, Honduras, India, Pakistan and Peru) to validate its relevance in different contexts. The pilots' objective was that families had access to productive assets to start a self-employment activity (raising livestock and petty trade). The intervention provided productive assets, training, coaching, cash consumption support, access to saving accounts, and health training and services over two years. The programme was implemented in villages with a high incidence of extreme poverty, where the poorest households were selected using a participatory wealth ranking. The programme was designed with the support of Innovations for Poverty Action (IPA) and the Abdul Latif Jameel Poverty Action Lab (J-PAL), and was implemented as randomized control trials to be evaluated using impact evaluation techniques.

Banerjee et al. (2015) analyse the results of the impact evaluation. The effect of the programme on 10 outcomes was measured (consumption, food security, assets, financial inclusion, time spent working, incomes, physical health, mental health, political involvement and women's empowerment). The main finding suggests that the complementarity between project activities achieves lasting benefits among the population.

In four of the six countries (with the exception of Honduras and Peru), increases in per capita consumption were statistically significant in the two assessments that were conducted. Nevertheless, the gains in food consumption were significant in Honduras in the first and in Peru in the second. Similarly, by the second assessment there was an improvement in livestock revenues in all countries. Although Peru is the country where the fewest number of variables with improvements were observed, the effects on per capita food consumption, productive and household assets, livestock income, physical and mental health were positive and statistically significant. Impacts on other indicators were not significant in Peru in the second measurement. In turn, Honduras presents positive results in the first survey but there is a decline in the second. The total asset-value index was negative in relation to the control group in Honduras.

India presented positive and significant impacts on all indexes by the second survey, except for health indicators, where the impacts were non-significant. The strongest effect in relation to the control group was observed in the value of assets and income. Particularly, the authors found an increase in non-agricultural and non-livestock revenues that improved households' well-being.

Ethiopia was the country with better results. By the second endline, only the health and women's empowerment indexes showed no significant changes. In the case of Ghana, the most important impacts were on the total asset index, financial inclusion, and incomes and revenues. The other three variables with significant and positive changes were consumption, food security and political involvement. Finally, Pakistan presented significant improvements in consumption, value of assets, income and revenues, and political involvement for the second endline, while the changes in other indicators were not statistically significant.

The multidimensional perspective of the programme achieved a sustainable and effective increase in income, consumption and well-being for those in extreme poverty. Furthermore, the authors emphasized that the intervention was cost-efficient in most countries (except Honduras). In other words, the benefit-cost ratios showed that programme benefits (measured in terms of total consumption) were greater than the costs. Despite the relatively high cost of the programme, the combination of multi-pronged activities oriented to self-employment, saving, health care and consumption did help to overcome poverty traps.

# Gaps in knowledge about transformative and inclusive social protection policies and their role in enabling inclusive rural transformation

The overall conclusions include that rural transformation outcomes vary depending on social protection intervention types; that such outcomes have different emphases; and that contextual factors are critical to promote their inclusiveness. The “ideal set” of social protection interventions to maximize inclusive rural transformation remains unanswered. But there are three dimensions that deserve further attention to consolidate transformation to benefit the most vulnerable rural groups – conceptual, methodological and policy-related dimensions.

Conceptually, the notion of social protection needs to be carefully addressed to emphasize its potential to activate transformation. Framing the conceptual discussion of the nature and extent of social protection within the human development perspective might elicit relevant contributions. In this context, the direction of causality among social protection, human development and inequality needs to be addressed carefully. Moreover, additional research is required to generate specific and complex evidence about what types of social protection intervention support more inclusive transformation, and what factors need to be activated to achieve this.

Methodologically, important information gaps need to be filled in order to continue analysing the effects of social protection interventions in specific contexts, territories and rural settings. The lack of updated, accurate and detailed data constrains further exploration of these effects, and poses questions about the availability, access and use of public information. Impact evaluations are setting new standards for what needs to be achieved by social protection interventions.

Finally, the third dimension relates to how policy could actually embrace inclusive rural transformation as an ultimate goal by promoting the timely territorial convergence of people-centred social protection interventions. A critical related aspect deals with the fiscal impact of generating broad social protection schemes. To a large extent, the scale and complexity of social protection policies will depend on the ability of countries to generate resources to finance them.

