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Policy coherence in development policy and international cooperation.

UNRISD

Background paper
World Economic and Social Survey 2010

UNRISD inputs into WESS 2010
Policy coherence in development policy and international cooperation.

Below are a series of inputs and comments into the WESS 2010 process from UNRISD. They include the following:

1. Comments on the outline
2. A summary of arguments and findings relevant to policy coherence and poverty reduction, from our forthcoming Poverty Report in separate attachment [Yusuf Bangura]
3. Inputs based on UNRISD projects and publications
   a. Extracts on Policy Coherence & Policy Space (forthcoming programme paper) [Peter Utting]
   b. Definitions, arguments and lessons on social policy and social protection based on various UNRISD projects and publications [Katja Hujo and Ilchong Yi]
   c. An example of the need for coherence among different kinds of policies in achieving development outcomes is provided through the case of the care economy, attached. [Shahra Razavi]

1. Specific comments

Chapter 1

- The notion of policy coherence, and coherence of development outcomes, needs further conceptual clarification, and specification – coherence for whom? Of what? To what ends?
- The introductory section makes no reference to social development as important outcomes, or to social policies and their role in achieving broader (including economic) development outcomes, including the reduction of poverty and inequality. Points at which this should or potentially could be brought in are noted on the text.
- In this respect, in the section on ‘episodes in mainstream thinking’ we would note that most such ‘episodes’ or approaches have incorporated certain elements of social policy in its broad sense, such as basic infrastructure, education and public health investments. It would be helpful to show how different development paradigms or thinking such as “planning”, “take off” or “basic needs approach” integrated social policy components within their own priorities focus areas, such as industrialization in general or the growth of key strategic industries. [**See Kwon (2005) Transforming the Developmental Welfare State in East Asia, UNRISD/ Palgrave Macmillan**]. UNRISD research shows that social policy can be an instrument for economic development without compromising the intrinsic values of democracy, equity and human security, and consequently that development and social inclusion can go hand-in-hand through the design and implementation of good social policies. An integrated approach to economic and social development is therefore needed.

Chapter 2

- Social policies are brought into this chapter, with the importance of coordination between macroeconomic and social policies noted. However, without integrating these arguments throughout the other chapters, they are essentially made somewhat residual, linked only and primarily to a welfarist approach to poverty reduction, complementary to the key economic policies.
- One of the capabilities possessed by <u>developmental states</u> is precisely the capacity to implement developmental social policies or to create developmental welfare states. This may take different forms, but the fundamental tenet is an integrated policy approach that combine growth with job creation on the one hand and economic growth with poverty reduction and social development on the other. See series of publications on developmental welfare states by UNRISD

Chapter 3

- We have not commented specifically on this chapter. However, we would suggest that, to ensure policy coherence not just among donors, but with the strategies of national governments, more consideration should be given of the relationship between aid as a source of financing and the national financing, governance and accountability mechanisms. There could also be more explicit discussions of the relationship between different sources of financing and development outcomes: these questions are particularly pertinent in the case of social policies which, to be effective, need sustainable and long term funding sources which generally come through domestic revenues. UNRISD work on financing social policy could inform such a discussion (See UNRISD volume Financing Social Policy Ed. Hujo and Maclanahan).

Chapter 4

- In the current context of food price volatility and crisis, the discussion of trade could take the opportunity to make clearer links between international trade regime, food availability and pricing, and the extreme vulnerability of some poor countries and poor people to price volatility. These links with poverty reduction and social development could be explored explicitly, with the aim of achieving greater policy coherence not just within each of the areas (trade, aid, etc.) but across these areas for the purpose of developmental outcomes.
- The attached extract on Policy Coherence and Policy Space related to Latin America should also be relevant to the trade discussion.

A general issue, that perhaps emerges most strongly in the final chapter but is implicitly raised in the working title and other sections, concerns the main focus of policy coherence: is the primary focus on coherence among the international development community, donors, and international institutions or arrangements (trade / finance etc.)? Or does it really aim also to grapple with coherence from the perspective of developing countries, and in terms of development outcomes. The issues concerning poverty reduction and the national or more micro level discussions in Chapter 2, (and this would also apply to the issues we raise on social policy) are not consistently integrated into other discussions. Yet, these should surely be among the critical development outcomes. Policy coherence appears to become important as an end in itself and for promoting the ‘sustainability of development cooperation’ rather than really being assessed against outcomes such as poverty reduction or development indicators. Perhaps there is a weak link in the argument – that emerges rather late in Chapter 6 but could be developed earlier – related to the role of global public goods, of which development cooperation may be one, and how they are critical to desirable development outcomes.

