Measuring and maximising value for money in social protection systems

(Companion guidance to *Measuring and maximising value for money in social transfer programmes*[1])

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[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/204382/Guidance-value-for-money-social-transfers-25Mar2013.pdf

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List of boxes, tables and figures

Abbreviations

3Es	Economy, efficiency, effectiveness
ASiST	Advisory Service in Social Transfers, European Commission
ASPIRE	Atlas of Social Protection: Indicators of Resilience and Equity
AU	African Union
BCR	Benefit-cost ratio
BPC	*Benefício de Prestação Continuada*, Brazil
CBA	Cost-benefit analysis
CCI	Complementary Community Investment programme, Ethiopia
CCT	Conditional cash transfer
CFI	Chronically food insecure
CFPR	Challenging the Frontiers of Poverty Reduction programme, Bangladesh
CGAP	Consultative Group to Assist the Poor
CGP	Child Grants Programme, Lesotho
CLP	Chars Livelihood Programme, Bangladesh
CMP	Child Money Programme, Mongolia
CODI	Core Diagnostic Instrument (SPIAC-B)
COFOG	Classification of the Functions of Government (GFS)
COMESA	Common Market for Eastern and Southern Africa
CSG	Child Support Grant, South Africa
CSO	Civil society organization
CT-OVC	Cash transfers for orphans and vulnerable children, in Kenya
CTR	Cost-transfer ratio
DCI	Distributional characteristic index
DFID	Department for International Development
DIS	Direct income support
DLI	Disbursement-linked indicator
DLR	Disbursement-linked result
DRM	Disaster Risk Management
ECLAC	Economic Commission for Latin America and the Caribbean
EIRR	Economic internal rate of return
ESP	Expanding Social Protection programme, Uganda
EU	European Union
EVH	Extremely Vulnerable Households, Uganda
FAO	Food and Agriculture Organization
FGM	Female genital mutilation
FSP	Food Security Programme, Ethiopia
GBV	Gender-based violence
GDP	Gross domestic product
GFS	Government Finance Statistics (IMF)
GoU	Government of Uganda
GTP	Growth and Transformation Plan, Ethiopia
HABP	Household Asset Building Programme, Ethiopia

HIES	Household income and expenditure survey
HRD	Humanitarian Requirements Document, Ethiopia
HSNP	Hunger Safety Nets Programme, Kenya
IDP	Internally displaced person
IFI	International financial institution
ILO	International Labour Organization
IMF	International Monetary Fund
IMIS	Integrated management information system
LEAP	Livelihood Empowerment against Poverty programme, Ghana
LIC	Low income country
LRA	Lord's Resistance Army, Uganda
LSMS	Living standards measurement survey
M&E	Monitoring and evaluation
MDAs	Ministries, departments and agencies
MDG	Millennium Development Goal
MFPED	Ministry of Finance, Planning and Economic Development, Uganda
MGLSD	Ministry of Gender, Labour and Social Development, Uganda
MIC	Middle income country
MIS	Management information system
MSD	Ministry of Social Development, Lesotho
NDP	National Development Plan
NGO	Non-governmental organization
NHIF	National Health Insurance Fund
NISSA	National Information System for Social Assistance, Lesotho
NPV	Net present value
NSNP	National Safety Nets Programme, Kenya
NSPP	National Social Protection Policy, Ethiopia/Kenya
NSPS	National Social Protection Strategy, Lesotho
NSSF	National Social Security Fund
OAP	Old age pension
OECD	Organization for Economic Cooperation and Development
OPCT	Older Persons Cash Transfer, Kenya
OVC	Orphans and vulnerable children
PFND	Policy Formulation and National Dialogue tool (SPIAC-B)
PfR	Program-for-Results instrument, World Bank
PMT	Proxy means test
Progresa	Programa Nacional de Educación, Salud y Alimentación (National Education, Health and Nutrition Programme), conditional cash transfer programme in Mexico now known as Oportunidades
PSNP	Productive Safety Net Programme, Ethiopia
PSP	Payments service provider
PSR	*Previdência Social Rural*, Brazil
PV	Present value
PWP	Public works programme
PWSD-CT	Persons with Severe Disability Cash Transfer, Kenya

RFM	Risk Financing Mechanism, Ethiopia
SACU	Southern African Customs Union
SADC	Southern Africa Development Community
SAGE	Social Assistance Grants for Empowerment, Uganda
SASSA	South African Social Security Agency
SCG	Senior Citizens' Grant, Uganda
SPIAC-B	Social Protection Interagency Cooperation Board
SSI	Social Security Inquiry, ILO
TCTR	Total cost-transfer ratio
UDB	Unified database, Indonesia
UFS-CT	Urban Food Subsidy Cash Transfer, Kenya
USAID	United States Agency for International Development
VAT	Value added tax
VFG	Vulnerable Families Grant
VfM	Value for money
WASH	Water, sanitation and hygiene
WB	World Bank
WFP	World Food Programme

How to use this guidance

Analysing the value for money of social protection systems is still, arguably, a **relatively new area**, and as a result this guidance necessarily includes some detailed discussion of concepts and approaches. Readers wishing to avoid some of that detail should concentrate on the **executive summary** and **checklist** below, and only use the **hyperlinks**[2] within the checklist when looking at specific areas in more detail.

Inevitably, different contexts will require different approaches, and data gaps will be common. Readers are advised to adopt a dose of **realism and proportionality in applying the guidance**. At one extreme it may allow a thorough analysis of the returns from a country's social protection system, at the other it may at least allow some initial thinking on making programme design more strategic.

This guidance is intended for **all who are interested in analysing the value for money of social protection systems**, whether in governments, multilateral organizations, donors, civil society, academia or elsewhere. The **geographical focus** is developing countries generally, including both low income contexts and middle income contexts such as Brazil, South Africa and Indonesia, which are the focus of most, though not all, of the case studies.

The guidance is a **companion** to *Measuring and maximising value for money in social transfer programmes*, with a focus on social protection systems rather than social transfer programmes.

Connection to wider work on social protection systems

Although analysing the value for money of social protection systems is relatively new, this guidance does not exist in isolation. There are **important connections** to on-going work being carried out elsewhere.

Perhaps the most important connection is with the development of the **Inter-Agency Social Protection Assessment (ISPA) Tools**.[3] This is a significant international collaboration, overseen by the Social Protection Interagency Cooperation Board.[4] The purpose of the ISPA tools under development and being tested in country contexts is to support governments to develop social protection systems.

ISPA tools address many of the issues raised in this guidance, for example summarising current provision and analysing gaps, and recording costs. It may be important to consult ISPA tools when addressing many of the issues set out in the checklist, though the tools are still under development and the needs in different contexts will inevitably vary.

But some **value for money issues remain outstanding**, in particular some of the detail of how to analyse cost efficiency and cost effectiveness, which is where it is hoped this guidance fits in. It is the intention that in time this guidance can be permanently integrated into the ISPA suite of tools.

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2 Throughout the document, cross-references are provided as hyperlinks to facilitate on-screen navigation between sections. With the cursor over the hyperlink text use Ctrl+Click to follow the link, and Alt+Left Arrow to return.

3 http://www.worldbank.org/en/topic/socialprotectionlabor/brief/inter-agency-social-protection-assessment-tools

4 http://www.ilo.org/newyork/issues-at-work/social-protection/social-protection-inter-agency-cooperation-board/lang--en/index.htm

What this guidance does not cover

This guidance is **not a comprehensive step-by-step manual** with instructions on *all* aspects of measuring and maximising value for money in social protection systems. Rather, it is a first attempt at setting out some of the evolving quantitative techniques and measures for assessing system effectiveness and cost-effectiveness, especially in addressing poverty and inequality. It then looks at more qualitative issues that need to be taken into account if social protection systems are to yield good value for money as they develop into the longer term.

Inevitably, **a number of important areas deserve to be covered in more depth** than was possible in this edition. These include the role of social protection systems in structural economic transformations and labour markets, determinants of value for money in social insurance programmes and their links with social assistance; approaches to institution building for more cost-effective coordination of social protection systems; analysis of tax incidence and fiscal space and financing for social protection. Hopefully will be possible to address some of these gaps in a future edition of this guidance, or as this guidance is integrated into the new Inter-Agency Social Protection Assessment (ISPA) Tools. More space could also be devoted, given more time in future iterations, to practical methods for aggregating quantitative and qualitative information on value for money across different system components and different time horizons.

Please send your comments and requests

It is hoped **this guidance will be revised** to take on board issues arising as experience of analysing the value for money of social protection systems grows, and in time it is hoped it will be incorporated into the Inter-Agency Social Protection Assessment Tools. Feedback from users, on its strengths and its weaknesses, gaps and inaccuracies, and scope for improvement through new ideas and examples, will be a key part of this process. Please send your comments to Matthew Greenslade (m-greenslade@dfid.gov.uk) in the Social Protection Team, Policy and Research Division, DFID. Matthew Greenslade can also assist readers in finding documentation which is cited in this guidance but not available on DFID's external website.

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Executive summary

Why this new guidance?

1. This companion guide to DFID's *Measuring and maximising value for money in social transfer programmes* (2nd edition, April 2013) broadens the focus **from social transfer programmes to national social protection systems**. Similar principles apply at both levels, but the assessment is more complex for systems as they have multiple objectives, multiple sectors, many actors and institutions, and different 'client' groups.

2. It aims, *inter alia*, to contribute to the work of the Social Protection Inter-Agency Cooperation Board (SPIAC-B) by providing a value for money (VfM) perspective on social protection system development that can be incorporated into Inter-Agency Social Protection Assessment Tools including the Core Systems Diagnostic Instrument (CODI) and the Evidence-Based Social Protection Policy Formulation and National Dialogue (PFND) tool.

What are social protection systems?

Functions, components and objectives

3. A **'social protection system'** is a country's set of SP policies and programmes, along with the administrative infrastructure for delivering them, measuring performance and adapting design and delivery processes accordingly. It should deliver three **core functions** for individuals and households: protection of a minimum standard of living; prevention of deprivation through increasing resilience to shocks; and the promotion of sustainable livelihood improvements. At a societal level, it may aim at transformation towards greater equity, including gender equity, reduced exclusion and the realization of the human right to social security.

4. Common **social protection system components** are social assistance (non-contributory transfers in cash or kind to individuals or households in need), social insurance (contributory schemes providing compensatory support in the event of contingencies such as illness, injury, disability, death of a spouse or parent, unemployment and old age), and social care services for those, including women and girls, facing social risks such as violence, abuse, exploitation, discrimination and social exclusion. Less commonly included are labour policies relating to international standards for decent work/employment, humanitarian assistance in emergencies, and indirect transfers in the form of subsidies for essential goods and services.

5. **Social protection system objectives** may include direct, short-term relief from deprivation, boosting short-term productive capacity of the poor, improving nutrition and access to health & education services, reducing vulnerability to shocks, risk sharing and consumption smoothing, protection against key lifecycle risks, reducing income inequality through redistribution, strengthening social cohesion, reinforcing a rights-based 'social contract' between government and citizens and improving labour market participation among other objectives.

Measuring expenditure on social protection systems

6. **This is not straightforward.** The IMF's Government Finance Statistics (GFS) Manual uses two methods: **economic classification** covering direct transfers only, and **functional classification** based on the UN Classification of the Functions of Government (COFOG) covering transfers plus social protection services, including policy and research. COFOG is more relevant to VfM analysis. Other sources are the World Bank's *State of Social Safety Nets*, and the ILO *World Social Protection Report*. But unrecorded expenditure is often significant, especially for off-budget donor-funded schemes.

Analysing system cost-efficiency

7. **Cost-efficiency** for social protection systems is about ensuring that planned outputs of the right quality are produced at the lowest possible cost. There are data challenges around costs, valuing transfers/services, and coverage. Scheme-level metrics are relevant at system level including total cost-transfer ratio (TCTR – ratio of total costs to value of transfers at delivery), unit costs per recipient or household and direct delivery cost as % of transfers. For example, TCTR can be aggregated across multiple transfer schemes, though it is not applicable to whole social protection systems which will include areas such as services to individuals and households and policy development and research, amongst other things. An approach combining quantitative and qualitative indicators is likely to be required. One would expect economies of scale through shared management and better coherence at system level, but this depends on the integrity of institutional arrangements for system coordination.

Analysing system cost-effectiveness

Reducing extreme poverty and inequality

8. **Cost-effectiveness** is about achieving system outcomes and impacts at the lowest possible cost. The focus in low-income countries is most often on cost-effectiveness in reducing extreme poverty and inequality, but a broader and longer term concern with building systems which extend social security to all can be equally important.

9. (Extreme) **poverty reduction** tends to dominate the social protection discourse in lower income contexts, with a focus on the unit cost of monetary poverty reduction, for example the cost in terms of % of GDP per 1% reduction in poverty incidence or (often more usefully) the poverty gap. Data from national household surveys can be used in *ex-post* analysis (if surveys identify social protection benefits) or in *ex-ante* micro-simulation of the impacts on income and consumption. Such analysis usually takes no account of impacts on individual productivity, behavioural effects and social and longer-term development impacts, which can be relevant to the VfM calculation (if hard to estimate). It is also sensitive to where poverty lines are set, which can be somewhat arbitrary and even misleading.

10. In terms of **inequality**, distributional impacts of social protection benefits can be assessed through benefit incidence analysis to show whether benefits are absolutely redistributive (accrue more to the poor than the rich), relatively redistributive (skewed towards the rich but less so than overall income), regressive or neutral. Social assistance tends to be more redistributive than social insurance. Indicators of the cost effectiveness of reducing inequality include the cost per 1% reduction in the Gini coefficient. Weighting benefits going to poorer people more highly than those going to rich people, because of the greater impact on welfare, can also be used in estimating system outcomes, though weights are generally hard to estimate.

11. Analysing **social protection and taxation** together allows a scrutiny of the net distributional impact of social protection benefits and subsidies on the one hand, and indirect taxes, social insurance contributions and service user fees on the other. This impact tends to be much lower in low income countries, due to both low social protection coverage and benefit levels and tax regimes that tend to be dominated by relatively regressive consumption taxes.

Beyond extreme poverty and inequality

12. Extreme poverty and inequality are only part of the context for social protection. Much of the population in low-income countries is clustered close to the poverty line: either already in poverty or vulnerable to falling into poverty with a moderate or severe shock, with significant ‘churning’ of households across the poverty line over time. **Lifecycle-related vulnerabilities** associated with maternity, childhood, unemployment, disability, sickness and old age affect all sections of society. Arguably, an effective social protection system will

ultimately be one which guarantees a minimum standard of living across all these contingences, as set out the ILO Social Protection Floor Recommendation (No. 202 of 2012). Depending on the specifics of system and programme design, there may be a trade-off between addressing life-cycle related vulnerabilities and poverty and inequality objectives. Costs of targeting and the sustainability of system design (including the fit with long term government objectives) need to be included in the VfM of system options.

13. Few low or middle income countries have systems that address lifecycle-related vulnerabilities as yet, although many are developing the necessary strategic frameworks. Strategies need to chart system components and coordination mechanisms to meet system goals, but also **revenue generation capacities** to enable the necessary financing.

Critical drivers of system VfM

Policy and programmatic coherence

14. **Policy and programmatic coherence** is key to maximising the VfM of a system approach to social protection. Comparison of both the aggregate programme portfolio and the legal, policy and governance framework with the profile of poverty, vulnerability and exclusion, and international benchmarks, enables system level gaps, overlaps and critical weaknesses to be identified. *Detailed guidelines for a government-led assessment in each of these areas are currently under development in the Core Systems Diagnostic Instrument (CODI) and the Evidence-Based Social Protection Policy Formulation and National Dialogue (PFND) tool being developed as part of the Inter-Agency Social Protection Assessment Tools by* the *Social Protection Inter-Agency Cooperation Board (SPIAC-B)*

15. Looking at policy and programmatic coherence involves the analysis of:

- **poverty and vulnerability** and how this is changing over time, based on data from surveys and ad hoc studies;
- the **legal framework**: recognition of international conventions and recommendations (e.g. on right to social security, rights of the child or social protection floor); constitutional rights and obligations;
- the **policy context** including national policy frameworks, 'visions', development plans and strategies for social protection;
- **'governance'**: institutional architecture, coordination and M&E mechanisms, information systems and public financial management standards;
- **existing social protection provision** by type, covering design parameters, costs and financing, and outcome and impact indicators;
- **gaps between needs and provision** and in the legal/policy/governance framework;
- feasible **options for improving system coherence and coverage**.

Implementation systems

16. **Implementation systems** determine the VfM that can be derived from the way social protection system components operate. Single registries shared between programmes, and integrated management information systems spanning programmes and linked to electronic payments delivery systems, offer the potential for VfM as well as financial inclusion dividends. Key requisites are a supportive policy environment, an effective national ID system, sufficiently well trained staff at all levels, sufficiently high capacity ICT and extensive internet coverage. Ensuring confidentiality of private information, data security and prevention of information abuse is unlikely to be cost-free, but is fundamental to safeguarding dignity within the system.

