



Chronic Poverty
Research Centre

A proposal to introduce social security into the Millennium Development Goals

Paper for discussion at International Symposium on the Right to Social Security in Development Berlin, 19-20 October 2009

The **Chronic Poverty Research Centre (CPRC)** is an international partnership of universities, research institutes and NGOs, with the central aim of creating knowledge that contributes to both the speed and quality of poverty reduction, and a focus on assisting those who are trapped in poverty, particularly in sub-Saharan Africa and South Asia.

Partners:

Bangladesh Institute of Development Studies (BIDS), Bangladesh

Development Initiatives, UK

Development Research and Training, Uganda

Economic Policy Research Center, Uganda

FIDESPRA, Benin

HelpAge International, UK

Indian Institute of Public Administration, India

IED Afrique, Senegal

Institute of Development Studies, UK

Institute for Development Policy and Management, UK

Overseas Development Institute, UK

Programme for Land and Agrarian Studies, South Africa

University of Legon, Ghana

University of Sussex, UK

The structure of the MDGs is coherent and consistent. Their achievement would be greatly enhanced if the underlying vulnerability of poor and deprived people was addressed. This proposal outlines three options for doing so.

Vulnerability prevents poor people from escaping poverty. It brings people into poverty. And it keeps several hundred million people chronically poor. Research by the Chronic Poverty Research Centre (www.chronicpoverty.org) and others has indicated the importance of addressing the vulnerability of the world's poor and not so poor people as a matter of urgency if other development goals are to be met. The recent 2008-9 Chronic Poverty Report 'Escaping Poverty Traps' outlines the importance of social assistance in addressing vulnerability (*see www.chronicpoverty.org/cpra-report-0809.php*).

There are several ways this could be accomplished with the urgency it requires. Development of one or more international funds is one option. The ILO Social Trust is one example, the World Bank's Vulnerability Fund another. Funds are especially needed to cover the set-up costs of social assistance schemes – these can be as much as running a national scheme for three to five years, and cannot be easily afforded in most low income countries. The G8 has in principle committed a large amount of money for social protection.

A second approach is to take the campaign to the national level, where social security is an aspect of the social contract between state and citizen, and must in the medium-long term be financed from tax revenues. Many middle income countries have put social assistance schemes in place since 1995. Many low income countries have more recently established pilot social assistance/cash transfer programmes.

Current social assistance programmes probably reach between 0.75 and 1 billion people in developing countries, on a rough calculation. While some of those reached may not be poor, the proposals below are based on a conservative assumption that at least half of those currently reached are \$1-a-day poor. If there are 1.4 billion poor people, this means roughly 30 percent may already be covered by programmes. The biggest challenge faced now is to move to scale in large countries where there is very little history or tradition of social assistance.

If these two approaches were firmly and universally in place, that might be sufficient. However, given the inadequacy of funding, and the difficult debates at national level, especially about affordability, but also about dependency, a third approach is probably necessary. This is to establish the right to social security as an international Millennium Development Goal or target. This will help trigger both the international funds which are

necessary and support national commitment where that is uncertain. This paper is about this third approach.

The right to social security is arguably as important a right in development terms as the right to water and sanitation. Like water and sanitation, it is also instrumental in achieving other goals. Without it (as without access to clean water or decent sanitation) other goals and targets will be more difficult to meet. Or, put another way, there are many poor people for whom many of the MDG targets are pipedreams: they and their children's chances of participating in them would be greatly enhanced with stronger commitments to social security.

Proponents of social security recognise that economic growth is critical to the achievement of the MDGs, but also that if growth is to be pro-poor then poor people have to have the basic security to take part in the growth process – to save, to accumulate assets, to invest - and to protect their (and their children's) human capital so that they can become more productive. Basic social security is good for poverty reduction and good for growth.

Inserting social assistance into the MDGs

Within social security, it is the provision of social assistance which will make the biggest difference to poor and deprived people. Social security includes social insurance, social assistance and labour market regulation. Social insurance is generally contributory, and existing programs largely exclude informal and low paid workers; labour market regulation covers largely formal sector workers; extension of coverage is very slow. In the context of poverty and vulnerability reduction, social assistance is the key, providing integrated interventions based around a transfer and focusing on persistent poverty and vulnerability. This will enable rapid improvement in many countries' performance on the MDGs as a whole. Social assistance is clear cut and could be defined as 'development programs providing a range of interventions built around a regular and reliable transfer addressing persistent poverty'.