2 a) **Extracts on Policy Coherence & Policy Space**

from the forthcoming UNRISD Programme Paper:

THE CHANGING COORDINATES OF TRADE AND POWER IN LATIN AMERICA: IMPLICATIONS FOR POLICY SPACE AND POLICY COHERENCE

by Manuel Mejido Costoya, Peter Utting and Gloria Carrión

Policy Coherence

What some economists call the "lost decade" of the 1980s in Latin America, and ongoing trends associated with persistent poverty and growing inequality, point to a fundamental policy problem, namely that of policy (in)coherence. The principle of policy coherence refers to the need to minimize the gaps between policy objectives and implementation or impacts, as well as the tensions and contradictions between different policies. Much of the discussion of policy coherence centres on more technical aspects concerned with reducing duplication and fragmentation while also increasing the effectiveness and efficiency of policies (Duraiappah and Bhardwaj 2007). Important from this perspective is both "design and content of mutually supportive policies and their effective implementation …. [and] …. the capacity of different policy-making authorities to work together effectively in both the design and implementation processes." (Oyejide 2007:8)

In this paper we are more concerned with the strategic and normative dimension of policy coherence. This relates to the question of whether different public policies are pulling in the same direction from the perspective of inclusive development. Key in this respect is the relationship between economic and social policy. The failures of structural adjustment programmes in the 1980s exposed the contradictions of neoliberal policy, notably their perverse social effects. The principle of policy coherence was seen by some as useful for drawing attention to the need to re-equilibrate the economic and the social, and address, proactively, the social effects of economic stabilization and other macro-economic policies. The concept of policy coherence also emphasized the fact that social policy and social development should not be seen as residual categories – as something that happens once economic growth is taken care of; nor as something that can be sacrificed or subordinated to macro-economic policy (UNRISD 1995, 2006).

Within the region, there were indeed some signs that, prior to the global crisis of 2008-2009, key indicators of economic and social development were trending in a fairly positive direction (see Annex 1). Particularly important from the perspective of correcting for the marginalization of social policy, was the fact that more attention and resources were being focused on social policy (Molyneux 2008). This has led some observers to point to the re-emergence of the developmental welfare state which, despite its truncated or fragmented form, was a key institution shaping development paths in many Latin American countries until the 1980s (Riesco and Draibe 2007). In relation to social policy, there is greater recognition of the limits of narrow approaches to social protection promoted by the World Bank and others, based on "targeting the poor", and the need to lean more towards universalism, whether through large-scale conditional cash transfer programmes as in Brazil and Mexico; reversing trends associated with the privatisation of basic services or pensions, as in Bolivia, Argentina and Chile; or resurrecting the principle of free education for all, as in Nicaragua.

Social policy itself needs to be coherent in the sense of avoiding a narrow focus on social protection and targeting "the poor", and leaning more towards universalism and addressing also issues of redistribution, human capital formation, and social reproduction at the level of the family or household (UNRISD 2006). The relative strength of welfare state policies in Chile, the major scaling-up that has occurred of conditional cash transfer programmes in Brazil and Mexico, as well as of the Zero Hunger programme in Nicaragua, point in this direction.

From the perspective of inclusive development, policy coherence must also relate to industrial, fiscal and macro-economic policies that strengthen state capacity, promote innovation, encourage backward and forward linkages between FDI and local firms, and provide some degree of protection for domestic firms associated with infant industries and small and medium-sized enterprises where the bulk of employment is generated (UNCTAD 2001). Abugattas and Paus suggest the need to adopt a "capability-centered" development strategy that adopts proactive industrial, public finance, development-friendly macroeconomic and pro-poor social policies (Abugattas and Paus 2006: 17).

The "developmental" features noted above are an important reminder that inclusive development is as much about sustainable economic growth and productivity as it is about social protection and redistribution. As regards policy coherence, a major challenge, particularly for the more left-leaning governments associated with ALBA, is how to promote structural change and redistribution without alienating key sectors of the business community and prospects for investment and growth. In Nicaragua, the Ortega administration enjoyed a relatively long honeymoon that was prolonged by high commodity prices and new business opportunities linked to both CAFTA and ALBA. It remains to be seen, however, if that situation can persist given the global and national downturn in 2009. In Bolivia, changes in development policy and power relations quickly divided the country with much of the business community mobilizing against the government.