'Graduation'

17. Integrating social protection systems with wider livelihoods support and opportunities for those able to work can, potentially, 'graduate' beneficiaries into sustainably more productive livelihoods, help to meet social protection objectives and reduce long term system costs. One model which originated in Bangladesh focuses on the extreme poor, combines cash transfers with asset transfers, helps with saving, and provides intensive training and other forms of livelihood support. An alternative model is Ethiopia's Productive Safety Net Programme which combines food and cash for work with transfers for households without labour, as well as providing additional support through other programmes. Despite uncertainty about the criteria for judging successful 'graduation', there is evidence of positive impacts on incomes and consumption, assets, savings, food security and empowerment, at least for some beneficiaries in some areas. But pressure for rapid and graduation to reduce social protection caseloads can lead to the premature exit of beneficiaries. The emerging consensus is that **graduation programmes of the Bangladesh model work best when they are in addition to, but are not expected to substitute for, wider social protection provision**.

Politics, institutions and the role of donors

18. **The policy discourse on social protection tends to be largely technocratic**, often overlooking political influences which might act as drivers or blockers of progress. Political analysis can reveal important insights into governments' and other actors' priorities for and appropriate sequencing of social protection system development.

19. Democratic elections and a greater international focus on poverty have led to stronger **national political constituencies** for inclusive social protection, although coordination and coherence are complicated by multiple formal and informal institutions and actors competing for resources. Social protection systems that have strong buy-in from governments and the public at large will be better managed and financed and more sustainable. Systems rooted in legislation with unambiguous selection criteria, electronic delivery systems and effective appeals and wider accountability procedures are less susceptible to patronage and corruption.

20. **Donors** have played a key role, but with differing visions and approaches. A growing emphasis on social protection systems may force a reappraisal of donor roles, perhaps replacing relatively short term parallel financing and support to programmes with longer term, more coordinated and harmonised support for systems.

Social contracts and the politics of social protection financing

21. The **'social contract'** is often used to explain the politics of taxation whereby citizens consent to pay taxes to the state in exchange for representation, accountability, services and social security benefits. One interpretation of this is that raising the requisite revenues will be possible only with broad political support based on inclusive rights to social protection benefits.

22. The likely mismatch between those who most need benefits (the poorest, women and girls, people with disabilities, children and the elderly) and those who contribute most in taxes highlights, arguably, the need for inclusive social protection systems that build a sense of solidarity with rather than isolate and stigmatise the poor. This line of reasoning maintains that once popular support for an inclusive social protection system is established, raising taxes to sustain the requisite level of spending becomes politically sustainable, provided that citizens are satisfied that financing and spending is efficient, effective, equitable and accountable.

Checklist for analysing VfM in social protection systems

<u>Note</u>: for each part of the check list below, particularly parts A to C, the Inter-Agency Assessment Tools mentioned under 'Connection to wider work on social protection systems' may be particularly useful for gathering information.

A. Diagnostic of social protection needs (p. 30)

1. Summarise available evidence on levels and trends in national **poverty** profile/dynamics, **inequality** and **key vulnerabilities and social risks** including:
   a) poverty incidence and gap at alternative poverty lines (e.g. 1 and 2 times the official poverty line);
   b) movements into and out of poverty over time;
   c) Gini coefficient;
   d) vulnerabilities related to contingencies/life-cycle factors, shocks, social exclusion/discrimination, conflict, criminality, lack of access to services etc..

B. Current and proposed social protection provision (pp. 30 – 36)

1. Specify national **legal context, policy objectives and strategy goals** for the social protection sector, and institutional responsibilities.
2. Set out **components** of the existing social protection system (social assistance, social insurance, social care services, labour market programmes) and **main constituent programmes** (existing and planned), including mandatory vs. voluntary, contributory vs. non-contributory, their coverage of eligible population groups (distinguishing between legal and effective coverage and between contributors acquiring entitlements and those actually receiving benefits); and the value/quality of the benefits/services they provide.

C. Costs and cost efficiency (pp. 11 – 13)

1. Analyse trends (both current and proposed as appropriate) in **public expenditure on social protection**, as a percentage of GDP and total Government expenditure, and its distribution across components and programmes and benefit incidence. Where possible disaggregate costs by type (especially transfers vs. administrative costs).
2. Assess effective **coverage** by component and eligible group.
3. Assess **aggregate cost-efficiency metrics** by component and eligible group, e.g. cost per beneficiary or household, and (for social transfers) total cost-transfer ratio and unit cost of final delivery of transfers from central level to beneficiaries.

D. Cost-effectiveness (pp. 14 – 28)

1. Assemble available evidence on **system impacts** (*ex post/ex ante*) – both current and proposed (if appropriate) – in relation to poverty profile and vulnerabilities and risks identified above.
2. Identify and assess the most useful cost-effectiveness **metrics and indicators** for the system as a whole and for each component, which may include:
   a) adequacy of transfers per direct recipient and wider beneficiary (% of household consumption for eligible groups, % of GDP per capita, % of poverty line);
   b) cost-effectiveness ratio: cost in % of GDP per percentage point reduction in poverty incidence, poverty gap and Gini coefficient;

c) aggregate distributional impact ;

d) cost-effectiveness metrics relating to other social protection objectives, e.g. access to labour markets, investment in income-generating activities, human development goals such as reduction of under-nutrition or improvement in school completion;

e) impacts on key vulnerabilities for eligible groups (e.g. women and girls, people with disabilities, older people, children etc): a combination of quantitative (where possible) and qualitative indicators;

f) consider cost-benefit analysis for major programme groups, where impacts can be captured in terms of quantified and monetised benefits (e.g. value of transfers, distributional benefits, multiplier effects, welfare effects on health & nutrition, household productivity benefits, longer-term improvements in earnings potential of children).

3. **Analyse drivers of system VfM** with respect to system design and delivery parameters and performance attributes, including system gaps and overlaps, coherence and coordination across institutions, achievement of national policy objectives, and core social protection functions (equity, resilience, opportunity).

   a) Assess *policy and programme coherence* (p. 29) in addressing the needs elaborated under A. above, and identify gaps and feasible options for improving system coherence, paying particular attention to dynamic developments in cost-effectiveness as systems evolve.

   b) Review *system coverage* (p. 40) of social groups in need and assess its adequacy using coverage metrics for the population at large, the eligible population and where possible the population who are poor or vulnerable to poverty (living within, say, 1.5 or 2 times the poverty line) or belong to particularly marginalised groups.

   c) Review *implementation systems* (p. 40) including registration and management information systems and payments delivery systems and explore the scope for improving performance and VfM through sharing across programmes and through better coordination.

   d) With respect to programmes for the working age population, examine *livelihood support mechanisms* (p. 45) to ensure that these provide sustainable pathways out of poverty in addition to, but not as an alternative to or as a means of limiting coverage of, social security programmes.

   e) Analyse the *politics of social protection* (p. 48) within the national context, including institutions and their interrelationships and the role of donors, and assess the implications for system VfM and the scope for social protection to exert a positive influence on the political context itself.

1. Introduction

1.1 Why focus on value for money in social protection systems?

23. **An increasing global focus on social protection systems, as opposed to programmes, has made it necessary to look at the value for money of social protection systems.** This guidance note is a companion to guidance prepared in April 2013 for the UK Department of International Development (DFID) on *Measuring and maximising value for money in social transfer programmes* (White *et al.* 2013). The initial guidance was limited not only to one branch of social protection (non-contributory social transfers or social assistance), but to individual programmes. Yet governments need to take a broader view and know how to analyse and, if necessary, improve their social protection systems as a whole. Could they achieve their social protection objectives in a more cost-efficient and cost-effective way?

24. There is a growing global interest in the quality of social protection systems, reflected in the efforts of many governments to establish coordination mechanisms between individual programmes to counter risks of fragmentation and duplication, and of some donors to go beyond supporting programmes to help strengthen national systems. The Social Protection Interagency Cooperation Board (SPIAC-B), which brings together the main international agencies providing technical and financial assistance for social protection in developing countries, has spearheaded this shift in focus, commissioning a series of Inter-Agency Social Protection Assessment Tools, including a 'Core Diagnostic Instrument' (CODI) and complementary evidence-based social protection Policy Formulation and National Dialogue (PFND) tool, to assess the performance of national social protection systems in a comprehensive, holistic manner (SPIAC-B, 2014).

25. From this perspective, a fundamental question to ask is whether a country's social protection system provides good 'value for money' (VfM). In other words, does a country spend the resources allocated for social protection in a way that maximises the achievement of its social protection objectives? Is the resource allocation appropriate for meeting those objectives and if not how should it be changed? What 'value' does the social protection system provide in serving wider objectives (e.g. 'nation-building', social cohesion and enhancing resilience to environmental and macro-economic shocks)?

26. VfM analysis of a national social protection system can help a government think through whether and how it might improve this system. For example, does the country put resources into the right mix of social protection programmes, or have an appropriate balance between social assistance and social insurance given the nature of informal and formal labour markets and capacities of prospective participants to contribute? Or would adjustments improve the achievement of the country's social protection objectives? In countries where social protection systems need to be built up almost from scratch, governments need to consider what the portfolio of programmes (or even a single initial flagship programme) should be.

Structure of this guidance

27. **This guidance looks at concepts of value for money for social protection systems, cost-efficiency, cost-effectiveness and key value for money drivers.** In the rest of this chapter, before getting into the meat of the subject matter, we briefly review VfM concepts, and discuss what is meant by 'social protection systems' and expenditure on them. **Chapter 2** discusses how to measure and improve cost-efficiency at this operational level in social protection systems. At the level of operational efficiency of delivering social protection

programmes, could efficiency gains be made, across a country's social protection system as a whole or across branches of it, so that social protection 'outputs' (resource transfers and services) are delivered at the lowest possible cost without adversely affecting quality?

28. Broader system issues concern the cost-effectiveness of the system as it matures. Will allocated resources be sufficient to enable the system to evolve towards its public policy objectives at national level, given the need for up-front investment in necessary institution-building and the prospect of economies of scale as the system expands? Are the strategy and implementation plans for system development likely to make best use of resources over the longer term? **Chapter 3** of this note, on the cost-effectiveness of social protection systems, discusses some of the methods available for answering these questions.

29. **Chapter 4** then turns in more detail to the specific factors that commonly affect the cost-effectiveness and cost-efficiency of social protection systems. It focuses in particular on issues such as policy coherence (and the role of national social protection strategies), the institutional framework for social protection (including coordination among the frequently numerous actors involved in its financing and delivery), and operational functions such as the targeting and enrolment of beneficiaries, information management, payment/delivery systems, referral/intermediation mechanisms and enforcement/monitoring and evaluation systems. We also look at deeper 'drivers' of VfM at the political economy level: the interests, incentives and capacity of the different actors involved, including not only national governments but also, in the poorer countries, donors.

30. Throughout the text, we provide regional data and country examples. We focus mainly on low-income and lower middle-income countries. However, we also take advantage of the wealth of information from upper middle-income and high-income countries, where the analytical methods discussed in this note have been more widely used and have generated more extensive evidence.

1.2 Applying VfM analysis to social protection systems: concepts, methods and challenges

31. **Value for money analysis for social protection systems applies the same essential concepts as for social protection programmes.** Here we briefly recall the conceptual framework for VfM analysis presented in the earlier guidance on VfM in individual social transfer programmes (White *et al.* 2013), and adapt it to a wider system perspective. As that earlier guidance indicated, VfM can best be understood in terms of the results chain. From a system perspective, the results chain shows how money (budget allocations and social insurance contributions) is converted into inputs, which in turn generate activities (or 'processes'), produce outputs (the specific, direct deliverables of a system, such as pensions, child allowances and social care services) and finally result in outcomes (changes in social or economic well-being) and impacts (related to the longer-term, higher level goals of the system and its branches).

32. VfM at a system level therefore depends critically on two things: first, the objectives of the system and thus the nature of the outcomes and impacts it aspires to achieve and second, the validity of the causality embedded in the 'logic' of the results chain. Both of these are far more complex at the system than programme level. In particular, it is important to bear in mind that social protection systems usually have multiple objectives, reflecting the different functions that these systems and their branches and constituent programmes are expected to perform.

33. VfM can be assessed at different points in the chain. There are basically three levels of VfM analysis, corresponding to the '3Es' of economy, efficiency and effectiveness, as illustrated in Figure 1.

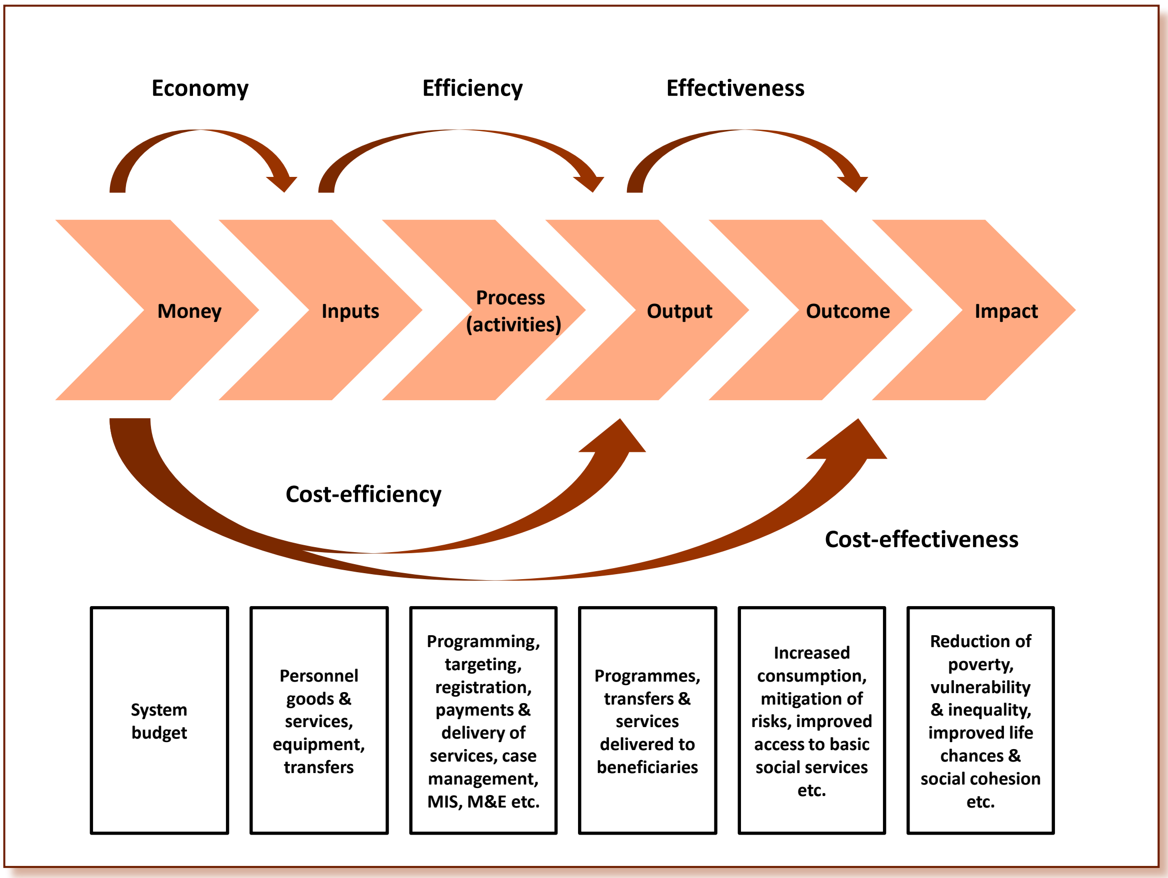
34. ***Economy*** is about the price at which inputs (personnel, goods and services, and capital equipment) are purchased. Economy issues are more important at the level of individual programmes or concern wider procurement and human resource administration systems, usually going beyond social protection, and so will not be discussed specifically in this note.

35. ***Efficiency*** at the system level concerns the conversion of inputs into system outputs, such as transfers and services delivered to beneficiaries. Analysis of system ***cost-efficiency*** goes beyond this to focus on the relationship between costs (expenditure) and the system's outputs.

36. ***Effectiveness*** concerns the extent to which the system's outputs, such as transfer payments made and services delivered, are converted into the outcomes and impacts that the system aims to achieve. As noted above, the latter are related to the system's objectives and basic functions, which will be discussed in Section 1.3. ***Cost-effectiveness*** analysis measures the cost of achieving the system's intended outcomes and impacts, usually by calculating a simple cost-effectiveness ratio. An example would be the ratio of public expenditure on the social protection system to the reduction in the poverty gap attributable to the system. This is often an *ex post* analysis of the cost-effectiveness of the existing system, but it can also be an *ex ante* analysis of possible reforms in the system, including alternative portfolios of programmes.