In circumstances of economic slowdown, maintaining such policies could become a challenge.<sup>33</sup> However, a significant reduction in social expenditure could generate sudden increases in poverty levels and other setbacks in terms of social policy goals. According to Macours and Vakis (2009), where countries cannot afford social policies over long periods of time, it is essential to design interventions to bring about changes in people’s attitudes towards the future (aspirations and agency) and to consolidate their social capital to generate greater resilience. Another concern is the sustainability of social pensions (universal or targeted), especially considering that ageing processes are intensifying in some developing regions.<sup>34</sup>

33. In early 2015, as part of the adverse international context, Mexico faced a dilemma between a potential social expenditure cut and the reduction of tax revenues. Finally, the government’s position was not to cut the coverage of social programmes, but to reduce the bureaucracy responsible for implementing such programmes (Barba, 2015).

34. In Latin America, based on population projections by the Latin American and Caribbean Demographic Centre (CELADE) of the Economic Commission for Latin America and the Caribbean (ECLAC), the population aged over 65 is currently only 3 per cent of the total population, and is expected to reach 9 per cent in 2050 and 15 per cent in 2100 (ECLAC, 2015).

The latter concern poses challenges for the design of pension systems with a reasonable degree of budgetary autonomy to prevent those pensions being financed from resources that could be invested in promoting new generations' human capital.

In synthesis, this research paper argues that social protection policies and interventions are necessary, but not sufficient, for inclusive rural transformation. Particularly in Africa and Latin America, rapid structural change has not adequately aligned to conventional policy recommendations (Rodrik, 2013: 3). To this end, we suggest that social protection can significantly activate rural transformation only if it simultaneously combines the three interventions (protective, preventive and promotional) in the same territory, and takes into account context-related opportunities – such as demand for labour where social protection allows new groups of the rural poor to enter the labour market; or local markets for agricultural and non-farm production where social protection includes smallholder development. Finally, to become sustainably inclusive, such efforts need to be tied to and interlinked with broader, inclusive, transformative policies, as well as to strong political commitment.

In terms of unattended gaps, rural transformation-oriented social protection interventions should emphasize three dimensions:

- synergies with macroeconomic and institutional policies
- capacity development responses that tackle different contexts and group needs
- targeting, measurement and social accountability procedures.

Rurality poses several challenges for social protection interventions. The rural component needs to be emphasized from design to evaluation of social protection interventions, including negotiation and communication.

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# Annex 1:

## Analytical matrix of social protection interventions and outcomes

Social protection intervention	Major goal	Strategies	Outcomes in rural areas/for rural people	Contribution to rural transformation inclusiveness	Examples	Examples of evidence related to rural transformation outcomes
Protective	Provide relief from deprivation (social assistance for the “chronically poor”)	<ul style="list-style-type: none"> <li>- Targeted resource transfers (disability benefit, single parent allowances and “social pensions” for the elderly poor)</li> <li>- Social services (orphanages, feeding camps and provision of services for refugees)</li> </ul>	<ul style="list-style-type: none"> <li>- Basic social services access: +</li> <li>- Poverty gap and extreme poverty: -</li> <li>- Human capital: +</li> </ul>	+ (Supports a common starting point. If interventions have enough scale and outreach, could create a basic social protection floor)	<ul style="list-style-type: none"> <li><i>Bolsafamilia</i>, Brasil</li> <li><i>Prospera</i>, Mexico</li> <li><i>Pensión65</i>, Peru</li> <li>In Care of the People (COPE), Nigeria</li> <li>Cash Transfer for Orphans and Vulnerable Children, Kenya</li> <li><i>Ingreso Ético Familiar</i>, Chile</li> <li><i>Renta Dignidad</i>, Bolivia</li> <li>Social Risk Mitigation Project, Turkey</li> <li>Cash-and-Food Programme, Ethiopia</li> <li>Productive Safety Net Programme, Ethiopia</li> <li>Five Guarantees Scheme (5G), China</li> </ul>	<ul style="list-style-type: none"> <li>Gertler (2004), <i>Oportunidades</i>, Mexico</li> <li>Soares et al. (2010), <i>Bolsafamilia</i>, Brasil</li> <li>Henoach and Troncoso (2013), <i>Ingreso Ético Familiar</i>, Chile</li> <li>Hoddinott et al. (2009), Productive Safety Net Programme, Ethiopia</li> <li>Devereux et al. (2014), Productive Safety Net Programme, Ethiopia</li> <li>Akinola (2013), COPE, Nigeria</li> <li>Gonzales (2011), <i>Renta Dignidad</i>, Bolivia</li> <li>Xiaoyun and Banik (2013), China Social Protection</li> </ul>
Preventive	Poverty alleviation, vulnerability reduction (social insurance for “economically vulnerable groups”)	<ul style="list-style-type: none"> <li>- Social insurance (formalized systems of pensions, health insurance)</li> <li>- Savings clubs and funeral societies</li> </ul>	<ul style="list-style-type: none"> <li>- Basic social services access: +</li> <li>- Income and coconsumption smoothing: +</li> <li>- Non-farm activities: +</li> </ul>	++ (Helps equality of economic opportunities; if provided with protective interventions could build a social protection floor)	<ul style="list-style-type: none"> <li>Old Age Grant and Child Support Grant, South Africa</li> <li>Hygeia Community Health Care, Nigeria</li> </ul>	<ul style="list-style-type: none"> <li>Cai (2013), Tobacco Production Insurance Programme, China</li> <li>Gustafsson-Wright et al. (2013), Hygeia Community Health Care, Nigeria</li> </ul>