What might be regarded as the green shoots of policy coherence in the region also need to be appraised in the context of ongoing economic liberalization. Policy coherence is also political in the sense that it is contested and "up for grabs" at the level of discursive struggle. Indeed, the notion of policy coherence has been critiqued for being complicitous with neoliberalism. Given the relative political weakness of social forces and ideologies pushing for what has been called transformative social policy, it is often the technical interpretation, referred to above, that holds sway within mainstream policy circles in various countries. Moreover, the term has come to mean harmonization with the logic of trade liberalization, reflecting the global political reality where the WB, IMF and WTO set the rules of the game. This use of policy coherence in the context of bilateral and plurilateral FTAs is clear, for example, in NAFTA's chapter 11 provision which gives pride of place to the rights of foreign investors over the regulatory authority of the State. Under the more recent U.S.-Chile and U.S.-Singapore agreements and the DR-CAFTA, policy coherence is related to achieving deeper integration (Grabel 2007).[1]

As others have argued in relation to other potentially progressive development terms and concepts (such “empowerment” and “participation”), the point is not to abandon those that have been appropriated by elites to reinforce development models that perpetuate poverty and inequality, but rather to uncover their political and discursive use and recast them to become an empowering conceptual tool for developing countries (Cornwall and Brock 2006). Indeed, as Grabel maintains, “policy coherence should entail an understanding of the uniqueness of diverse national contexts; path dependence, institutional embeddedness, and stickiness; recognition that there exists multiple paths to development; and respect for national policy space” (2007: 340).

Policy Space

Policy space generally refers to the right of national states to craft a development strategy through policies that are in tune with national priorities and realities, rather than kowtowing to the perspectives, priorities and conditionality associated with IFIs and donor governments. The concept is grounded in three principles of international law and policy: namely, the sovereignty and self-determination of nation-states; the right to development; and the principle of special and differential treatment for developing countries (South Centre 2005). Two crucial interrelated elements of policy space are thus the autonomy of governments to resort to a diverse range of policy instruments to enhance sustainable development outcomes in the future and the ability of the state to orchestrate the development process (for example, state capacity).

Advocates of free trade argue that free trade agreements offer developing countries more stable and transparent market access into developed countries than that granted under short-lived and politically unstable unilateral trade preferential schemes like the US Caribbean Basin Initiative (CBI) for Central America and the Caribbean, and the EU’s General System of Preferences. For developed countries, free trade agreements ensure “policy harmonization”, particularly in areas such as intellectual property rights (IPRs) and investment, needed to protect “knowledge” and extend rights to foreign investors in order to develop future comparative advantages and maintain these countries’ status quo.

Yet the advocates of free trade are not so quick to address the fact that bilateral and regional trade agreements involve a fundamental trade-off: they offer developing countries enhanced market access to developed countries in exchange for more stringent commitments in areas like IPRs, investment, services, and government procurement than those agreed upon at the WTO (Shadlen 2005; Sánchez-Ancochea and Shadlen 2008). This has profound implications for developing countries as these agreements reduce key aspects of policy space and frown upon or, indeed, render illegal policy tools that played a crucial role in the development of the so-called late industrializers in both North and in East Asia. As Rodrik observes, excessive attention to the goal of market access and deep integration runs the risk of not only undermining both growth and poverty reduction, but also ignores the historical reality that the route to development is along multiple paths that vary depending on a country's economic, social, geographic and institutional circumstances (Rodrik 2004)

In East Asia, for example, policy space was essential. It allowed governments to use both national supply-side policies and international trade frameworks creatively, in order to develop local capacities to absorb and adapt knowledge, as well as to innovate and foster high technology production. The active role of the state and a combination of both demand-side (trade rules) and supply-side (domestic) policies proved to be crucial to add value to production, foster infant industries, promote innovation systems and research & development, manage FDI in order to create backward linkages with the national economy and generate effective technology transfer, strengthen domestic firms that would become "national champions", and connect to the world economy on better terms[2] The state thus actively "governed" the market and state-business-society relations in order to generate and sustain economic growth, industrialize and derive substantial benefits from trade liberalization, while also addressing, to some extent, social development issues either directly through public policy or by promoting corporate social welfare[3]). It also encouraged national financial autonomy from IFIs. In contrast to Latin America, through a "self-financed" model, East Asia was able to maintain its debt levels quite low, at least until the 1997 financial crisis.