37. ***Cost-benefit analysis (CBA)*** is a form of cost-effectiveness analysis that uses common money-denominated metrics to quantify and aggregate the different types of benefits and compare them with their costs. CBA usually tries to quantify and value all costs and benefits resulting from an intervention, relative to a counterfactual scenario of those that would otherwise have accrued, over the full time horizon for which these costs and benefits

Figure 1: Applying the 3Es framework to analysing VfM in social protection systems



are expected to remain significant. Cost and benefit flows over time are then discounted to their present value and summed, so that they can be compared in terms of their **net present value (NPV)** and/or **benefit-cost ratio (BCR)**. Doing this even for individual social protection programmes faces significant challenges of both quantification and valuation of costs and benefits, given the paucity or absence of relevant national data from longitudinal studies in most countries, and tends to become heavily assumption-dependent. The exercise is nevertheless considered useful by some donors and governments because it identifies the key assumptions on which the economic justification for an intervention depends, and examines the effect of varying those assumptions within plausible limits. For whole social protection systems, given their multiple functions, objectives, branches and programmes, and data constraints, these challenges and the assumptions that need to be made can be expected to multiply several-fold, calling into question the feasibility of undertaking a credible cost-benefit analysis. No discussion of the methods for or merits and pitfalls of applying CBA at the level of social protection systems appears in the literature, and in this guidance note we therefore largely restrict our review of methods to more simple cost-effectiveness analysis. However, a recent example of CBA being applied to alternative combinations of social protection programmes is outlined in Section 3.4.

1.3 What are 'social protection systems'?

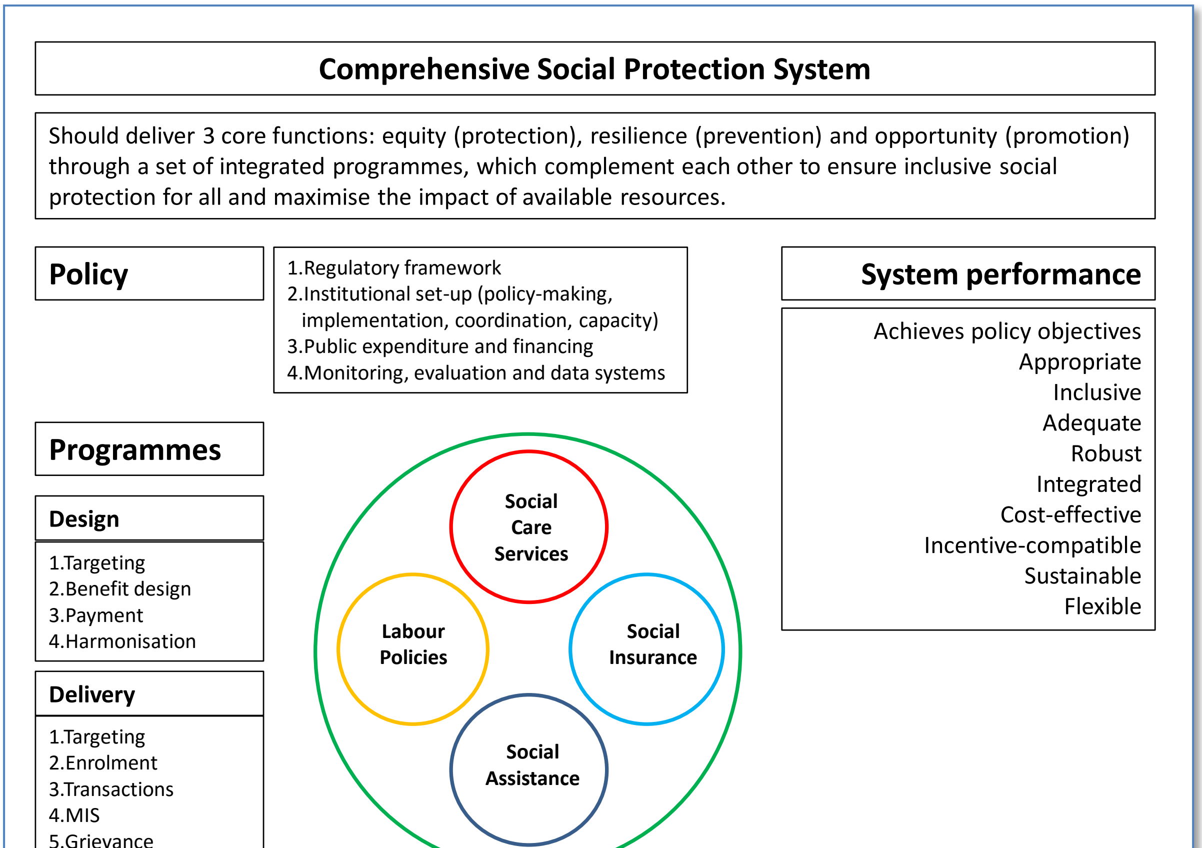
38. **By social protection systems we mean a country's set of social protection policies and programmes, along with the administrative infrastructure for delivering them, measuring performance and adapting design and delivery processes accordingly**. That begs the question as to what social protection is. There is no universally accepted definition of social protection. Many international development agencies have their own definitions, or interpretations, which partially overlap and partially diverge from one another.[5]

39. We do not propose to linger on this issue and propose our own definition. It is perhaps more fruitful to identify the common ground and then take note of some areas of divergence. Generally speaking, social protection should deliver three core functions (the "three Ps") at the level of individuals and households: **protection** of a minimum level of consumption or wellbeing, especially in terms of providing relief from deprivation for the poor; **prevention** of deprivation through increasing the resilience of the poor and non-poor to shocks; and the **promotion** of enhanced incomes and capabilities through opportunities for sustainably improving livelihoods. A fourth element can be added at the societal level, of **transformation**, whereby social protection addresses concerns of social equity and exclusion, including exclusion of women and girls, people with disabilities and certain ethnic groups, so that beneficiaries see a lasting change in their social and economic relations with the wider world (Guhan, 1994; Devereux & Sabates-Wheeler, 2004). Further functions might include smoothing/facilitating structural economic transformations, promoting risk-taking and entrepreneurship, stabilizing aggregate demand and, more normatively, helping to allow all members of society a life in dignity and realization of their human right to social security.

40. A social protection system should do this through a set of integrated programmes, which complement each other to ensure inclusive social protection for all and maximise the impact of available resources. Figure 2 is one attempt to capture the elements of a social protection system, including policy, administrative and performance management elements.

[5] An annotated summary of agency definitions of social protection is provided by Hinds (2014).

Figure 2: Key features of a social protection system



Source: H. Kindness, DFID, 2014, adapted from Inter-agency Social Protection Assessment tools.

Common components of social protection systems

41. **Social assistance** consists of transfers, in cash or in kind, to households and individuals in need, and is non-contributory in nature and financed mainly by general taxation and, in some poorer countries, by aid from donors. Depending on programme design, it can serve all three of the functions mentioned above – 'protection', 'prevention' and 'promotion'.

42. In addition to providing protection from poverty and its consequences, social assistance has evolved to take on some of the preventive risk-management functions of social protection. For example, tax-financed, non-contributory old age and disability pensions provide compensation for the loss of income and other disadvantages associated with old age and disability. Increasingly social assistance has also sought to play a promotional role and reduce the vulnerability of households and individuals (or build their capacity) in a sustainable way. Social transfers have come to be seen as a mechanism to enable the poor to begin building up savings, improve their productivity and, through improved nutrition and access to essential social services, build up their human capital (particularly that of their children). This can be important in supporting the economic empowerment of women and girls and economic empowerment more generally, as part of a wider poverty reduction strategy, and in strengthening resilience to future shocks.

43. Social assistance has emerged as a critical mechanism for poverty reduction, particularly in developing countries, and also, through its redistributive function, for the reduction of inequality including gender inequality. Through these functions, it may indirectly contribute to improved social cohesion, which is often an important goal in highly divided societies, including those affected by, recovering from or at risk of conflict.

44. **Social insurance** is the contributory branch of social protection, which while also serving protection and promotion objectives is most often associated with prevention. By pooling contributions and risk and smoothing income, social insurance reduces individual vulnerability to the loss of income resulting from contingencies such as illness, injury, disability, death (of a spouse or parent), unemployment and old age, as codified in ILO Convention 102. This type of social protection is compensatory in nature and, in the case of pensions, redistributive between generations. Many contributory systems contain solidarity elements that also contribute to redistribution between different levels of incomes (e.g. minimum pension levels, recognition of periods without contributions due to fulfilling care-obligations in the family, unemployment etc.). Social health insurance provides protection against 'lumpy' health-related costs (and so-called 'catastrophic' health expenditure) and so helps to ensure access to health services, while contribution rates determined as a percentage of salary also means that the better off contribute relatively more.

45. Most social insurance systems are employment-based and financed through contributions from both employers and employees, although they are often also subsidised by governments. In developing countries, where there is a high degree of informality in the economy, social insurance systems tend to be narrow in population coverage, enrolling and benefiting only those employed in the formal sector and their families, and therefore excluding the vast majority of the poor. Some developing countries are attempting to expand the coverage of social insurance. Ghana and Rwanda provide rare examples of African countries that have successfully established national health insurance systems with relatively wide population coverage. In Indonesia, the Government adopted legislation in 2014 to expand health and employment insurance programmes to the informal sector. In Brazil, social insurance for rural workers is being subsidised, and in countries such as South Africa and Uruguay there are initiatives to simplify social insurance for domestic workers and the self-employed.[6] In general, however, attempts to expand social insurance have been hindered by the low contributory capacity (and irregular earnings) of informal sector workers and the difficulty/impossibility of mobilising employer contributions, the lack of an insurance 'culture' in this part of the population, and the administrative difficulties of collecting contributions from atomised workers in the informal economy, where deduction from wages at source is impossible.

46. More broadly, social assistance and any government subsidies for social insurance together provide key pillars of a rights-based 'social contract' whereby governments secure a political mandate to raise tax revenue to provide social protection benefits to those at risk of a substantial reduction in their standard of living at particular times in the life cycle (pregnancy and childbirth, childhood and adolescence, sickness and disability, and old age), and to the chronically extreme poor – as well as providing a range of other services across different parts of national and local government.

47. While there is a good deal of consensus about the purpose and functions of both social insurance and social assistance, which are indisputably core parts of a social protection system, there are differing views about what else such a system includes, or where the boundaries of social protection lie.

Components of systems for which there is less consensus

48. A first issue concerns the inclusion or exclusion of **humanitarian assistance**, or emergency relief, as social protection. The fact that this is assistance to households and individuals in situations of often-extreme vulnerability, usually as a consequence of major covariant shocks (wars or natural disasters), means that humanitarian assistance has much

[6] *Extending Social Security Coverage to the Informal Economy*, ILO. http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_policy/documents/publication/wcms_210466.pdf

in common with social assistance. Others have argued (see, for example, Ellis *et al.*, 2008) that, because it is purely reactive and sometimes short-term, humanitarian assistance is fundamentally different from social assistance, which, as a gold standard, involves long-term, predictable transfers. In practice, it is sometimes very difficult to draw a clear line of demarcation, particularly when humanitarian assistance evolves into more developmental forms, for example in post-conflict countries transitioning out of emergencies.

49. A second issue is whether or not social protection includes **indirect transfers**. Social assistance essentially consists of direct transfers to households and individuals. But indirect transfers or subsidies might also perform a social protection function by helping to ensure access to essential goods and services. While price subsidies have been widely criticised, because of their often regressive nature, the subsidised or free provision of education and health services helps to ensure access to these basic services and indirectly reduces a range of other social risks (e.g. illiteracy, ill-health, and child and maternal mortality). While fee abolition, or its maintenance, in these sectors is primarily a matter of education and health policy, it clearly also has a social protection character. Many countries have opted for general subsidies due to their weak implementation capacities to reach large parts of the population quickly through other means, and continue to spend significant amounts of their public budget on energy, food or agricultural subsidies despite their regressive nature. It is important to recognize that such subsidies have an important impact on the consumption capacities of poor households and well as being popular amongst politically articulate sections of the population. Any plans for subsidy removal often have to be considered with compensatory measures as a result.

50. The third grey area concerns **social care services**. 'Economistic' interpretations of social protection tend to ignore social risks such as violence, abuse, exploitation, discrimination and social exclusion, and the dimensions of vulnerability (family breakdown, negative cultural norms, psychosocial problems, etc.) that heighten these risks. Yet they are as much social risks and vulnerabilities as those related to income and consumption – and can interact with and reinforce the latter as well as impacting on productivity and employability. The difference is that they require the provision of services, both preventive and reactive, rather than (or in addition to) transfers. In reality, the ministries responsible for social affairs usually have mandates for both social transfers and social care services. This is reflected in many national social protection policies, strategies and plans, and in some cases leads to efforts to build an integrated system of non-contributory social protection, encompassing both social transfers and social care services. An example is Brazil's 'unified social assistance system' (Jaddoud *et al.* 2010).

51. Social protection systems may also be interpreted as including various types of protective legislation. This is often limited to legislation on **labour standards**. But, it would be logical to include legislation providing protection against a wider range of social risks, including risks of abuse and discrimination. Other initiatives that might be considered to fulfil a social protection function include general poverty-reduction interventions that contribute to avoiding the need for social protection, such as microfinance, public works programmes (depending on their design), or 'graduation' programmes to support livelihoods (these are discussed on page 45).

52. More generally, the inclusion of **labour policies** within the ambit of social protection serves to highlight its important links with employment. The limited scope for making livelihoods prosperous in environments like highland Ethiopia or rural Bangladesh means that for the majority the route out of poverty into shared prosperity is via work – i.e. productive employment and even decent work as defined by ILO International Labour Standards. Social insurance is more geared to supporting labour market attachment. A potential indicator of value for money in a social protection system might be the proportion of

those reliant on social assistance to those covered by employment-linked social insurance[7], or more broadly the extent to which the system promotes or undermines the structural change needed for more inclusive formal employment.

Implications for system objectives

53. **One of the implications of the nature of social protection systems and the components that comprise them is that these have multiple functions and objectives.** This is particularly important to bear in mind when analysing the value for money of social protection system development, as VfM at the outcome/impact level (cost-effectiveness or cost-benefit) should be analysed against the intended outcomes and impacts of the system, as well as possible side effects, both positive and negative.

54. The following are some of the **outcomes and impacts** that social protection systems may strive to achieve, or may contribute to:

- Direct reduction of monetary poverty in the short-term;
- Improvements in the short term productive capacity of the poor including from the protection of productive assets;
- Improvements in nutrition and access to health services and education, promoting the development of human capital and contributing to long-term productivity and poverty reduction;
- Reduction of vulnerability to shocks through strengthened resilience;
- Mitigation of income-loss risks through risk-sharing and consumption smoothing;
- Protection of vulnerable families and individuals at key points in the lifecycle, including children, women, old people and persons with disabilities, from social risks such as violence, abuse, negligence, isolation, discrimination and social exclusion;
- Reduction of inequality through redistribution (across the income/consumption distribution, but also across the gender, age or rural/urban divide, or inter-temporally);
- Strengthening of social cohesion or reduction of crime rates;
- Reinforcement of a rights-based ‘social contract’ between government and taxpayers, whereby broad-based entitlement to social protection, as well as other government services, engenders political support for government and its ability to raise the necessary tax revenue;
- Other side-effects (or more deliberate benefits) like the multiplier effects of transfers, the countercyclical effects of social benefits as ‘automatic stabilisers’ in economic crises, cushioning social impacts of necessary economic structural reforms, and improved or diminished labour market participation.

55. This list is by no means exhaustive and shows how difficult it may be to analyse, and especially measure, VfM for systems with diverse functions, objectives and effects. The multi-sectoral character of social protection adds to the complexity. Social protection does not have a sector specific system like education and health. Rather, it is cross-cutting. Social protection systems tend to have numerous actors, including different ministries and local governments and non-state providers. Efforts are often fragmented rather than coordinated. This is one of the challenges of social protection system development to which this note will return, in Chapter 4.

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7 Nicholas Taylor, Head of Sector, Employment, Social Inclusion and Social Protection, European Commission, International Cooperation and Development (personal communication, July 2015)

1.4 Social protection expenditure

56. **The multi-sectoral character of social protection also complicates the cost side of VfM analysis of social protection systems. What expenditure is classified as social protection expenditure? Is it fully recorded in the public accounts?**

57. In the IMF's Government Finance Statistics (GFS) Manual, which guides finance ministries in their classification of government expenditure, social protection expenditure is classified in two different ways.