Within the approach and structure of the Millennium Development Goals, there are several ways this could be accomplished.

One is to establish a new goal. A second is to introduce a new target within an existing goal (with the precedent of the new targets of decent work and universal access to reproductive health services in mind). A third is to incorporate a strong commitment in a revised Millennium Declaration, with explicit indicators of progress. We can quickly dismiss the latter, as the Declaration – important as a basic document - has had little operational impact. An MDG indicator would be the least powerful approach – the inequality indicator, for example, has hardly been used, despite widespread acknowledgement of the significance of inequality.

The advantage of having a new goal is that attention will be drawn to the great importance of social security. However, given that social security itself represents a strong means to achieving other goals, it may be felt that it should be a target within one or more of the other goals. It is key not only to MDG1 – both poverty and hunger dimensions; but also to keeping children in school (MDG2), and enabling deprived people to attend health services (MDGs 4, 5, and 6). Given the importance of MDG1, this would be the appropriate place for a new target.

In the specific proposals below, there is an emphasis on protecting children. This is because the evidence of the impact of well designed and well implemented social assistance programmes on children is overwhelming (including the older evidence for countries now developed). And because children are cared for by adults, a wide coverage of adults is also implicitly achieved, including those who are themselves highly disadvantaged. Children are incontestably 'deserving' in all cultures, and there are no issues of adverse effects on employment or savings if children are the focus.

The costs of revenue based social assistance start at one percent of a relatively low GDP – with this, it is possible to design a very basic transfer targeted at pensioners (ILO) or extremely poor people (various schemes). With more, more can be done – two percent funds a child benefit scheme. As GDP increases higher proportions of revenue are devoted to social security. Governments already contribute upwards of 1.5 percent of GDP to existing government pension schemes. These figures are potential indicators of progress.

What the symposium could request

This Symposium could choose to request the UN Secretary General to put in place a process which would generate an appropriate amendment to the MDGs by 2010. This process would need to agree first that it is right to have an MDG target because it is (a) a right in itself, and (b) instrumental to achieving the existing MDGs especially 1-6; second that this would add value to existing efforts to promote social assistance; and third, that specific

social assistance targets set are sufficiently stretching but not impossible.

The options below are at the global level. Countries determine for themselves their specific goals and targets, as for other MDGs, so that the MDGs are in no way a form of conditionality. Social security being a critical aspect of a national social contract, it is very important that the form it takes is left for the process of national dialogue and political debate to resolve.

Option 1 and 2 are alternates; Option 3 could be combined with either 1 or 2.

Option 1 – a new goal

- **Goal** - '50 percent of the world's extreme poor able to access basic social assistance by 2015 and 95 percent of all \$2-a day poor people by 2025'.
- **Targets** – as below in Option 2.

Option 2 – a new target within an existing goal (eg MDG1)

- **Target** - (i) 50 percent¹ of the \$1 a day poor (or children in extreme poor households) able to access nationally appropriate basic social assistance offering at least 20 percent of household consumption by 2015; (ii) 95 percent of all \$2 a day poor² people able to access basic social assistance by 2025'.
- **Indicators** - (i) the share of children in poverty who are beneficiaries of the qualifying programmes or, if it can be measured, the share of children successfully exiting the social assistance programs; and (ii) the share of GDP allocated to social assistance programme expenditure from all sources.

Option 3 – A commitment within a revised Millennium Declaration

This would recognise the importance of social security, and especially social assistance in (i) achieving the MDGs; (ii) addressing the vulnerability of the extreme poor, the impossibility of escaping poverty and improving human capital levels for many without significant social assistance, and (iii) the importance of preventing the descent of more people into extreme poverty through social assistance. It would recommend that the international community continue to work with developing countries to put social assistance programs in place, as exemplified by the Livingstone process in Africa, and the follow up by the Africa Union. It would also recommend that countries develop their own goals, targets and indicators on social assistance.

A set of indicators could be included within the architecture of the goals to monitor progress.

Notes:

¹ This target may be on the low side if the targeting in existing schemes is better than the conservative assumption made here.

² This longer term target acknowledges the importance of preventing entry into extreme poverty; as well as giving priority in the early years to the extreme poor.