Key aspects of policy space, then, relate to industrial policy and relative freedom from constrictive forms of aid conditionality that have been associated, in particular, with economic stabilization and pro-cyclical policies. The situation in Latin America was quite different to East Asia. As the neoliberal agenda took hold, industrial policy declined. Elements, however, did remain given the legacy of ISI and the ongoing strength of business interests producing for the domestic market and concerned about the effects of rapid liberalization. Aid conditionality was particularly oppressive during the debt crisis and so-called "lost decade" of the 1980s when many countries resorted to World Bank and IMF loans. The situation eased somewhat in later years as the debt burden declined and international donors at least paid lip service to the principle of "national ownership" as a necessary adjustment that had to be made to render economic restructuring and governance more effective. There was also a shift from a "project approach", where service delivery NGOs figured prominently, to national development programmes and frameworks where the legitimacy of the state as a key development agent was reasserted. In practice, however, this shift to "national ownership" was often accompanied by the increasing bureaucratization of aid where recipients were obliged to invest more time and energy in reporting, evaluations and audits.

In the particular context of trade and other international negotiations, the notion of policy space can also be understood as being highly interlinked to "negotiating space", for example the ability of developing country governments to have a voice at the bargaining table and to shape the final outcomes. The crystallization of the concept of policy space is indeed linked to the multilateral trade context and to the history of the WTO in particular[4 5]. It began to appear in its current connotation in UNCTAD

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[2] Amsden 2001; Chang 2002; Wade 1990
[3] Wade 1990, Kwon 2005, Woo 2007
[4] ODI 2007; South Centre 2006 and 2005; Chang 2005; Corrales-Leal 2007

documents in 2002 and was given "official" status in the São Paolo Consensus of UNCTAD XI in June 2004.[6]

Against all forms of economic essentialisms and market fundamentalisms, the concept of policy space suggests that a country's development strategy does not exist *in abstracto*. It is, instead, socio-historically embedded and must be understood in terms of real possibilities regarding the country's degrees of freedom (Abugattas and Paus 2006; Chang 2005). In an attempt to operationalize this notion, Hamwey (2005) conceives of a country's "effective national policy space" as the overlap between, its "endogenous" and "exogenous" policy space. Endogenous policy space is bounded by domestic constraints like "inadequate financial, human, institutional and infrastructural resources needed to implement desirable development objectives" and "limits to policy acceptability and the influence exerted by national, regional, and transnational[7] stakeholders."

Exogenous policy space is bounded by international constraints arising from obligations to transnational agreements on economic, environmental and social issues (Hamwey 2005: 3-4). Similarly, the influence of regional and transnational non-state actors on a country's policy space should not be overlooked. A change in policy priorities, external and internal political economic conditions, and political will, however, could reduce the impact of policy space constraints and, in some cases, be turned around in order to facilitate the consecution of development policy objectives. This perspective suggests that policy space is not a static concept, but an evolving one, which can indeed be either limited or enhanced depending on public policy choices.

It also casts the asymmetries, critiqued for example by the Group of 77, as stemming, not from reduced exogenous policy space, which under economic integration shrinks proportionally for all countries, but rather from the relatively small size of developing countries' endogenous policy space. Indeed, "although under the application of a multilateral agreement all countries may be subject to act within an equivalent exogenous policy space, developing countries may not have sufficiently extended endogenous policy space to access much of the allowed exogenous space. As a result, their effective national policy space may be considerably smaller than that of developed countries" (Hamwey 2005:5). In order to rectify these asymmetries, this analysis calls for "enabling mechanisms" such as special and differential treatment (S&DT). By effectively addressing the structural needs, strategic development priorities, and limited implementation capacities of developing countries, S&DT could function to extend national policy space.

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[5] In the context of trade negotiations, the term was first introduced by Venezuela in preparation for the 1999 WTO Ministerial Conference in Seattle (WT/GC/W/279) .

[6] This paragraph reads thus: "The increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations have meant that the space for national economic policy, i.e. the scope for domestic policies, especially in the areas of trade, investment and industrial development, is now often framed by international disciplines, commitments and global market considerations. It is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space. It is particularly important for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments" (UNCTAD 2004; ODI 2007; South Centre 2006; Hamwey 2005).

[7] Authors' inserts.