Method 1: economic classification (direct transfers only)

58. **The first method is to classify social protection expenditure as spending on direct transfers only.** The IMF manual is mainly concerned with the economic classification of expenditure and income, as well as assets and liabilities, and in its most recent version (IMF 2014a), it devotes a detailed 16-page annex specifically to the economic classification of expenditure on social protection, also described as 'social benefits'. The latter are defined as 'current transfers receivable by households intended to provide for the needs that arise from social risks, for example, sickness, unemployment, retirement, housing, education, or family circumstances'. These social benefits are classified under three headings: social assistance, employment-related social insurance schemes and social security schemes, which are defined as social insurance schemes covering the community as a whole or large parts of it. It is interesting to note that the Government's social contributions, as an employer, to the retirement pensions of its own employees are not classified as social benefits, but as part of the compensation of employees, and that the payment of these pensions is treated as a reduction in liabilities. It is also noteworthy that, in the GFS, social benefits do not include transfers made in response to disasters or other events that are 'not normally covered by social insurance schemes', the latter being recorded under 'transfers not elsewhere classified'. It is particularly important to note that both social care services and the administrative costs of social protection are excluded. *The economic classification only captures transfers made directly to households and individuals.*

Method 2: functional classification (transfers plus social protection services, including policy and research)

59. **The second method is to add social protection services to direct transfers.** This uses the functional classification of expenditure. This varies from country to country but is generally based on the UN Classification of the Functions of Government (COFOG), which is also part of the IMF's GFS Manual. This is not concerned with the economic nature of government transfers to households, as in the economic classification, but with social protection as a government function. This is understood in a wider way, encompassing 'expenditure on services and transfers provided to individual persons and households and expenditure on services provided on a collective basis' (IMF 2014a). *Collective social protection services include the formulation of policy, the formulation and enforcement of legislation and standards for providing social protection and applied research in the area of social protection.* The social protection functions and their definitions are based on those developed by the EU.[8] These include benefits to compensate households or individuals for the lack or loss of earnings due to sickness, injury, disability, old age, the death of a spouse or other family member, or unemployment. But they also include the provision of services, such as orphanages, social housing, rehabilitation of alcohol and substance abusers,

[8] This is the European System of Integrated Social Protection Statistics (ESSPROS), adopted by Eurostat in 2008. ESSPROS also includes health care, which in COFOG falls outside social protection as a separate function in its own right.

counselling, and shelter and board for destitute and vulnerable persons. In COFOG, social protection also includes cash and in-kind benefits to 'victims of fires, floods, earthquakes and other peacetime disasters' and a general catchall category of 'other social protection affairs and services'.

Conclusion

60. **The appropriate approach to social protection expenditure will depend on the policy area that is under consideration.** As a functional classification, COFOG (which includes both transfers and services) is clearly more relevant to the purpose of VfM analysis. Although there might be some debate about including humanitarian and emergency assistance as part of social protection, COFOG has the advantage of incorporating expenditure on a wide range of social services as well as 'collective' social protection and related administrative costs, in addition to transfers to individuals and households.

61. However, an important limitation is that, by its very nature as an expenditure classification system that identifies the functions of government in a non-overlapping way, COFOG does not fully capture the multi-sector, cross-cutting nature of social protection. For example, school feeding, which is widely seen as a social protection intervention in the education sector, is classified as part of education, not under social protection. Although it is arguably part of both sectors, this reflects a tendency for expenditure classification systems to allocate some cross-cutting expenditure items wholly to one sector or another in an effort to avoid double counting.

62. By contrast, the World Bank's estimates of expenditure on 'social safety nets' (Grosh *et al.* 2008), adopt a wider approach, incorporating social programmes in 'other' sectors, such as school feeding and the distribution of nutritional food supplements, but excluding state subsidisation of social insurance. In some reviews, indirect social transfers, such as price subsidies, are sometimes included, in other cases not.

63. Two recent major reviews of social protection expenditure vary between a World Bank focus on social safety nets, which are 'non-contributory transfers in cash or in-kind, designed to provide regular and predictable support to poor and vulnerable people',[9] and an International Labour Organization focus on social protection more broadly, based on Government Finance Statistics.[10] The appropriate source to use in VfM analysis will depend on the focus of the policy area under consideration.

64. Another difficulty is significant parts of social protection expenditure may not be recorded in the public accounts, notably in countries where some donors use disbursement procedures that bypass the public financial management system or fund programmes completely outside government through non-governmental organizations (NGOs). This is particularly problematic in low-income and lower middle-income countries. In Burundi, for example, 82% of expenditure on non-contributory social protection (defined broadly in a multi-sector way and including humanitarian assistance) was financed externally in 2012 and much of this was off budget (World Bank 2014c). But even in richer countries some social protection is provided independently of government, by churches and NGOs.

65. In the examples of VfM analysis that follow in this note, there is, unfortunately, little consistency in the definition of social protection expenditure. This reflects the different conceptualisations of social protection, as well as differences in the focus of study and in the availability of data. As Barrientos (2010) has observed, the measurement and analysis of social protection expenditure remains 'a work in progress'.

[9] World Bank (2014), *The State of Social Safety Nets*. http://www.worldbank.org/en/topic/safetynets/publication/the-state-of-social-safety-nets-2014

[10] ILO (2014), *World Social Protection Report. http://www.ilo.org/global/research/global-reports/world-social-security-report/2014/lang--en/index.htm*

2. Analysing cost-efficiency in social protection systems

66. **Cost-efficiency for social protection systems is about the input-output relationship: ensuring that planned outputs of the right quality are produced at the lowest possible cost.** While in theory it is just current cost-efficiency that is the issue, in practice we also think about delivering outputs at the lowest possible cost while supporting, or at least not undermining, system development in the longer term.

Cost efficiency of individual programmes

67. **Measuring cost efficiency for social protection programmes uses a number of standard metrics.** In the cost-efficiency section of the 2013 guidance on VfM in individual social transfer programmes (White *et al.*, 2013), we emphasised that cost-efficiency analysis is only as good as the analysis of costs on which it is based. The value of disaggregating administrative costs into four components – set-up, roll-out, operational and monitoring and external evaluation (M&E)[11] – was demonstrated in terms of understanding programme cost structure and its evolution over time. A particular difficulty is lack of consistency and transparency in the inclusion or otherwise of indirect costs, such as shared staff time or facilities. We focused on the calculation of cost-transfer ratios and showed how these differ according to the type, size and maturity of programmes. Various alternative metrics were outlined, including *total cost-transfer ratio* (TCTR) – the ratio of total programme costs to the value of transfers at the point of delivery. TCTR was suggested as the most useful metric by virtue of its ease of understanding and its ability to compare the cost of in-kind transfers with their value at delivery, thereby providing a basis for comparing the cost-efficiency of in-kind and cash transfers. *Unit cost* (per household, direct recipient or wider beneficiary, or per transfer package) was also highlighted as a composite monetary metric combining cost-efficiency with level (or 'generosity') of transfers. A further cost-efficiency metric often applied at the programme level is *direct delivery cost as a percentage of transfers*, which focuses specifically on the cost-efficiency of payment service providers.

Cost efficiency of systems

68. **These principles, methods and metrics are also relevant in analysing cost-efficiency at the system level. However, there are likely to be additional challenges in the analysis both of costs and outputs.** The administration of social protection systems invariably involves multiple government ministries, departments and agencies (MDAs) at different levels as well as a range of development partners including non-governmental and civil society organizations, each with their own management systems and procedures. The task of analysing **costs** tends to be complicated by institutional differences, particularly with respect to the attribution of budgeted and actual costs to social protection as opposed to other uses. Another challenge is attribution between social protection components which is necessary to analyse aggregated system costs for different administrative cost elements.

69. Distinguishing between different **categories of administrative costs** allows further light to be shed on the cost-output relationship and its evolution over time, but may introduce further challenges. 'Set-up', 'roll-out', 'operational' and 'M&E'[12] remain relevant categories at

[11] This followed the methodology established by OPM (2010:72) for the evaluation of the Cash Transfers Programme for Orphans and Vulnerable Children (CT-OVC), Kenya

[12] As defined in the 2013 Guidance (White *et al.*, 2013), **set-up costs** include design, planning and major investments and are fixed costs that should be concentrated mainly at the start of a programme; **roll-out costs** include the identification and enrolment of beneficiaries and are also mainly incurred during periods of programme launch and expansion; **operational costs** include

system level and can be interpreted in a similar way as for individual programmes, although including somewhat different cost items: for example set-up costs might include the establishment of social protection coordination, oversight and enforcement bodies or mechanisms, while the incorporation of data on social protection benefits into national surveys might appear under 'M&E'. However, across multiple institutions and programmes at different stages meaningful data may be difficult to obtain. Set-up and roll-out costs are not always easy to separate, especially when rolling out programmes geographically means setting them up in an expanding number of regions or districts.

70. **At a minimum, programme-level annualised data should be obtained from each implementing agency on total actual costs, the value of transfers distributed or services provided, and the number of direct recipients** and (where benefits are shared across households) wider beneficiaries. This will allow TCTR and unit cost per recipient/wider beneficiary metrics to be assessed at system level.

71. **Other costs** of social transfers were considered in some detail in the 2013 guidance (White *et al.*, 2013), including *private costs* to recipients of registering for and collecting benefits and fulfilling conditions, *social costs* where programmes generate stigmatisation and social divisions (this may be especially related to poverty targeting), *economic costs* where inflation undermines multiplier effects, *adverse incentive costs* where income thresholds discourage labour market participation, and *political costs* where some areas or groups are favoured over others. 'Other' costs, monetary or otherwise, are also relevant to system level analysis, for example the political costs of removing expensive but popular subsidies on food, farm inputs, fuel or utilities in order to release resources for social protection, or of raising taxation levels to fund an extension of social security more generally, which can generate economic distortions.

72. On the **output** side, our earlier guidance was concerned with social transfers which can be readily valued at face value (for cash) or market value (for in-kind transfers), allowing cost-transfer ratios to be calculated which are comparable across programmes. At the system level, transfers remain a major output of interest for many programmes, but others, for example in the social care services category, are mainly concerned with the delivery of services to clients experiencing specific vulnerabilities. For these programmes, client/recipient coverage is a more relevant output, which can be aggregated across programmes.

73. As with individual programmes, cost-efficiency needs to be interpreted in the light of the **stage of maturity** of major system components, since new components and programmes require significant up-front investment in set-up and roll-out costs before coverage of eligible groups can begin to scale up, so one would expect TCTRs to be very high (i.e. cost-efficiencies very low) until economies of scale begin. Tracking cost-efficiency over time, and/or projecting it into the future, allows judgements to be made on how system components compare with benchmarks. It can also shed light on important trade-offs between short to medium term and longer term cost-efficiency objectives.

Comparing systems and programmes

74. **In principle we would expect a well-coordinated social protection system to achieve better cost-efficiency than a collection of isolated programmes**, both because outputs can be increased by avoiding unnecessary overlaps and gaps in coverage, and because costs can be reduced by sharing of management and administrative overheads

costs of delivering transfers and are the long-term running costs of the programme, and should become the dominant component of administrative costs as a programme scales up and reaches maturity; and **monitoring and evaluation (M&E) costs** include both an element of ongoing monitoring costs and the periodic costs of evaluations and research.

(management staff, management information system, beneficiary registries, targeting mechanisms, delivery system, grievance procedures, M&E arrangements etc.) between programmes. Costs to beneficiaries can also be significantly reduced if families have access to a local 'one-stop shop' interface for multiple programmes. As Rawlings *et al.* (2013) point out, addressing fragmentation through a system approach can enhance final outcomes through expanded and coordinated coverage and improved delivery of social protection services, as well as more coordinated use of existing resources. This can help prevent contradictory results, such as public works programmes increasing child labour through failing to consider potential household reallocation decisions or to link up with education programmes.

75. **In practice, these hoped-for economies of scale and performance enhancements will depend on the integrity of institutional arrangements for managing and coordinating the system and its constituent programmes.** It will require better horizontal integration between programmes and instruments, and better vertical integration between central, regional and local levels. Standards of governance and public financial management will also come into play. As Ellis *et al.* (2009: 83-84) point out with reference to Africa, many countries are developing policy frameworks and strategies which move social protection in the direction of greater coordination, but the limits as well as the benefits of coordination need to be recognised. While it may make sense to establish a coordinating capability around particular social protection objectives, social groups or transfer instruments, not all transfers addressing different needs necessarily fit within a single framework. Similarly, a common targeting mechanism across multiple programmes may not be appropriate where programmes have different objectives and target groups, and there is a risk of replicating targeting errors across the system, thus potentially creating chains of social exclusion. Nevertheless, a key attribute of a cost-efficient social protection system is the flow of relevant information to decision makers and stakeholders, and this suggests a role for a single technical secretariat appropriately located in government, possibly supported by development partners in the medium term. In any such arrangement it is important to ensure that there are appropriate mechanisms to safeguard the rights and dignity of beneficiaries, in particular with respect to confidentiality of private information and risks of abuse of the system for other purposes. We return to these operational issues in Chapter 4.

3. Analysing the cost-effectiveness of social protection systems

76. **Analysis of the cost-effectiveness of social protection systems concerns the relationship between these systems' outcomes and impacts and the cost of achieving them.** As we discussed in Chapter 1, the scope of cost-effectiveness analysis depends crucially on which of the many objectives or functions of social protection systems are taken into account. In practice, analysis is circumscribed by the difficulty of measuring impacts or outcomes for some social protection functions, either intrinsically or due to a lack of national data, as well as by the 'agendas' of those conducting the analysis, who will inevitably prioritise some functions of social protection over others.

77. Because of the centrality of poverty reduction in the Sustainable Development Goals (SDGs) and before that the Millennium Development Goals, much of the interest in social protection system impacts concerns their contribution to poverty reduction. This frames the perspective from which systems' cost-effectiveness is most often assessed. Section 3.1 presents the methods used to analyse social protection systems' cost-effectiveness in **poverty reduction**, along with examples from the extensive literature on this subject.

78. Another focus of cost-effectiveness analysis responds to the widespread concern about the global trends towards increasing **inequality** within countries. This takes the analysis beyond the population in poverty, which reflects the (arguably arbitrary) choice of poverty line employed, to understand the extent to which expenditure on social protection affects the income distribution as a whole. This is the subject of Section 3.2. Section 3.3 goes a step further by bringing the incidence of taxation and related social security contributions into the analysis, in order to understand the net redistributive impact of social benefits and taxation taken together.

79. There has been much less, if any, cost-effectiveness analysis regarding the **other functions** of social protection systems. There has been analysis for individual social transfer programmes, for example to calculate the unit cost of their human development impacts or contribution to economic development, but rarely if at all for whole social protection systems. An outstanding challenge, examined in Section 3.4, is to extend the scope of social protection VfM analysis beyond its current almost exclusive lens of monetary poverty and income inequality.

3.1 Measuring systems' cost-effectiveness in reducing poverty

Cost of reduction in poverty headcount

80. Analysis of the cost-effectiveness of social protection systems from a poverty reduction angle usually involves calculating the unit cost of the reduction in monetary poverty that can be attributed to social protection.

81. On the impact side, this uses standard poverty measures of the incidence of poverty or poverty headcount ratio, and the depth of poverty or poverty gap. In its simplest form, the poverty impact of aggregate transfers from social protection is simply the percentage point difference in the poverty headcount ratio or the poverty gap before and after these transfers. To calculate these indicators before transfers, the transfers are subtracted from actual disposable income or consumption expenditure, assuming no savings from transfers. The data come from national household surveys. A key prerequisite is that these surveys include specific data on income from social transfers. This is usually the case in high income and upper middle-income countries, where social transfers constitute a large proportion of household income, but is rarer in low income and lower middle income countries.

82. On the cost side, social protection expenditure is expressed in national currency or as a percentage of GDP. The required data come from the government financial accounts, but are sensitive to the classification and comprehensiveness of social protection expenditure, as noted in Chapter 1.

Table 1: Cost (in % of GDP) of 1 percentage point reduction in poverty incidence from social protection in the EU, 2008

	Social protection expenditure as % of GDP	Poverty incidence (P0)			Cost-effectiveness ratio [a]
		Before transfers	After transfers	Reduction	
Bulgaria	15.48	44.8	21.4	23.4	0.7
Romania	14.25	44.2	23.4	20.8	0.7
Poland	18.56	30.5	16.9	13.6	1.4
Hungary	22.71	28.2	12.4	15.8	1.4
Latvia	12.62	33.8	25.6	8.2	1.5
Slovakia	16.02	20.6	10.9	9.7	1.7
Lithuania	16.16	27.6	20.0	7.6	2.1
Ireland	22.12	23.7	15.5	8.2	2.7
Czech Rep.	18.72	15.3	9.0	6.3	3.0
Cyprus	18.42	22.2	16.2	6.0	3.1
Portugal	24.33	26.0	18.5	7.5	3.2
Greece	25.97	28.1	20.1	8.0	3.2
Slovenia	21.49	18.5	12.3	6.2	3.5
EU-27	26.36	23.6	16.4	7.2	3.7
Malta	18.86	19.5	14.6	4.9	3.8
Italy	27.79	25.3	18.7	6.6	4.2
Austria	28.18	18.6	12.4	6.2	4.5
Belgium	28.28	20.8	14.7	6.1	4.6
France	30.76	18.6	12.7	5.9	5.2
UK	23.72	23.2	18.7	4.5	5.3
Germany	27.76	20.1	15.2	4.9	5.7
Norway	22.44	15.0	11.4	3.6	6.2
Netherlands	28.45	14.9	10.5	4.4	6.5
Estonia	15.05	21.8	19.5	2.3	6.5
Denmark	29.69	16.3	11.8	4.5	6.6
Spain	22.71	22.9	19.6	3.3	6.9
Finland	26.31	17.4	13.6	3.8	6.9
Luxembourg	20.14	15.5	13.4	2.1	9.6
Sweden	29.35	14.9	12.2	2.7	10.9
Iceland	22.03	11.8	10.1	1.7	13.0

a/ Cost (in % of GDP) of 1 percentage point reduction in poverty incidence from social protection.
Source: Derived from Tausch 2011, using Eurostat data.