Social protection intervention	Major goal	Strategies	Outcomes in rural areas/for rural people	Contribution to rural transformation inclusiveness	Examples	Examples of evidence related to rural transformation outcomes
Preventive		- Strategies of risk diversification (crop, income)	- Human capital: +		Universal Health Insurance, Mexico National Health Insurance Programme, India Horn of Africa Risk Transfer for Adaptation, Ethiopia and Senegal <i>Kilimo Salama</i> , Kenya <i>Seguro Integral de Salud</i> , Peru Social Safety Nets, Botswana Rotating Services and Credit Associations, Pakistan	Levine, Polimeni and Ramage (2012), Health Insurance in Rural Areas, Cambodia Beaman et al. (2014), Saving Groups, Mali Seleka et al. (2007), Social Safety Nets, Botswana
Promotional	Enhance real incomes and capabilities “Graduation Programmes”	- Livelihood-enhancing programmes (microfinance and school feeding) associated to income stabilization - Asset transfers, capability development - Financial inclusion	- Social services access: + - Productivity: + - Non-farm activities: ++ - Poverty gap and extreme poverty: - - Human capital: +	+++ (Economic inclusion; its inclusiveness in other aspects depends highly on the presence of other interventions (i.e. ethnic discrimination))	Rural Social Services Project, Bangladesh <i>Desayunos Escolares</i> , Mexico <i>Merienda Escolar</i> , Brazil National Rural Support Programme, Pakistan Branchless Banking Project Pilot, Indonesia “Graduation” interventions (BRAC Graduation Program Pilot, Ethiopia, Ghana, Honduras, India, Pakistan and Peru); IFAD projects (Corredor Puno Cusco, Sierra Sur), and <i>Haku Wiñay</i> in Peru <i>Programa Puente</i> , Chile	NRSP (2012), Rural Social Services Project, Bangladesh Noriega et al. (2000), <i>Desayunos Escolares</i> , Mexico Jomaa, McDonnell and Probart (2011), School-feeding programmes review Crépon et al (2011), Micro-loans in rural areas, Morocco Cull, Ehrbeck and Holle (2014), Financial inclusion in development Bandiera et al (2013), BRAC Graduation Model, Bangladesh Banerjee et al. (2015), BRAC Graduation Model implemented in Ethiopia, Ghana, Honduras, India, Pakistan and Peru