Scholars have recently begun to deploy the notion of policy space to evaluate the effects the "spaghetti bowl" of different international trade regimes (multilateral and FTAs) is having on developing countries. The concern, analogous to the one raised in multilateral frameworks, is that the FTAs between developed and developing countries in the context of the deep integration agenda[8] are reducing the endogenous policy space of developing countries. In Latin America, Abugattas and Paus argue that the bilateral and plurilateral trade agreements like NAFTA, DR-CAFTA, and the FTAs with Chile, Peru and Colombia – have reduced the effective national policy space of these Latin American countries. For as these authors conclude, "low tax ratios and the difficulties of raising taxes on foreign investors are imposing severe limitations on the internal [i.e., endogenous] space for implementing key policies of a capability-centered strategy" (2006: 23). Structural concerns regarding the loss of policy space in the context intellectual property provisions and strategic industrial policy tools in FTAs have also been raised by other scholars[9]

The use of the concept of "policy space" to critique the deep integration agenda is no doubt consistent with its origin and normative force in the multilateral trade context. Yet increasingly, developing countries are turning to bilateral and plurilateral FTAs as a "second best" alternative to trade liberalisation via multilateralism. In this sense, the trade and development strategies that are being developed by the "new" Latin America left are anchored both on trade liberalisation and the new initiatives for regional integration (ALBA, Banco del Sur, etc.). In fact, only Ecuador and Bolivia halted FTA negotiations with the United States. Uruguay, under the leadership of Tabaré Vásquez, signed a Trade and Investment Framework Agreement with the Unites States, which could potentially hamper regional integration via MERCOSUR in the future**.**

In contrast to the FTA model, other initiatives for regional integration are based on the idea that sovereignty and development are largely intertwined and thus greater policy space is needed. Accordingly, the flexible, pragmatic and piecemeal nature of the new regional trade context is said to allow developing countries to put together a more advantageous trade policy – a sort of nationally specific special and differential treatment – that will translate into a larger exogenous policy space. It is also argued that this new trade context will likewise enlarge endogenous policy space as bilateral and plurilateral agreements will allow Latin American countries to reap the growth possibilities of the new (information) economy (Consejo Nacional de Innovación para la Competitividad 2007-2008; Cimoli 2005)**.**

Given this situation, it would be misleading to suggest that the new regionalism will only reduce the policy space of Latin American countries or that the concept of "policy space" somehow implies an a priori repudiation of bilateral and plurilateral FTAs in particular and the new trade context in general. It would be more consistent with the structural and ideological changes that are transpiring in Latin America, and specifically the initiatives for regional integration that are emerging in and through the turn to the left, to suggest that it is still too early to determine the overall effects of the

[8] According to Haggard (1995: 2) "shallow integration implies border restriction, whereas deep integration refers to 'behind the border' policies, once deemed wholly domestic, which have now become the subject of international negotiations".
[9] Shadlen 2005; 2007; Shadlen and Sánchez-Ancochea 2008; Drahos and Mayne 2002; etc

new regionalism on the policy space of Latin American countries. For this reason, a useful application of the concept of "policy space" might be to determine what combination of trade agreements (not only different bilateral and plurilateral FTAs, but also different sub-regional and regional trade and integration agreements) will maximize a given country's degrees of freedom.

2 b) Lessons from UNRISD research on social policy (RPB No. 5)

Definition of Social Policy

"Social policy is state intervention that directly affects social welfare, social institutions and social relations. It involves overarching concerns with redistribution, production, reproduction and protection, and works in tandem with economic policy in pursuit of national social and economic goals." (UNRISD 2006. Transformative Social Policy. Lessons from UNRISD research. Research and Policy Brief No. 5, UNRISD, Geneva.).

Welfare regimes and the roles of social policy

"Different welfare regimes have placed different weights on each of these. Thus, while one may speak of "distributionist" or "productivist" welfare states, one has to recognize that such descriptions merely capture positions on a continuum. Because considerable complementarities and synergies generally exist among these goals, the pursuit of only one of these goals to the exclusion of others can cause problems that might undermine the pursuit of the chosen goal. Thus, for example, a focus only on the distributive functions of social policy would ultimately be economically unsustainable This has been the fate of the "populist" regimes whose exclusive focus on distribution often led to inflation and stagnation that ultimately left the poor worse off. Similarly, a purely "productivist" approach to social policy would encounter political opposition, producing political instability that would undermine the growth objective. And finally, a policy regime focused on protection would fail on both grounds and not cope with the dynamics of demography." (UNRISD 2006. Transformative Social Policy. Lessons from UNRISD research. Research and Policy Brief No. 5, UNRISD, Geneva.).