83. Applying this method to calculate a poverty-focused cost-effectiveness ratio for the EU countries, using data for 2008 from Eurostat, it can be seen in Table 1 that the public expenditure on social protection needed to obtain a 1-percentage point reduction in the poverty headcount ratio ranges from 0.7% of GDP in the 'best performing' countries, Bulgaria and Romania, to more than 10% in Sweden and Iceland.[13] EU countries are typically

[13] The poverty line here is the relative one used by the EU, set at 60% of the national median equivalised disposable income, after social transfers. Equivalised income uses equivalence scales to take into account household composition and economies of scale.

significantly wealthier than developing countries but this example illustrates the analytical possibilities. However, as Tausch (2011) observes, these comparisons may give a false picture of the relative cost-effectiveness of national social protection systems, since it may be more difficult and so require higher levels of expenditure to reduce residual poverty in the richer countries.[14] Furthermore, EU social protection systems have much wider objectives than poverty reduction, so their cost-effectiveness cannot be assessed solely on the basis of this measure.

Cost of reduction in poverty gap

84. **It may make more sense to use the change in the poverty gap, rather than the poverty headcount, as the denominator in a poverty-focused cost-effectiveness ratio**, especially in countries with less generous social protection systems than in the EU and with large numbers of households living in extreme poverty, far below the poverty line. The resources transferred to households by the social protection system may not be sufficient to raise many poor people above the poverty line. But they will still reduce their distance from the poverty line, as measured by the poverty gap. This can be seen in the South African example discussed in Box 1.[15]

85. It is also possible to invert this cost-effectiveness ratio to produce a simple and partial 'benefit-cost ratio', although it should be borne in mind that this not the full 'monetised' BCR described in Chapter 1. An example of this type of partial BCR may be found in a recent World Bank analysis produced as a contribution to debate on the post-MDG agenda. 'Benefit' here is the reduction in the total poverty gap resulting directly from transfers, measured in purchasing power parity (PPP) dollars, while 'cost' is the total transfer value, excluding administrative costs (Fiszbein *et al.*, 2013). In essence, this is a kind of targeting efficiency indicator, from a poverty perspective, measuring the proportion of transfers that directly reduces the poverty gap.

Figure 4 shows this ratio, expressed as a percentage, using the international USD 1.25 PPP per day per capita poverty line, for those low-income and lower middle-income countries that have the required data in the World Bank's ASPIRE data set.[16] The figure includes another useful indicator, the ratio of total transfers to the *total* poverty gap, which may be interpreted as a rough indicator of social transfers budget adequacy relative to the poverty gap. This shows, first, that the degree of budget adequacy as defined above varies greatly between countries, and is particularly low in most low-income countries, in some cases less than 20% of the total poverty gap. However, because the distribution of transfers between poor and non-poor also varies hugely, countries with similar levels of spending (i.e. transfers relative to poverty gap) can have very different BCRs. For countries with transfers equivalent to about 30% of the total poverty gap, the BCR varies between 7% (Cambodia) and 40% (Timor-Leste). Pakistan is a particular outlier with apparent spending on transfers 46 times the poverty gap, but with just 2% of that spending contributing to poverty gap reduction.

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[14] Tausch (2011) proposes a methodology to adjust the cost-effectiveness formula to take into account differences in pre-transfers poverty rates, for the purposes of inter-country comparisons.

[15] By a crude comparison, Box 1 suggests that social grants in South Africa are more cost-effective in reducing poverty incidence than social protection spending in most (though not all) EU countries in Table 1. But we should be wary of making comparisons between countries with varying poverty characteristics and varying poverty lines, which need taking into account before conclusions are drawn about system effectiveness.

[16] ASPIRE (Atlas of Social Protection: Indicators of Resilience and Equity) currently covers more than 100 developing countries. Based on national household survey data, ASPIRE compiles a comparable set of indicators in order to analyse and benchmark the distributional and poverty impact of Social Protection and Labour programmes (i.e. social assistance, social insurance and labour market programs – see http://datatopics.worldbank.org/aspire/).

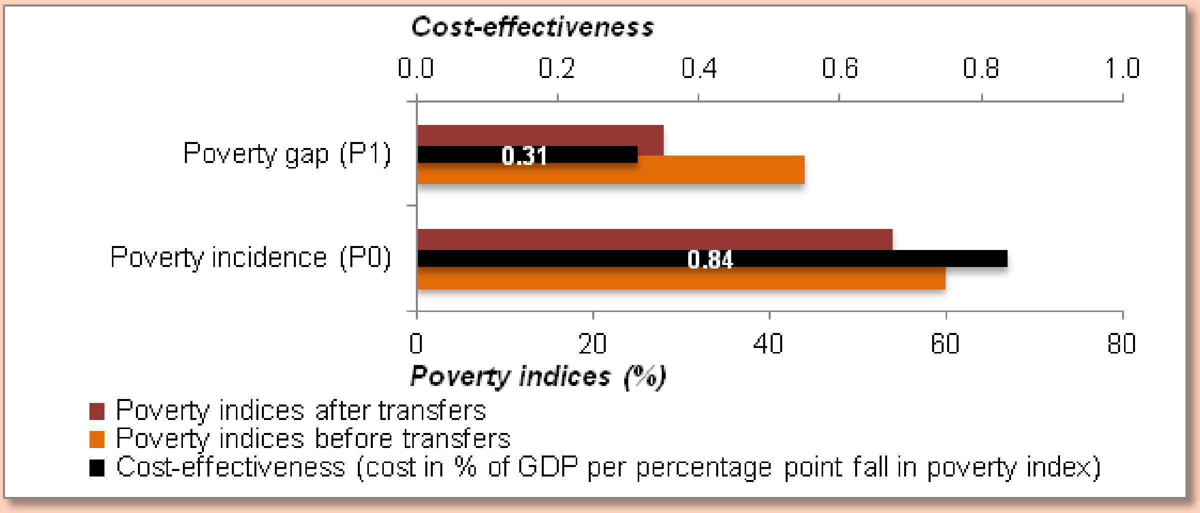
Box 1: The cost-effectiveness of South Africa's social assistance system

South Africa is one of the most unequal societies in the world. This is to a large extent a legacy of the apartheid system. But, despite the dismantling of apartheid in the early 1990s, inequality has continued to increase, with the Gini coefficient rising from 0.66 in 1993 to 0.70 in 2008. Income has become increasingly concentrated in the richest 5% of the population, at the expense of all other income quantiles. Poverty incidence has barely improved, and was still at approximately 60% of the population in 2008, when measured by the lower of South Africa's two poverty lines (ZAR 515 in 2008). Failings in the labour market, highlighted by low levels of labour force participation, high levels of unemployment and high wage inequality, have driven these trends. Large numbers of households have zero wage income. Overall, inequality in income from salaries and wages accounted for 85% of the Gini coefficient in 2008.

Between 1993 and 2008, social grants in South Africa reduced inequality slightly but poverty more significantly. The South African system of social grants, which is dominated by old age and disability pensions and a Child Support Grant (CSG), reduced the Gini coefficient by 3 percentage points, according to a simulation using 2008 data. But social grants have become an important source of household income for the poorest households, providing about two thirds of income (mainly from the CSG) to the bottom quintile in 2008. They have been critical in keeping poverty levels lower than they otherwise would have been. The main impact has been on the poverty gap, which in 2008 was 16 percentage points less than without these grants, when measured using the lower poverty line. Social grants reduced the poverty headcount by 6 percentage points, from 60% to 54%. Without social grants, poverty incidence would have risen from 57% to 60% and the poverty gap from 37% to 44% between 2000 and 2008.

The data on these social impacts can be combined with data on government spending to compute the social assistance system's cost-effectiveness. Spending on social grants increased substantially after the end of apartheid, due mainly to the rollout and progressive expansion of the CSG, launched in 1998. The system as a whole had about 13 million direct beneficiaries (26% of the population) in 2008/2009, rising since then to more than 16 million in 2012/13. Including social services and administrative costs as well as social transfers, expenditure rose from 3.2% to 4.4% of GDP between 2000/01 and 2008/09. The 2008/09 data show that spending on welfare and social assistance required 0.84% of GDP to reduce the poverty headcount by 1 percentage point and 0.31% of GDP to reduce the poverty gap by 1 percentage point. This ignores other benefits beyond poverty reduction, such as welfare improvements from social care services and, particularly important in the context of the high HIV prevalence and AIDS mortality in South Africa, improvements in foster care resulting from the system's foster care grant.

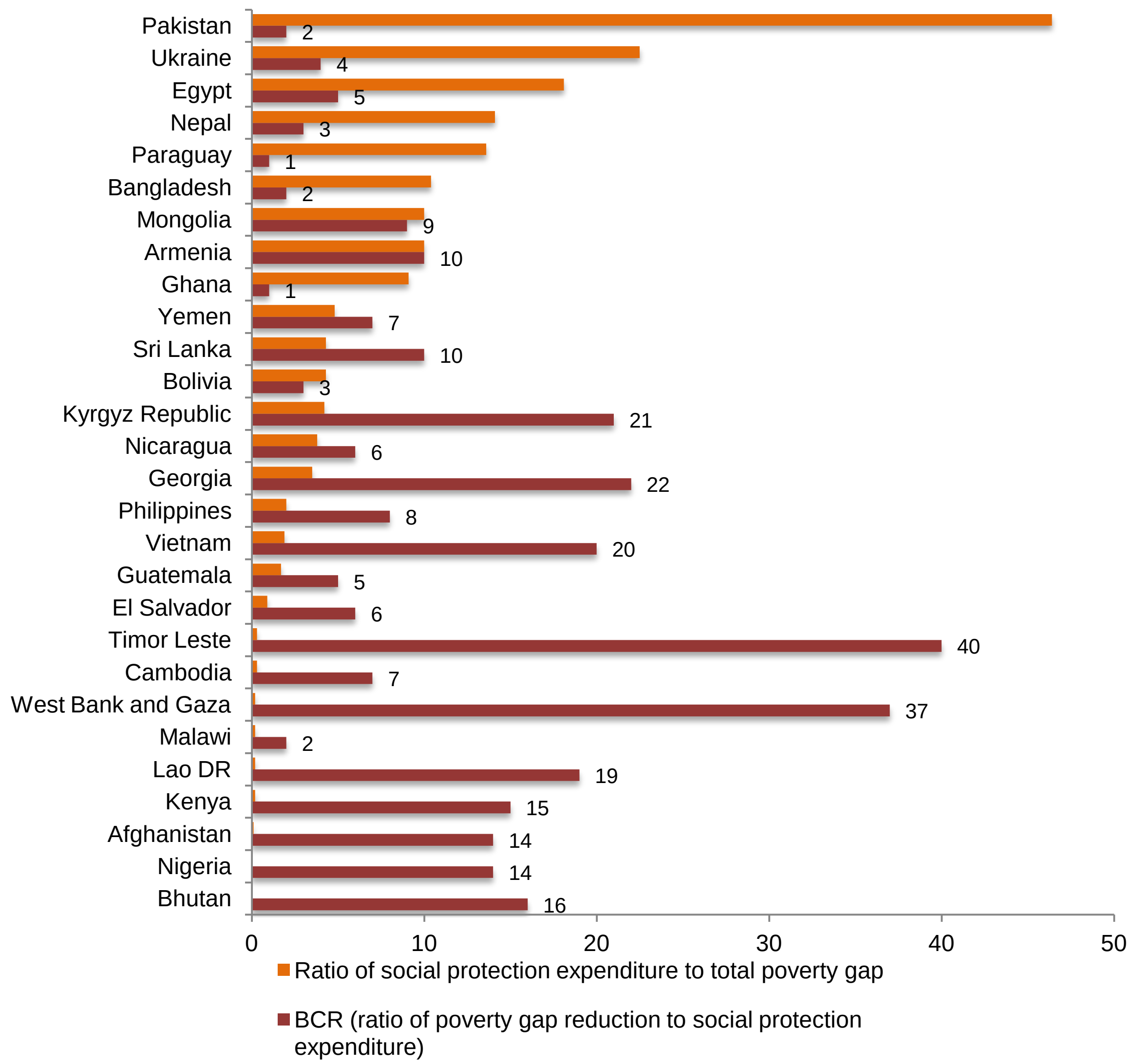
Figure 3: Cost-effectiveness of the South African social assistance system in reducing poverty, 2008[a]



[a] Based on the South African 'lower poverty line' (ZAR 515 per capita per month in 2008).

Source: Leibbrandt *et al.* 2010, Woolard *et al.* 2010, and authors' calculations.

Figure 4: Ratio of spending on social transfers to total poverty gap and poverty gap reduction as % of social transfer spending ('benefit-cost ratio') in LICs and lower MICs



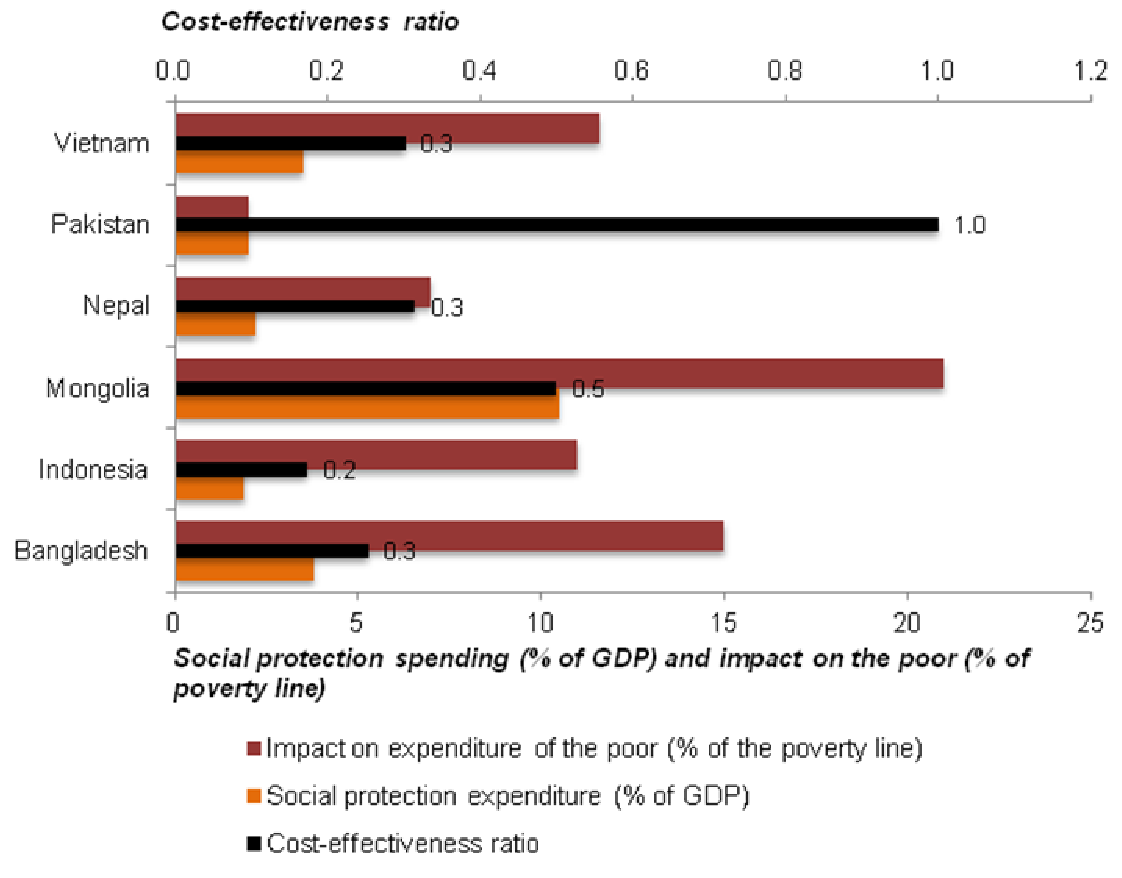
Source: Derived from Fiszbein *et al.* 2013, using most recent available data (in 2005-2010 depending on country) from the World Bank ASPIRE data set.

Cost of increasing the spending of the poor

86. **Another possible approach would be to use the 'impact on expenditure of the poor' indicator** proposed by Baulch *et al.* (2006) as one of the indicators to construct a social protection index for Asia. This is simpler to compute than the impact indicators used in the cost-effectiveness and partial benefit-cost ratios discussed above. It is only necessary to calculate how much on average each person in poverty receives from social protection transfers, as a percentage of the poverty line. This alternative impact indicator could then be used in a cost-effectiveness ratio, along with total social protection expenditure, to measure the cost of a percentage increase in the per capita expenditure of the poor relative to the poverty line.

87. Figure 5 shows the results for 6 Asian countries, using data from 2004.[17] As can be seen, Mongolia, with the highest level of social protection expenditure (10.5% of GDP), shows the largest impact on the expenditure of the poor, with average per capita social transfer income received by the poor equivalent to 21% of the poverty line. However, it does not have the best cost-effectiveness ratio, as defined here. In fact, it is in fifth place out of the six countries. It costs 0.5% of GDP in Mongolia to transfer to the poor the equivalent of 1% of poverty line expenditure, compared with only 0.2% in Indonesia.