## Annex 2: Social development indicators and social protection expenditure by country, 2013

Region	Country	Poverty headcount ratio at national poverty lines (percentage of population)		Rural poverty headcount ratio at national poverty lines (percentage of rural population)		Human Development Index (HDI)	Inequality-adjusted HDI	Public social protection excluding health care (percentage of GDP)	
Asia and Middle East	Afghanistan	35.8	a	38.3	a	0.47	0.32	1.99	
	Bhutan	12.0	b	16.7	b	0.58	0.47	2.17	
	Bangladesh	31.5	c	35.2	c	0.56	0.40	1.58	b
	Cambodia	17.7	b	20.8	b	0.58	0.44	0.79	
	China	..		8.5		0.72	0.54	b	5.56
	India	21.9	a	25.7	a	0.59	0.42	1.42	a
	Indonesia	12.5	a	15.7	a	0.68	0.55	1.60	c
	Kazakhstan	2.9		4.9		0.76	0.67	4.11	b
	Kyrgyzstan	37.0		41.4		0.63	0.52	5.75	a
	Lao People's Democratic Republic	23.2	b	28.6	b	0.57	0.43	0.52	c
	Malaysia	1.7	b	3.4	b	0.77	..	1.00	a
	Mongolia	27.4	b	35.5	b	0.70	0.62	0.70	c
	Sri Lanka	6.7		7.6		0.75	0.64	1.69	a
	Thailand	13.2	a	16.7	a	0.72	0.57	4.98	b
	Viet Nam	17.2	b	22.1	b	0.64	0.54	3.74	c
Africa	Benin	36.2	a	39.7	a	0.48	0.31	1.98	c
	Chad	46.7	a	52.5	a	0.37	0.23	0.30	c
	Democratic Republic of the Congo	63.6	b	64.9	b	0.34	0.21	0.73	a
	Egypt	25.2	a	32.3	a	0.68	0.52	11.73	b
	Ghana	24.2	b	37.9	b	0.57	0.39	2.37	c
	Guinea	55.2	b	64.7	b	0.39	0.24	0.46	c
	Niger	48.9	a	55.2	a	0.34	0.23	0.53	c
	Rwanda	44.9	a	48.7	a	0.51	0.34	1.60	c
	Senegal	46.7	a	57.1	a	0.49	0.33	2.06	c
	Sierra Leone	52.9	a	66.1	a	0.37	0.21	0.61	d

Region	Country	Poverty headcount ratio at national poverty lines (percentage of population)		Rural poverty headcount ratio at national poverty lines (percentage of rural population)		Human Development Index (HDI)	Inequality-adjusted HDI	Public social protection excluding health care (percentage of GDP)	
Africa	South Africa	53.8	a	77.0	a	0.66	..	5.05	c
	Tanzania	28.2	b	33.3	b	0.49	0.36	2.33	c
	Togo	58.7	a	73.4	a	0.47	0.32	2.31	c
	Uganda	19.5	b	22.4	b	0.48	0.33	1.16	b
	Zimbabwe	72.3	a	84.3	a	0.49	0.36	1.30	b
Eastern Europe	Albania	14.3	b	15.3	b	0.72	0.62	8.15	b
	Armenia	32.0		31.7		0.73	0.66	6.97	
	Belarus	5.5		9.0		0.79	0.73	11.80	b
	Georgia	14.8	b	18.8	b	0.74	0.64	6.63	a
	Kosovo	29.7	a	31.5	a	..	..	3.80	d
	Moldova	17.5	a	25.0	a	0.66	0.58	13.10	
	Montenegro	11.3	b	18.1	b	0.79	0.73	13.81	b
	Turkey	2.3	b	5.9	b	0.76	0.64	7.21	b
Latin America and the Caribbean	Bolivia	45.0	a	61.3	a	0.67	0.47	8.50	c
	Chile	14.4		27.9		0.82	0.66	6.80	b
	Colombia	30.6		42.8		0.71	0.52	8.58	c
	Costa Rica	20.7		27.8		0.76	0.61	8.88	c
	Dominican Republic	40.9	b	49.4	b	0.70	0.54	3.07	c
	Ecuador	25.6		42.0		0.71	0.55	2.30	c
	El Salvador	29.6		36.0		0.66	0.48	3.97	b
	Guatemala	53.7	a	71.4	a	0.63	0.42	3.14	b
	Haiti	58.5	b	74.9	b	0.47	0.29	1.06	
	Honduras	64.5		68.5		0.62	0.42	0.94	c
	Mexico	52.3	b	63.6	b	0.76	0.58	4.97	b
	Panama	25.8		49.4		0.77	0.60	4.35	c
	Paraguay	23.8		33.8		0.68	0.51	4.07	c
	Peru	23.9		48.0		0.74	0.56	5.27	c
Uruguay	11.5		3.0		0.79	0.66	13.05	c	

Notes

a, 2012; b, 2011; c, 2010; d, 2009

Source: World Bank (2015a), UNDP (2014), ILO (2014).

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