Social Policy and Poverty

"Social policy in developing countries is not only about poverty eradication. Historically, social policy has had other objectives, such as national or social cohesion and equity. Indeed, in a number of countries that have successfully dealt with poverty within a relatively short period of time, the relief of poverty was not even the most explicit motive for the introduction of social policies. In the Nordic or East Asian countries, for example, "poverty reduction" per se was not one of the main pillars of their social policies. The point is not to dethrone "poverty" from the policy agenda, but rather to stress that the factors that may eventually reduce poverty are not those that address its proximate causes, nor are they the most obvious ones like targeting the poor." (UNRISD 2006. Transformative Social Policy. Lessons from UNRISD research. Research and Policy Brief No. 5, UNRISD, Geneva.).

Universalism

"For poor countries there is a strong case for leaning toward universalistic policies when addressing issues of poverty. In many of the "late industrializers" that confronted problems of social dislocation and poverty, it became obvious that where poverty was widespread, "targeting" was unnecessary and administratively costly. Targeting is fraught with such problems as information asymmetries, incentives distortion and moral hazard. In addition, the process of identifying the poor opens up space for discretion and arbitrariness, and subjects the recipient of support to stigmatization and invasive processes. Thus the "universalism" guiding social policy in a many countries was in fact dictated by underdevelopment—targeting was simply too demanding in terms of available skills and administrative capacity.

One potent criticism levelled against many social security systems in the developing countries is that they are "segmented" and only benefit the few, in the formal sector. This argument has been used to argue for targeted social policy in favour of the poor. Historically, however, the foundation of many of today's most successful universalistic welfare states was such "stratified universalism", or exclusive voluntary provision of social services to members. In most late industrializers—such as Germany and Japan, for example—welfare entitlements were directed at those parts of the workforce that were most crucial for economic growth, best organized, and thus politically most powerful: skilled industrial workers. However, late industrializers tended to climb the ladder toward universalism much faster than the pioneers of industrialization. The political regime in place conditioned the speed with which universalism spread. In contrast, structural adjustment programmes and Poverty Reduction Strategy Papers, driven by a "targeting" rationale, begin by dismantling the exclusive rights of formal labour on the grounds that this will lead to greater labour market flexibility and will attract donor funds for "pro-poor" policies." (UNRISD 2006. Transformative Social Policy. Lessons from UNRISD research. Research and Policy Brief No. 5, UNRISD, Geneva.).

"…in reality most governments tend to have a mixture of both universal and targeted social policies. However, in the more successful countries, overall social policy *itself* has been universalistic, and targeting has been used as simply one instrument for making universalism effective (…)extra benefits are directed to low-income groups within the context of a universal policy design (Skocpol 1990) and involves the fine-tuning of what are fundamentally universalist policies." (Mkandawire, Thandika.2005. Targeting and Universalism in Poverty Reduction. Social Policy and Development Programme Paper No. 23, UNRISD, Geneva.)

The Role of Social Protection for Poverty Reduction[10]

Countries that have successfully reduced income poverty and improved social conditions on a broad scale have developed comprehensive social protection policies that are grounded on claimable entitlements (derived from rights or contribution payments), covering the majority of the population. In order for social protection to contribute effectively towards poverty reduction it has to be provided on a universal basis and the state has to assume key responsibilities in terms of financing, administration and regulation.

Key lessons arising from UNRISD research on the topic are that:

[10] Please cite UNRISD 2010 (Poverty report, chapter 5 on Social Protection) for following paragraphs.

- The impact of non-contributory tax-financed social assistance schemes, including public works programmes and different types of cash transfers for the poor and vulnerable, on broader national poverty headcount and inequality indicators is likely to be stronger and sustained where their residual and targeted nature, aimed at the poorest individuals/households, is mitigated by extensive coverage and a consistent long-term financial investment. When cash transfers are provided on a universal, unconditional, stable and long-term basis, they have a stronger potential to boost people's capabilities to pursue a decent and sustainable livelihood.
- Increased coverage of formal social insurance schemes can contribute to achieving several of the MDG targets and can be pursued through multiple pathways. Solidarity based social insurance programmes foster social cohesion and coalition building between classes, groups and generations, and therefore work against different types of vertical and horizontal divisions in society.