Figure 5: Cost-effectiveness of social protection in Asia, using an 'impact on expenditure of the poor' approach, 2004



Source: Derived from Baulch et al 2006

Ex ante estimates of cost effectiveness

88. While all the examples provided so far are derived from *ex post* analysis of actual social protection systems, the methods discussed can also be used for *ex ante* analysis of social protection system reforms or expansion. This combines the use of poverty data from household surveys with demographic, GDP and spending projections to simulate the poverty effects of different portfolios of social protection programmes, including possible adjustments in the eligibility criteria and benefit amounts of existing and/or new programmes (ECLAC 2014). *Ex ante* analysis of cost-effectiveness in terms of impacts on poverty is a standard feature in the appraisal section of business cases for social protection programmes, and can be applied to groups or combinations of programmes at the system level, as in the case of

17 This uses absolute poverty lives, constructed using a 'cost of basic needs' approach.

proposed donor support to system development in Indonesia (summarised in paragraph 110 below).

Limitations of poverty-focused cost-effectiveness approaches

89. **It is important to note the limitations of these methods, whether *ex ante* or *ex post*. Firstly, the analysis is static.** It does not model second-round, indirect effects, including longer-term and even intergenerational poverty-reduction effects of the impact of improved household resources on ‘human capital’ and productivity. It also ignores behavioural effects. In some contexts, these might be negative, for example a possible reduction in labour supply (especially in advanced economies where transfers are relatively high in value and often subject to income means tests), or the ‘crowding out’ of private transfers by social transfers. Positive behavioural effects may include a reduction in the need felt by vulnerable households to adopt harmful coping strategies in the face of shocks. But these methods can provide a useful first approximation of the direct poverty reduction gains that can be ‘bought’ with different levels of government expenditure.

90. **Another limitation of these approaches is they are sensitive to the level at which the poverty line, or the extreme poverty line, is set**. The values of the ratios change with the use of higher or lower poverty lines. The international USD 1.25 poverty line (at the time of writing) is of questionable utility. It is sometimes arbitrary, and there are difficulties regarding the calculation and use of the PPP conversion rates. In upper middle-income and high-income countries, the use of such a low poverty line is meaningless, resulting in many cases in zero poverty. Most high-income countries use relative poverty lines, as reflected in the cost-effectiveness ratios calculated for the EU countries in Table 1, while most low-income and lower middle-income countries tend to use absolute poverty lines, based on minimum baskets of food and non-food needs. Some countries, like Brazil, have no official poverty line.

91. **In low-income countries, poverty tends to be defined in relation to official poverty lines that are often unrealistically low.** This is partly because, although current regionally adjusted prices of food and other commodities included in the consumption ‘basket’ used to set poverty lines are taken into account in national household surveys, the *composition* of the basket is revised much less frequently and so often fails to account for changes in consumption patterns.[18] Underlying the setting of poverty lines there is also a strong political incentive for governments to ensure that successive household surveys demonstrate success in bringing down poverty rates over time.

92. Given the differences in countries’ risk and vulnerability profiles, and other characteristics such as their geography and population density, as well as the fact that social protection systems often have other objectives besides poverty reduction and usually include services as well as transfers, it is necessary to exercise considerable caution in interpreting the kind of cross-country comparative data on cost-effectiveness cited above. **With respect to the specific impact of social protection systems on national poverty, analysis of time series data on cost-effectiveness within a particular country might be much more relevant in tracking country performance**. But even then it is important to remember, given the multiple objectives of social protection, that this is capturing only one dimension of system cost-effectiveness.

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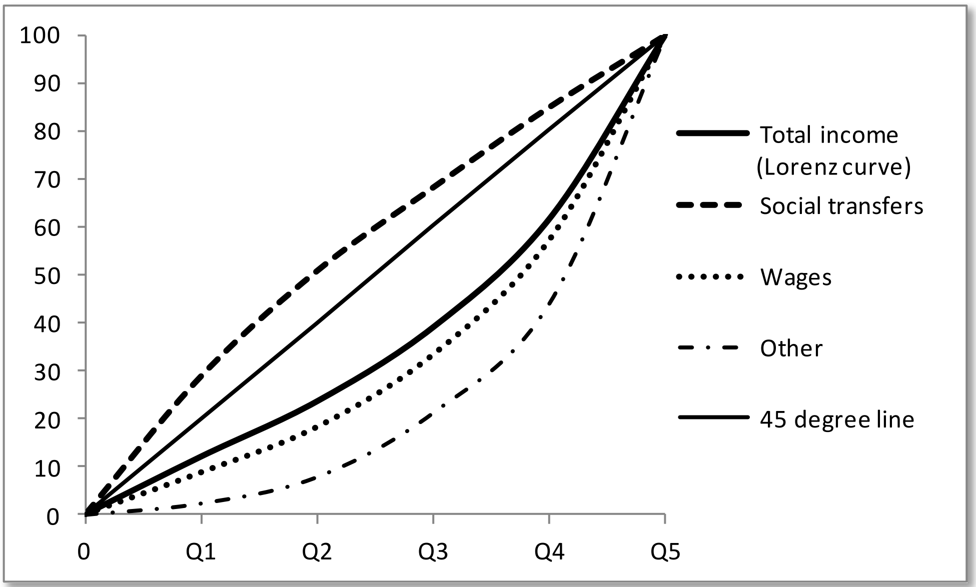
[18] Uganda’s official poverty line, for example, is based on application of the methodology developed by Ravallion & Bidani (1994) to data from the 1993/94 Monitoring Survey, focusing on the cost of meeting caloric needs from a food basket for the poorest half of the population plus some allowance for non-food needs (UBOS 2014). Having led this exercise in 2001, Appleton (2009) makes a case for a substantial upward revision of the line to account for changes since 1993/94 in diets, non-food requirements and relative prices of foods consumed by the poor. At 2015 prices, his revised national average poverty line would be as much as 56% higher than its current official level.

3.2 Measuring systems' cost-effectiveness in reducing inequality

Measuring the impact on inequality through concentration curves

93. **The analysis of cost-effectiveness of social protection systems can go beyond poverty reduction to consider broader redistributive issues.** The standard way to analyse the distributional impact of income from different sources, including social transfers, is benefit incidence analysis. Income can be 'decomposed' into its various components, and the degree of progressivity of social transfers and other income sources can be illustrated by concentration curves showing the cumulative distribution of income from specific sources, beginning from the poorest and ending with the richest. The concentration curve for overall income distribution is known as the Lorenz curve. Figure 6 shows the Lorenz curve and concentration curves for wages, social transfers and other income sources in a hypothetical country.

Figure 6: Hypothetical illustration of Lorenz curve and concentration curves for wages, social transfers and other income sources



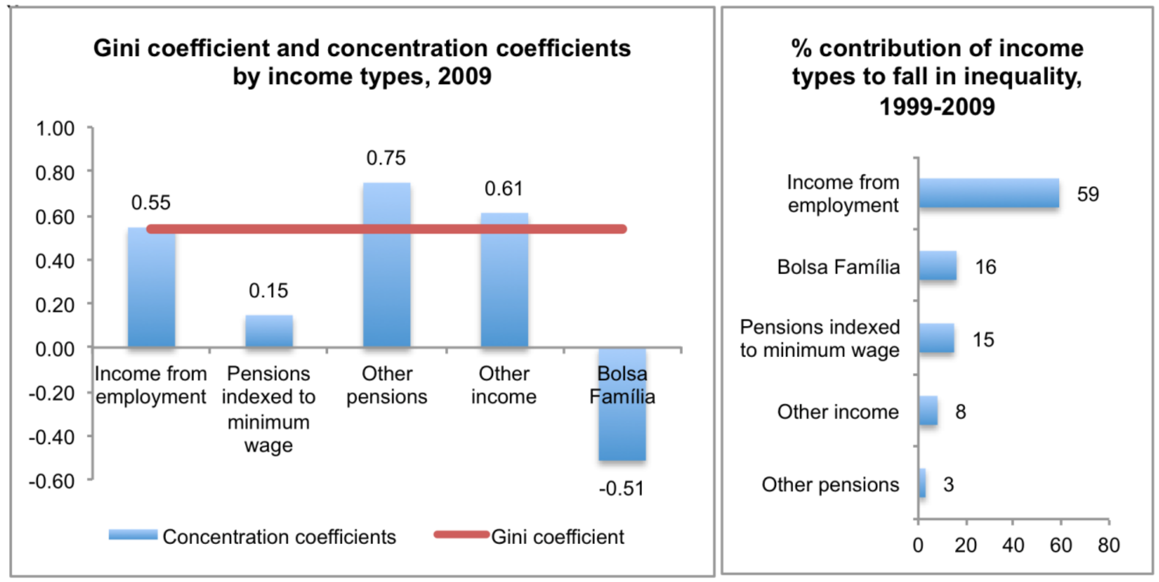
94. **The Lorenz curve shows the cumulative distribution of income from the poorest to the richest.** With perfect equality, i.e. each individual receiving an equal share of income, the Lorenz curve would correspond to the 45-degree diagonal. The more that income distribution is unequal, the further the Lorenz curve lies below the 45-degree line. The area between the 45-degree line and the Lorenz curve as a proportion of the total area under the 45-degree line is known as the Gini coefficient of inequality, which has a positive value between 0 (perfect equality) and 1 (perfect inequality).

95. Likewise, concentration curves for the distribution of transfers can be expressed as coefficients. The concentration coefficient for any distribution that is concentrated more among the rich than the poor will have a positive value less than 1 and lie below the 45-degree line, like the Lorenz curve. Where the poor obtain more of this income type than the rich, the concentration coefficient is negative and the concentration curve lies *above* the 45-degree line. Distribution is then said to be 'progressive' in absolute terms, as is the case for social transfers in Figure 6. Distribution can also be 'progressive' in relative terms, meaning that, although more of the benefit (income) from that source goes to richer than poorer individuals this inequality is less than for income as a whole. In this case, the concentration coefficient is positive, but less than the value of the Gini coefficient, serving therefore to reduce overall income inequality. Box 2 provides an example, showing the roles of wage income, social transfers and other income sources with respect to inequality in Brazil.

Box 2: Social protection and the decline in inequality in Brazil

Unlike South Africa (see Box 1), there has been a steady decline in inequality in Brazil. The Gini coefficient fell from 0.59 in 1999 to 0.54 in 2009. **What contribution did the social protection system make to the reduction in inequality in Brazil?**

Declining inequality in income from employment, by far the largest component in total income (76% in 2009), contributed 59% of the decline in the Gini coefficient in 1999-2009. This was due partly to a rise in the minimum wage. However, as the right hand table below shows, **social protection contributed 34% of the reduction in inequality**. Social protection is defined to include *Bolsa Família* (and the other conditional cash transfers it subsumed after its establishment in 2003) and pension schemes. *Bolsa Família* alone accounted for 16% of the decline in inequality, even though it had a weight of only 0.7% in total income, as of 2009. The reason for this is that *Bolsa Família* is highly progressive in absolute terms, with a concentration coefficient of -0.51 in 2009, as can be seen in the table on the left.



Pensions indexed to the minimum wage, which are essentially non-contributory and tax-financed, were progressive in relative terms, with a concentration coefficient of 0.15, well below the Gini (0.54), and with a much larger weight in total income (6.4%), due to higher transfer amounts (compared with *Bolsa Família*), which explains their 15% contribution to the decline in inequality. This component includes the Benefício de Prestação Continuada (BPC), a social pension introduced in 1996 for the elderly and the disabled in low income households, as well as the Previdência Social Rural, a scheme to provide pensions to the rural informal sector.

Source: Soares 2006; Soares *et al.* 2010.

The cost of reducing inequality

96. **A cost-effectiveness ratio for the redistributive function of social protection can be calculated by dividing the change in the Gini coefficient due to social protection by the cost of providing social protection.** However, it is worth noting that the benefit incidence of social protection income, which measures how expenditure from social protection providers (apart from administrative costs) reaches different points of the income distribution, provides an implicit and ready-made cost-effectiveness measure from a redistributive perspective.

The relative impact of social assistance and social insurance

97. **Whether or not to include income from social insurance, such as contributory pensions, as transfers is a moot point**. Some studies treat social insurance benefits as

deferred income, others as transfers, and these different approaches can give quite divergent results. Sensitivity analysis can be used to measure these differences. However, much depends on the extent to which social insurance schemes are subsidised by the state. Many public defined-benefit social security schemes incur significant deficits that are then financed from general taxation. It can be argued that the net (tax-financed) income transferred through social insurance, after deduction of contributions, should be regarded as transfers in an analysis of the benefit incidence of social protection systems.[19]

98. Using national household data from Latin American countries in 2002-2004 to calculate the Gini coefficient with and without income transfers from both social assistance and social insurance, Skoufias *et al.* (2009) found that the overall impacts of social protection on inequality were fairly muted. **Social assistance, which in some cases reduced inequality by more than 1 Gini point, generally had a stronger impact than social insurance.** In two of the countries, Guatemala and Peru, social insurance actually increased inequality. This is explained by the fact that in countries where the formal sector is quite limited, those enrolled in employment-based social insurance schemes tend to be better off than those not enrolled. In the others, although social insurance had a positive concentration coefficient (i.e. it was regressive in absolute terms), it was relatively progressive in the sense described above – in other words, it was less unequal than the overall income distribution and so reduced the Gini coefficient slightly.

The social welfare gain from redistribution

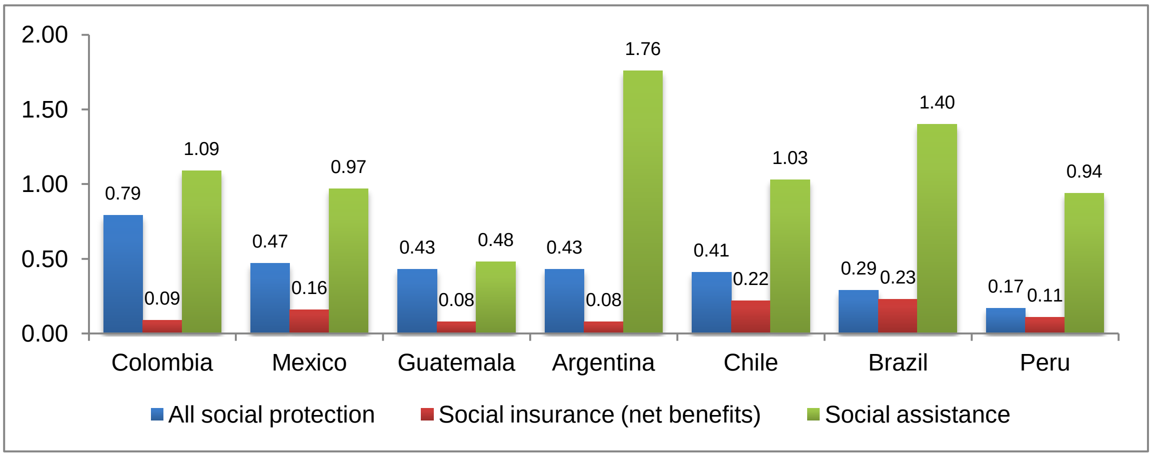
99. **A social welfare approach can be used to assess the redistributional cost-effectiveness of social protection spending.** Skoufias *et al.* (2009) use a 'distributional characteristic index' (DCI) to represent the marginal benefit of distributing a unit of social protection income relative to its marginal cost. This involves specifying welfare weights (an 'aversion to inequality' variable) in the DCI so that a unit of resources transferred to poorer rather than richer households has a greater welfare impact. Needless to say it is an analytical challenge to reliably estimate such weights. The full welfare effect of a social protection system or of a specific branch or programme is the DCI multiplied by the level of expenditure. For any given budget, differences in the DCI, resulting for example from targeting the poor, change social welfare. In their analysis of social protection systems in Latin America, Skoufias *et al.* find that the DCI, or the contribution to social welfare from redistributing income, per unit of money transferred, is vastly higher for social assistance than for social insurance, as can be seen in Figure 7.

100. This is similar to the approach suggested by the UK Treasury Green Book guidance to appraisal and evaluation (HM Treasury, 2014: Annex 5) whereby distributional impacts of a programme (or system) are assessed using a social welfare function based on the marginal utility of an additional unit of consumption for recipients at different points in the consumption distribution. Citing evidence that the elasticity of marginal utility with respect to consumption is close to unity, so that the utility of a marginal dollar can be taken to be inversely proportional to the income of the recipient, the Green Book shows how distributional impacts can be derived from the consumption distribution of the population on the one hand and the benefit distribution of the programme on the other. In its simplest form, this involves using national household survey data to obtain distributional weights for each decile (or quintile) by

[19] One method to derive the net social protection income received by an individual is to multiply gross social protection income by an average net subsidy coefficient, estimated from public accounts data. However, this involves a number of implicit assumptions, in particular that the current contributions to a social insurance scheme represent the history of contributions of the present beneficiaries (see Skoufias *et al.* 2009). An alternative approach, discussed in Section 2.3, is to analyse directly the incidence of social security contributions, along with taxes, to obtain a comprehensive picture of the distributional impact of the tax-benefit system as a whole.

dividing overall median consumption by decile median consumption, then multiplying the weights by the programme benefit incidence for each decile (i.e. the proportion of transfers accruing to each decile) to yield a distributional impact factor which can be summed across deciles for the programme as a whole. This provides a distributional multiplier or dividend which can be applied to transfers to monetise distributional welfare gains, and so is a useful component of cost-benefit analysis for social transfers at the programme or system level. It is independent of the poverty line or programme size and can be compared across programmes as a measure of relative distributional cost-effectiveness.

Figure 7: Distributional characteristic index for social protection in 7 Latin American countries, 2002-2004



Source: Skoufias *et al.* 2009.

Other dimensions of redistribution

101. As noted earlier, while policy objectives for social protection systems often focus on addressing inequality between individuals or households across the income/consumption distribution, they may also focus on other dimensions of redistribution, for example redistribution within and between specific population groups or the inter-temporal balance between short and longer term social policy objectives. Where data are available, these additional dimensions can be incorporated as refinements of the quantitative analytical methods outlined above. Examples might include examination of system-wide benefit incidence across the age distribution, or comparison of impacts on consumption concentration curves by gender, age-group, residence or time period. Projecting impacts forward into the longer term will inevitably be tentative and depends more on qualitative analysis.

3.3 Bringing tax incidence into the analysis

102. **The approaches to estimating the cost effectiveness of social protection systems in reducing poverty and inequality can be expanded to include other aspects of government finance**, including taxation, social security contributions (this may already be included as part of the social protection system), subsidies and free or subsidised health and education. Bringing taxes into the picture is particularly important. If some taxes, or the tax system as a whole, are regressive, this can diminish or even cancel out the progressive, redistributive impacts of social protection.

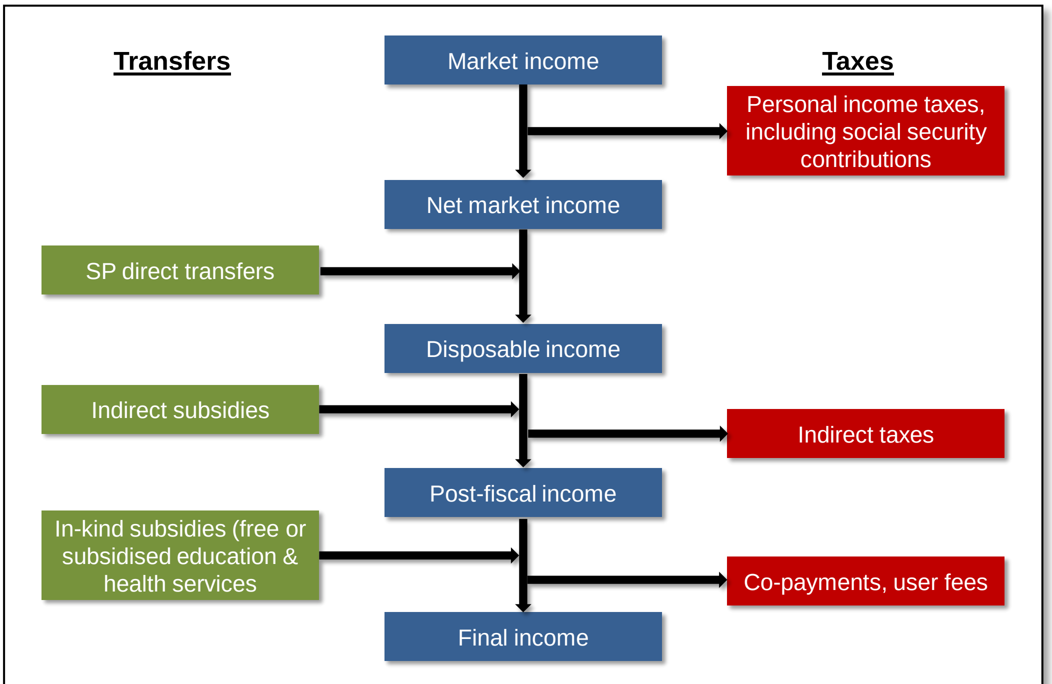
103. Benefit-tax incidence analysis is based on the different concepts of income and their relationship to taxes, transfers and subsidies (see Bastagli, 2015). A recent analysis of the net impacts of taxes, transfers and subsidies in Latin America, carried out by the

Commitment to Equity project (Lustig *et al.* 2013), used five income concepts, which are shown in the central column of Figure 8:

- Market income is total current income before direct taxes and social security contributions;[20]
- Net market income is market income minus direct personal income taxes on all income sources and minus social security contributions;
- Disposable income is net market income plus direct government transfers (in cash or in kind);
- Post-fiscal income is disposable income plus indirect subsidies (e.g. on food or fuel prices) and indirect taxes (VAT and other sales taxes);
- Final income also includes free or subsidised government services, such as education and health, which are added to post-fiscal income net of any co-payments (user fees).

104. This provides a comprehensive framework for analysing the net incidence of taxes and benefits and estimating the cost effectiveness of government finance in reducing poverty and inequality. The analysis in the Commitment to Equity project uses a 'redistributive effectiveness indicator' for estimation of the net inequality effect of transfers, relative to their size (measured in per cent of GDP) after taking into account taxes, which can be measured at either the disposable or final income level. This might be regarded as a kind of tax-adjusted cost-effectiveness indicator. The estimation of tax incidence in highly informal economies, such as those in most parts of the developing world, poses the greatest practical challenge and requires quite strong assumptions. Results for Latin American countries find that, taken together, taxes and transfers reduce inequality and poverty by 'non-trivial'

Figure 8: Income, transfers and taxes



Source: Lustig *et al.* (2013)

[20] The treatment of pensions in this type of analysis is subject to two different interpretations. Pensions can either be considered as deferred income, and thus part of market income, or as transfers, in systems where pension schemes are heavily subsidized by the state. As discussed above, a third approach is to calculate the government subsidy component separately.

amounts in Brazil and Uruguay, less so in Mexico and little in Bolivia and Peru (Lustig *et al.* 2013).

3.4 Cost-effectiveness beyond reducing poverty and inequality

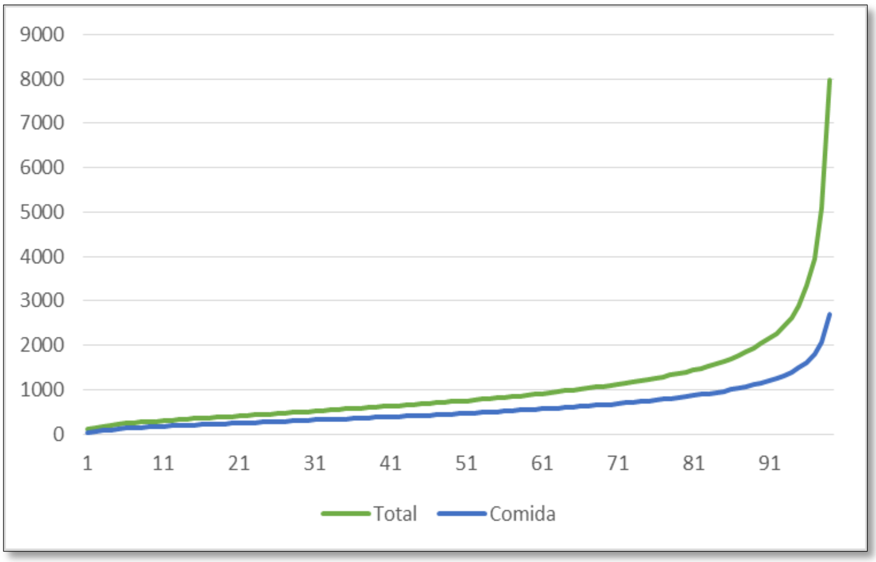
105. **In designing social protection systems, short term cost effectiveness in achieving poverty and inequality objectives is only part of the value for money picture.** As noted in Section 1.3, social protection systems have a range of objectives that go beyond addressing extreme poverty and inequality.

Cost effectiveness of reaching the vulnerable above the poverty line

106. **System objectives beyond reducing poverty and inequality include in particular reducing the vulnerability of parts of the population that are not reached by (extreme) poverty targeted programmes**. The drawbacks associated with the setting of national or international poverty lines were mentioned in Section 3.1, including their arbitrariness and their tendency to be set at an unrealistically low level. A related concern is the shape of the consumption distribution and the 'churning' of households within it over time. In the absence of effective social protection, the consumption distribution in low-income countries (LICs) and even some lower middle income countries (MICs) typically exhibits a gently sloping plateau across the first four quintiles, with a very steep rise towards the top of the wealthiest one, as can be seen for Mozambique in Figure 9 (the green (top) line shows total consumption per capita and the blue line food consumption per capita). In LICs, the official poverty line usually falls somewhere in the middle of the consumption distribution, in Mozambique's case at the 55th percentile. A large proportion of households are clustered close to the poverty line and are either already in poverty or are vulnerable to falling into poverty when subject to a moderate or severe shock, such as illness, deaths or injuries to working-age members, loss of employment, drought, pest attack or food price rises.

107. Longitudinal analysis of household surveys confirms significant movement into and out of poverty over time. In Uganda, for example, analysis of the 2005/06 and 2009/10 household surveys showed that 10% of Ugandans remained poor in both surveys, 15% were poor in 2005/06 but had moved out of poverty by 2009/10, while 10% were non-poor in

Figure 9: The consumption distribution in Mozambique, 2008/09 (average consumption per capita, in meticais, by percentiles)



Source: L Pellerano, Oxford Policy Management, from data of the Household Budget Survey (IOF) 2008/09.

2005/06 but had fallen into poverty by 2009/10. The analysis also showed that a 'covariate' shock that reduced consumption levels by 20% across the board would raise the poverty rate by as much as 55% (MGLSD, 2012).

108. These dynamic attributes of vulnerability and poverty mean social protection systems that target those below the poverty line or the extreme (food) poverty line inevitably exclude a large proportion of the vulnerable near-poor (and some of the poor) as well as others above the poverty line affected by lifecycle vulnerabilities or other adverse contingencies. They may show good cost-effectiveness/cost-benefit metrics in terms of impact on poverty or Gini coefficient per dollar spent. But there may be a strong cost effectiveness/cost-benefit argument for reaching vulnerable groups above the poverty line (or the extreme poverty line) when broader social protection system objectives are taken into account.

109. Poverty targeting reduces cost by reducing spending on the non-poor but generally has higher administrative costs, as well as a potentially high targeting error. It may also have costs in terms of political support (if a large part of the population are excluded) and gaining sustainable funding, though this will depend on context.

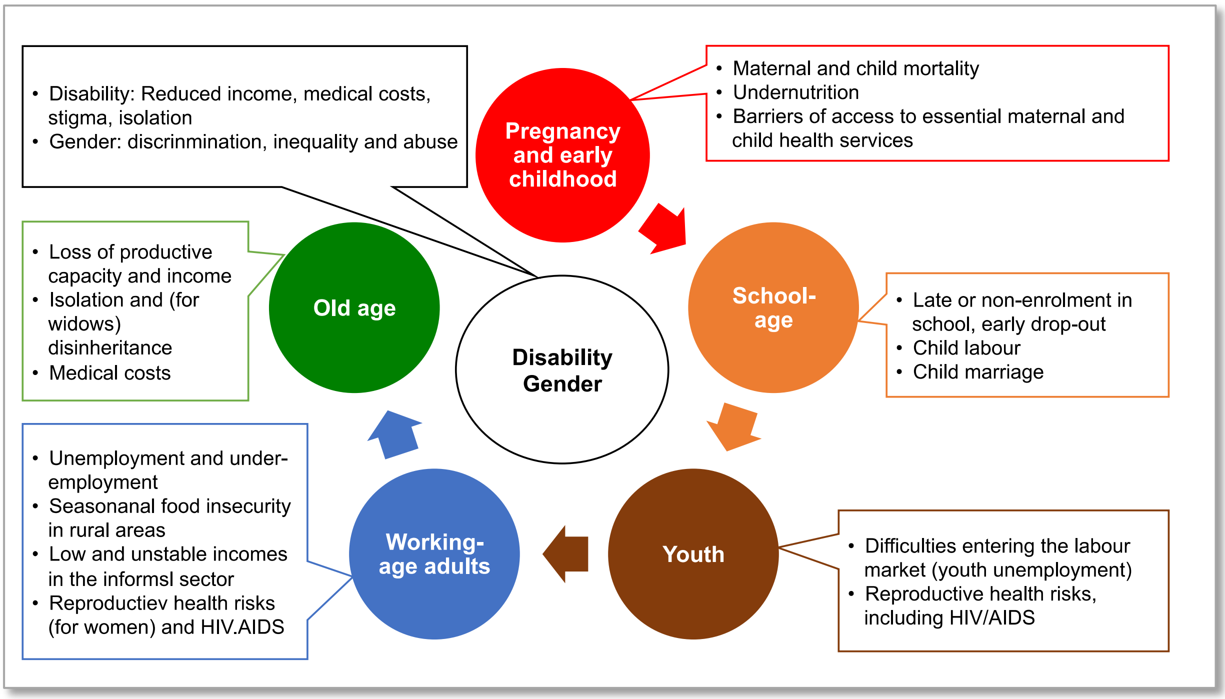
110. These concerns were recognised in the design in 2014 of a proposed new phase of donor support to Indonesia's social protection system. This identified a choice between support to strengthen implementation of the existing portfolio of poverty reduction programmes on the one hand, or support for the extension of social insurance tied in with labour market reforms plus policy development for a more inclusive overall system. The latter option proved preferable: while leveraging a path towards much higher social protection expenditure in the long term (current spending is only 0.5% of GDP), it is more attuned to the Government's Master Plan for social protection which aims to universalise coverage by 2025, aligning social assistance and social insurance, and addressing key lifecycle risks. Such an approach would benefit a much wider proportion of the population and so may stand a better chance of attracting broader popular support. Micro-simulation analysis has also suggested that it would actually have greater positive impacts on poverty and inequality even during the initial four-year intervention period, although the main incremental impacts would occur in later years.

Life cycle approaches, broader objectives and the time horizon

111. **Social protection systems are often concerned with the reduction of the vulnerability of individuals at different stages of the life cycle** (Figure 10), as in the example of Indonesia. Social insurance, for example, plays a compensatory role in offsetting the loss of income or increased costs associated with certain stages of the life cycle, notably old age, or with conditions such as disability. Social assistance is also often intended to prevent and respond to the specific age-related risks that individuals face. For example, school feeding, which is an in-kind transfer, aims to reduce the risk of children not attending school or dropping out prematurely. Social services aim to prevent and respond to risks such as child abuse, the social exclusion of people with disabilities, violence against women, and the isolation of old people, among many others. Cash transfers to children often have explicit human capital development objectives, such as improvements in nutrition and in school attendance and completion.

Rawlings *et al.* (2013) highlight the advantages of a child-sensitive system approach to social protection in enabling the multiple and compounding vulnerabilities faced by children over the life-cycle to be addressed through a preventive network of interventions. Such a network needs to cover age-specific economic and social vulnerabilities at infancy and pre-school years, moving through primary and secondary school age years, adolescence and the transition to adulthood and the reproductive years.

Figure 10: Vulnerability at different stages of the life cycle in low-income and lower middle-income countries



Source: Adapted from Mozambique's National Basic Social Security Strategy 2015-2019

As Chapter 1 noted, it is rare to find value-for-money analysis of the performance of social protection systems (as opposed to individual programmes) with respect to these compensatory and promotional functions, or even to have adequate data for such analysis. Clearly, to take into account these types of social protection objectives and functions, analysis of cost-effectiveness cannot be reduced only to poverty and inequality metrics and must involve a variety of quantitative and qualitative indicators, including many that are not readily comparable across contexts. Cost-benefit analysis may shed more light because it can accommodate multiple kinds of benefits, although quantifying and monetising all of these inevitably involves a gross simplification of system dynamics and some bold assumptions. In attempting to take into account the more 'political' value of social protection systems, such as their contribution to social cohesion and peace-building, for example in post-conflict or highly divided societies, analysis will inevitably have to be mainly qualitative in nature.

112. The time horizon for analysis is also important. While the empirical, quantitative techniques described above are likely to be most readily applicable to short to medium term cost-effectiveness analysis, qualitative analysis may well offer the most illuminating and comprehensive clues to system VfM in achieving the longer term national social development goals.

4. Critical drivers of VfM in social protection systems

113. Previous DFID guidance on the measurement and maximisation of value for money in social transfer programmes (White et al. 2013) focussed on a number of critical VfM drivers at the level of project or programme design and operation: the form, level, duration and periodicity of transfers; targeting; conditionality; and implementation systems. These programme level drivers will clearly have relevance for VfM at the system level. **This chapter will highlight additional drivers and issues which arise specifically at the system level**:

- How *policies and programmes* can be combined to form a coherent system with effective coverage which maximises VfM (this is before taking account of how implementation systems operating across programmes can maximise VfM);
- The potential for *implementation systems* to generate additional VfM and coherence by operating across multiple programmes;
- The ways that *politics, institutions and donors* interact in social protection systems.

114. Reference will be made to a number of recent examples of social protection system development, with more detailed case studies of Uganda, Ethiopia, Brazil, Lesotho and Kenya.