Extension of Social Insurance
Social insurance tends to perpetuate labour market inequalities (also in gender or racial terms), as it is earnings-related and can result in fragmented systems that exclude the majority of the population, Measures can be taken to expand coverage and reach quasi-universalism; to unify rules and schemes (so risk is shared among a greater and more diversified group of citizens); to enhance the solidarity/redistributive element of an insurance scheme (for example through a guaranteed minimum pension for every citizen, gender-friendly redistribution etc.)

Positive policy examples in the extension of formal social insurance schemes are numerous; they include specific measures for difficult-to-cover groups such as mandatory legal coverage, public awareness campaigns, regulation and supervision of compliance of contribution payments (by employers, employees and self-employed), subsidies for low-income groups and special incentives to join insurance programmes such as free additional benefits (e.g. family allowances, free health insurance or scholarships) or coverage of dependents without additional costs. Moreover, most countries not only aim at extension of coverage, but also strive to harmonize and unify fragmented systems in order to lower costs and increase equity and integration

Social Assistance Programmes
Social assistance has become a core component of national strategies to achieve the MDGs in developing countries, as it is the component of social protection with the strongest focus on poverty reduction. Because of its disconnection from formal labour relationships and previous contributions, social assistance has been used as a means of extending social protection to sectors of the population traditionally excluded from statutory contributory social insurance either because of their informal employment status, their inability to participate in paid work or their low incomes. Although social assistance contributes to income security and poverty reduction by extending social protection and other services to previously excluded sectors of the population, the fact that recipients of social assistance have not acquired rights through contribution payments sometimes may create the appearance that they are receiving something for nothing; claimants are thus perceived as dependents on government hand-outs, justifying authorities' discretionary handling of these benefits as well as interventions to regulate recipients' behaviour, all of which are questionable practices if seen from a perspective of human rights. In this light, careful attention has to be paid in terms of

the processes and principles that underpin the design and implementation of social assistance programmes, participation of beneficiaries in these and monitoring of programmes as well as the potential of these interventions to serve as an instrument for poverty reduction and social inclusion without creating new fragmentations or stratifications while neglecting long term solutions with regard to income and employment generation.
Non-conditional cash transfer programmes, such as child benefits and social old-age pensions, based on categorical targeting rather than means testing, seem to be more promising pathways for the extension of social protection in developing countries. In this sense, a social policy approach based on the recognition of basic human rights and on the understanding that individuals and households make rational decisions for themselves, should avoid the use of targeting and conditionality whenever possible.

Good practices in social assistance are

- Universal child benefits (South Africa) and social pensions (Botswana, Bolivia, Nepal, Namibia and Mauritius, Brazil for the rural sector)
- Employment guarantee schemes (India) and public works schemes which involve elements of training, skill development and employment services

List of relevant references

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Mkandawire, Thandika. 2005. *Targeting and Universalism in Poverty Reduction.* Social Policy and Development Programme Paper No. 23, UNRISD, Geneva.

<u>On the implications of the financial crisis for the poverty agenda:</u>

UNRISD. 2010. *Conference Summary - UNRISD Conference on Social and Political Dimensions of the Global Crisis: Implications for Developing Countries.*
Available online at
http://www.unrisd.org/unrisd/website/events.nsf/%28httpAuxPages%29/58DA663256DB6A34C125769B0054C1E8?OpenDocument&category=Conference+Details

<u>On mobilising resources for tackling poverty, climate change and ageing populations:</u>

Hujo, Katja and Shea McClanahan (eds). 2009. *Financing Social Policy: Mobilizing Resources for Social Development.* Palgrave, Houndmills.

On poverty vs. migration and remittances:

De Haan, Arjan and Shahin Yaqub. 2009. *Migration and Poverty. Linkages, Knowledge Gaps and Policy Implications.* Social Policy and Development Programme Paper No. 40, UNRISD, Geneva.

De Haas, Hein. 2007. *Remittances, Migration and Social Development: A Conceptual Review of Literature*. Social Policy and Development Programme Paper No. 34, UNRISD, Geneva.

2 c) Notes on the care economy (UNRISD Policy Brief, forthcoming)

The dynamics of care are receiving increasing attention from activists, researchers and policy makers. Women's massive entry into the paid work force—a near-global trend—has squeezed the time hitherto allocated to the care of family and friends on an unpaid basis. At the same time, demographic ageing in some countries and major health crises (especially HIV and AIDS) in others, have intensified the need for caring services. In many developing countries where public health services have been severely weakened during the decades of market-inspired reform, much of the care burden has inevitably fallen back on women and girls. These trends underpin a sense that care needs are not being adequately addressed.

Unpaid care work includes housework (meal preparation, cleaning) and care of persons (bathing a child, watching over a frail elderly person) carried out in homes and communities. Such work contributes to well-being and feeds into economic growth through the reproduction of a labour force that is fit, productive, and capable of learning and creativity. The bulk of unpaid care work across all economies and cultures is performed by women. Estimates based on time use surveys for six countries included in an UNRISD project suggest that if such work were assigned a monetary value (using the "generalist approach"), it would constitute between 10 percent and 39 percent of the GDP. In Tanzania, a country with low levels of per capita income and largely informal labour markets, it accounts for around 35 per cent of GDP and is 16 times the country's individual income tax revenues. In the Republic of Korea, a country with a high per capita income, a large formal sector and relatively effective taxation, it accounts for 18 per cent of GDP and almost triples the revenue from all direct taxes.

Despite its economic value, unpaid care work is not included in labour force surveys. Nor is it brought into the calculation of the GDP. It is therefore invisible in representations of the economy that inform policy making. Similarly, despite its importance for meeting many of the MDGs (reducing child mortality, achieving universal primary education, combating HIV/AIDS, reducing maternal mortality), the MDGs themselves do not mention unpaid work.

An enabling environment for care-giving requires different resources

Good care requires a variety of resources including *time and material resources.* While *time* is a key input into economies of care in both developing and developed country contexts, there are several other critical *pre-conditions* for care-giving, including the availability of:

- *paid work* (or in its absence, social *transfers*) to bring in a decent income, with which to purchase some of the necessary inputs into direct care-giving (e.g. transport fees to reach the nearest health centre)
- appropriate *infrastructure and technology* (water and sanitation, domestic technology) to increase the productivity of unpaid domestic work
- enabling *social services* (health, primary education, care services) to complement unpaid care-giving

None of these can be taken for granted in a developing country context.

Specific care-related policy interventions can be broadly categorized into three areas: time, financial resources and services.

- While *paid care leaves* (such as parental leave) provide carers with the time and resources to care for dependents, their reach is very limited in the context of extensively informal labour markets; they can also reinforce care giving as women's work if they are restricted to female workers (as is the case in many countries). In Argentina, for example, the law that stipulates a three months maternity leave at 100 per cent wage replacement applies only to half of the female workforce.
- *Cash transfers schemes* as they are being currently promoted can assist families financially with the cost of bringing up children. Where these transfers are targeted to mothers and made conditional (on children undergoing regular health checks or mothers attending workshops on nutrition, for example) they can add to the already high work loads of poor women without involving men in such work.
- The provision of accessible and affordable *care services* (e.g. public crèches and pre-schools), on the other hand, can give unpaid carers the option of engaging in other activities, including income-earning, while ensuring a level of care and safety for their dependents. If done properly, investment in pre-schooling and childcare services can generate new employment opportunities, free up women's time for participation in the paid economy and yield future returns in terms of child development.

While concrete policy options will be country and context specific, a number of general policy lessons emerge from the present research.

- ***Investments in infrastructure and basic social services***

Investment in infrastructure (water, sanitation, electricity) in low-income countries can significantly increase the productivity of unpaid domestic work and free up time for other pursuits (be it self-care, education, political participation or paid work). This is therefore an important priority. The availability of basic social services (primary education, health) enhances the well-being and capabilities of service-users and reduces the time that family members would have to allocate to those tasks.

- ***Ensuring an adequate and reliable source of income***

In addition to time, care-giving also requires a reliable and adequate source of income with which to access the inputs (food, housing, transport) for a decent standard of living. This can be achieved through paid work and through adequately provided social transfers (pensions, family and child allowances). The latter are particularly important in contexts where care-giving absorbs a significant amount of time.

- ***Creating synergies between social transfers and services***

Pensions and child/family allowances provide resources to facilitate care-giving. They are complementary to, but cannot substitute for, quality and accessible care services. The state has an important role to play in financing, regulating and providing care services. This is increasingly being recognized in the area of childcare. Here, the challenge is to expand coverage ways that reduces class and regional inequalities. Making one or two years of pre-school mandatory can be an effective step in this direction. Policy debates on care for the elderly, on the other hand, often focus on financial issues, such as pensions. Meanwhile, the need for practical support in carrying out daily activities and the demand for long-term physical care, are often neglected. In many countries these are now urgent issues requiring policy attention.

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