4.1 Policy and programmatic coherence

115. **Two basic determinants of VfM in a social protection system are the relevance and adequacy of the system** with respect to the national profile of poverty, risk and vulnerability, and inequality, exclusion and discrimination among different social groups; **and the coherence of policy, governance and programming between system components** (and between the system and other complementary social and economic sectors). A number of essential analytical building blocks need to be in place. These include:

- national profiles of poverty, risk and vulnerability, inequality and processes of social exclusion and discrimination;
- the national legal, policy and governance framework for social protection;
- existing social protection provision and its coverage, adequacy, cost and financing; and
- gaps between needs and provision.

116. Comparison of both the aggregate programme portfolio and the legal, policy and governance framework with the profile of poverty, vulnerability and exclusion and with international benchmarks enables system level gaps, overlaps and critical weaknesses to be identified.

117. This will help identify opportunities to improve overall system VfM through better coordination and rationalisation of programmes, sharing of implementation systems, exploiting synergies between programmes and with other social services, and through developing strategies for optimal sequencing of initiatives to expand coverage in line with prospective fiscal revenues and resource allocation.

118. ***Detailed guidelines for a government-led assessment in each of these areas are currently under development for inclusion in the Core Diagnostic Instrument (CODI) and National Dialogue and Policy Formulation Instruments (NDPF) elements of the Inter-Agency Social Protection Assessment Tools (SPIAC-B, 2014).*** The remainder of this section employs a similar framework and concepts to those used in these draft tools, highlighting issues that deserve specific attention in a system-wide VfM assessment.

Poverty and vulnerability analysis

119. **Periodically updated analysis of poverty dynamics and the diverse risks and vulnerabilities faced by different social groups and across the lifecycle is a prerequisite for designing an efficient and effective social protection system.** Evidence for such analysis will come from regular surveys, ad hoc studies and evaluations of ongoing programmes. National household income and expenditure surveys (HIES), sample surveys conducted every five years or less frequently in most countries, are a key source for evidence on poverty incidence, gap and severity, movement into and out of poverty over time, and inequality, as well as on household and labour force characteristics, income sources, access to education and health services, food consumption and housing conditions[21]. As social protection systems expand, HIES coverage increasingly includes data on receipt of transfers from different social assistance programmes. Many developing countries also have regular national surveys on health or human development indicators, for example the periodic Demographic and Health Surveys supported by USAID and the Multiple Indicator Cluster Surveys supported by UNICEF, although these do not include income and consumption data, limiting their use for simulations of the income effects of social transfers and social insurance benefits. Some countries have periodic poverty and vulnerability assessments such as those supported by the World Bank, usually based on the data from HIES-type surveys. Development partners and NGOs conduct ad hoc studies on specific vulnerability issues such as food security or child deprivation, while further information may come from baseline surveys and ad hoc research studies undertaken for specific social protection programmes. Data from these various sources can be used to assess who is vulnerable, where, when, to what, why and with what consequences for poverty, inequality, and various types of social risks, and how this is changing over time. Syntheses of this kind are likely to be available in most countries, but may need to be updated or supplemented as a prerequisite for a social protection system VfM analysis. Box 3 outlines the results of such an analysis in Uganda, feeding into the country's new National Social Protection Strategy.

Legal, policy and governance framework

120. **The legal framework covers international and constitutional obligations that refer to broad social protection policy objectives and commitments.** Notable international obligations include the right of individuals to social security established by the Universal Declaration of Human Rights (Article 22) and International Covenant on Economic, Social and Cultural Rights (Article 9), while the Social Protection Floor Recommendation (No. 202) adopted by the ILO in 2012[22] recommends that member states should, as quickly as possible, establish legal guarantee of universal access to essential health care, including maternity care, and basic income security for children, for persons in active age who are unable to work (e.g. through sickness, maternity, disability, or unemployment), and for older persons. National constitutions and laws often specify the right to social security, special protection for certain population groups (for example children, families and older persons) as well as access to certain services (typically education and health, the right to food, right to water etc.). These together provide an important indicator of national commitment to social protection as both a foundation for and an outcome of policy, and thus of the potential for realising system VfM in the longer term.

21 To fill in gaps between successive HIES rounds, the World Bank is also pioneering 'high frequency data collection' techniques which include rapid cellphone-based data collection (http://www.worldbank.org/en/topic/poverty/brief/high-frequency-data-collection).

22 Recommendation No.202 is based, inter alia, on the work of the Social Protection Floor Initiative, one of nine initiatives launched by the United Nations Chief Executive Board in 2009 in response to the international financial and economic crisis. (http://www.social-protection.org/gimi/gess/gess/ShowTheme.action?th.themeId=1321)

Box 3: Towards a nationally defined 'social protection floor' in Uganda

Uganda's has experienced one of Africa's highest economic growth rates in the last 15 years, averaging 6.6% in real terms since 2000 despite a slow-down since 2009, and projected to return to 7.0% by 2019. Nationally, poverty rates have been declining, from 31.1% in 2005/06 to 24.5% in 2009/10 and 19.7% in 2012/13. However, as in many African countries, the consumption distribution is very flat around the poverty line, so that a further 40% or more of Ugandan households are near-poor, consuming between 1 and 2 times the poverty line and so vulnerable to falling into poverty. Moreover, the poverty line ($0.82/day in 2015/16) is very low. In the North-East, West Nile and Mid-North sub-regions, poverty rates are much higher at 74.2%, 42.3% and 35.4% respectively. With a Gini index of 0.40, inequality is high by international standards.

The Ministry of Gender, Labour & Social Development (MGLSD) highlights vulnerabilities related to:

- **Life-cycle and individual capacity**: With a dependency ratio of 119 overall and as high as 150 for the poorest quintile, poorer households are larger and have more children, elderly and disabled members than better-off ones, with a higher burden of care for working age adults. A third of children are stunted, 11% have lost one or both parents, and 23% experience 'extreme deprivation' in at least two dimensions. Half of under-fives and a quarter of child-bearing age women are anaemic. Working age adults face low employability (30% are illiterate, 70% have no or only primary school education) and few job opportunities. Disability rates are high in the northern war-affected areas, and over 90% of households with a severely disabled member are poor or near-poor. The elderly are present in 23% of households, of which 74% are poor or near-poor and 15% are headed by elderly people of whom 72% care for children or the sick. Almost two-thirds of the elderly are widows, many of whom are left without assets, savings or care.
- **Shocks**: over half of rural households subsist mainly on rain-fed agriculture, and are vulnerable to drought, crop pests, livestock theft and disease, and severe food price hikes.
- **Social exclusion, conflict and harmful social practices**: The legacy of the conflict in northern Uganda includes large numbers of orphans, widows, ex-child soldiers, IDPs, returnees and those born in captivity in LRA hideouts who have specific vulnerabilities. As of end-2011, 30,000 remained in displacement camps. Former abductees and ex-combatants are often stigmatised, as are families living with HIV/AIDS. Gender-based violence (GBV) and mistreatment of children are widespread. Girls are often taken out of school early to marry or do domestic work.

In line with the Government (GoU) Vision 2040 and 2010-15 National Development Plan (NDP), the MGLSD has developed a Social Protection Policy, the mission of which is "Provision of integrated, comprehensive and coordinated social protection services to address risks and vulnerabilities associated with age, gender, disability, health, employment and poverty." Under the Policy, social protection includes **social security**, covering social insurance and direct income support (DIS), and **social care and support services**, covering services for orphans and vulnerable children (OVCs), youth, the elderly, people with disabilities and GBV victims. Social insurance – mainly the tax-financed Public Sector Pensions Scheme (PSPS) and the contributory National Social Security Fund – consumed 57% of government social protection spending in 2013 but benefited only 5% of the working age population. A further 8% is spent on social care services and 35% on DIS, these together are equivalent to just 0.5% of GDP and have hitherto been financed almost entirely by donors.

There are many DIS programmes, most of them are small and confined to the Northern Region or more specifically Karamoja. The largest are the Social Assistance Grants for Empowerment (SAGE) pilot, the Extremely Vulnerable Households (EVH) unconditional cash transfers and the Food/Cash for Assets public works programme, but these last two are implemented by WFP in Karamoja only.

SAGE is part of the MGLSP's **Expanding Social Protection (ESP)** programme, support by DFID, Irish Aid and UNICEF since its inception in 2010 with the aim of embedding a national social protection system. It has so far piloted two instruments in 14 districts across all 4 Regions: a universal Senior Citizens Grant (SCG) for individuals aged over 65 (60 in Karamoja) and a Vulnerable Families Grant (VFG) for households with very low labour capacity. The VFG is being phased out in favour of the SCG, as targeting proved costly and created social tensions in pilot areas. Complementary ESP components aim to build government capacity, a fiscal and policy framework for rolling out social transfers nationally, and political and civil society commitment to expanding social protection.

Continued....

Box 3: Towards a nationally defined 'social protection floor' in Uganda (cont.)

Under ESP, Uganda has made important progress towards a national social protection system, spearheaded by a working model in the SCG with over 100,000 direct recipients so far. The MGLSD now has a Social Protection Secretariat reporting to a multi-stakeholder Social Protection Sub-Committee, and has developed the Social Protection Policy Framework and the recently approved National Social Protection Strategy. SAGE appears to have an effective and accountable targeting and electronic cash transfer mechanism, with regular transfers equivalent to 36% of the poverty line. On preliminary evidence positive impacts include improved self-esteem and status for the elderly, reduced begging and FGM as grandmothers have alternative income, reduced hunger and increased dietary diversity, increased use of health services, increased land cultivation and livestock ownership, increased saving and creditworthiness, and some multiplier benefits in the local economy. MPs have established a Parliamentary Forum for Social Protection and CSOs a Uganda Social Protection Platform to lobby for a national roll-out of SAGE, and the President has tasked MGLSD and the Ministry of Finance (MFPED) to prepare a nationwide roll-out plan.

In 2014/15, the GoU began fully funding SAGE in an additional district, and under a second 5-year phase of donor support from 2015/16 is expected progressively to assume funding of the 14 pilot districts by 2020/21. Moreover, Cabinet has approved a progressive roll-out of the SCG in the remaining 97 districts over the medium term. Fiscal analysis suggests that costs of the national SCG roll-out would represent 7% or less of GoU projected revenue growth from rising GDP, increased tax/GDP ratio and the planned reform of the PSPS, excluding expected oil revenues.

Recent **VfM analysis of ESP** from inception into the long term suggests a high level of cost-efficiency and cost-effectiveness in embedding a national social protection system and rolling out the SCG nationwide. For the SCG, total cost-transfer ratio is expected to decline to 1.10 or lower once roll-out is complete, with poverty and vulnerability (below 2 x poverty line) gap reduction costing $4.99 and $1.70 respectively per $1 gap reduction for this universal (not poverty-targeted) grant. As an input into the Social Protection Strategy, the MGLSD is now extending this analysis to consider a broader system of DIS grants that could be introduced sequentially to address priority lifecycle and livelihood-related vulnerabilities, and rolled out in line with government capacity to finance and deliver. Illustratively, combinations of the following are undergoing VfM appraisal, including cost-benefit analysis and microsimulation of impacts on poverty, vulnerability and inequality, with given design parameters including coverage, targeting approach and performance, transfer amounts and method of roll-out:

- full national roll-out of the **Senior Citizens Grant** for 65+ age group (60 in Karamoja);
- a seasonal **public works** scheme for poor households with available labour in Northern and Eastern Regions;
- a means-tested **Disability Support Grant** for individuals with severe and moderate disabilities;
- poverty-targeted **Vulnerable Family Grants** for households with no and low labour capacity.

Initial findings are that this portfolio of DIS schemes would by 2024/25 cost 2.3% of GDP and benefit a third of the population, reducing poverty incidence by 19%, poverty gap by 31% and Gini index by 3.4%. A **Child Support Grant**, possibly focused on early child development and/or disability, is also expected to be appraised in the near future in collaboration with UNICEF Uganda.

The President's support for the SCG has been instrumental in raising the profile of social protection in Uganda. The powerful MFPED, while strongly in favour of reforming social insurance, remains cautious about committing expenditure to DIS, which still tends to be seen as consumptive rather than productive and likely to create 'dependency' among recipients, but has now prepared a 5-year SCG financing plan. Given medium term fiscal constraints and the current NDP prioritising infrastructure, human resources development, science, technology and critical production inputs, the prospect of these additional grant options (beyond the SCG) being funded from domestic revenue in the short to medium term seems remote. Nevertheless, as revenues expand and evidence accumulates on SCG impacts, VfM and popularity in Uganda, the momentum towards expanding DIS coverage to address other key vulnerabilities is likely to gather pace.

Sources: IMF (2014b), MGLSD (2012, 2014), UBOS (2014), White (2014a), White & Abu-el-haj (2015)

121. **The policy context for social protection sheds light on what for government and other stakeholders are the main kinds of 'value' they would like to see coming from the system.** It includes overarching national priorities and policy frameworks, national 'visions' for the future, national development plans and poverty reduction policies and strategies. An increasing number of governments have developed social protection policies or policy frameworks, and some have followed these up with social protection strategies detailing how policy objectives are to be achieved over time – in effect following this sequence of building blocks. It is important to interpret policies in the light of the institutional architecture for social protection and the changing formal and informal political context discussed in Section 4.3 below. Also important are processes for policymaking (the stakeholders involved and the extent of participation) and the specific historical circumstances through which policies have evolved, whether these relate to specific political agendas, or crises of food security and livelihoods (as in Ethiopia and Bangladesh), or the Asian Financial Crisis (which shaped Indonesia's present system) or HIV/AIDS (as in southern Africa), or shifting priorities between rights based and discretionary social assistance (as in Brazil – see Box 4) or between redistribution and growth aims.

122. **'Governance' includes the institutional architecture and capacities for social protection**; the definition of roles of the state vis-à-vis other stakeholders; mechanisms for monitoring and evaluation and for vertical and horizontal coordination; implementation and management information systems; arrangements for data security, accountability and transparency; information and awareness mechanisms; and public financial management standards including budget credibility and timely budget execution. Key issues include the clarity of institutional mandates, the respective roles of (and relations between) national and sub-national tiers of government in the provision and financing of social protection, and coordination/synergies across different sectors, ministries and agencies, given the multi-sectoral nature of social protection. Also important is the complementarity of demand and supply side interventions in the social sectors, for example the capacity of health and education services where cash transfers are expected to increase, and may be conditioned on, the use of those services.

Box 4: The evolution of strategy, programming and coordination in Brazil

Three main strategies have guided the evolution of social protection in Brazil:

(i) the *universalisation of social insurance*, with the preferential inclusion of rural informal workers; (ii) provision of *social assistance for those unable to work*, with a focus on non-contributory pensions for older people and those with disabilities in extremely poor households, and (iii) *income transfers to address the intergenerational transmission of poverty* through a human development approach.

These strategies are reflected respectively in (i) the *Previdência Social Rural* (PSR) and (ii) *Benefício de Prestação Continuada* (BPC) programmes, both legally enforceable entitlements established under the 1988 Constitution, and (iii) *Bolsa Família*, a conditional cash transfer with its origins in municipal experiments with a guaranteed income scheme linked to schooling known as *Bolsa Escola*, which was merged in 2003 with a number of other transfer programmes under joint federal and municipal management and a shared single registry.

Since 2011, these strategies have been brought together under the *Plano Brasil Sem Miséria* poverty eradication plan, managed by the Ministério de Desenvolvimento Social but covering a large number of programmes and agencies and aimed at boosting income/consumption, access to basic services and productive employment for the poor. This represents a shift from social insurance to social assistance and a human development focus, but with some tension over the direction of travel, between the rights-based approach of PSR and BPC on one hand, and government's discretionary control over *Bolsa Família* entitlement on the other. The latter is more responsive to political preferences and adaptable to social and economic conditions, although areas of concern over targeting error, conditionality and work disincentives are leading to calls for converting *Bolsa Família* into an unconditional, universal transfer.

Source: Barrientos *et al.* (2014)

Social protection stocktaking

123. **Social protection stocktaking involves an inclusive inventory of programmes by type** (social assistance, social insurance, social care services, labour market intervention), specifying, where data permits, as much as possible of the following for recent years as appropriate:

- *design parameters*: main objectives, eligibility criteria (target groups), method of determining eligibility, responsible institution, internal links to other social protection programmes and external links to other sectors (e.g. health and education) including sharing of management and implementation systems;
- *programme costs and financing*: costs in absolute terms and relative to GDP, transfer value vs. administrative costs, sources of financing (tax revenues, donors, employer and beneficiary contributions, private insurance premiums etc.);
- *output indicators*: coverage (mandatory and effective, geographical, and for contributory schemes: contributors and benefit recipients), benefit incidence (% of benefits going to each consumption quantile), type and amount of benefits provided (benefits from contributory social insurance schemes, non-contributory cash transfers and in-kind transfers, social care services and other support) and their duration and frequency, the adequacy of benefits (e.g. relative to poverty line, average beneficiary consumption levels or wages, or established service standards), and extent to which outputs achieve programme targets;
- *outcome and impact indicators*: attributable impacts on poverty headcount and poverty gap, inequality, impact on other objectives, productivity and growth, access to social services, nutrition and human development, among others (including any unintended results).

124. Elements of such an inventory exist in many countries, but a substantial amount of compilation, completion, updating and research is likely to be required in most cases, and more in LICs than in MICs. Programme level documentation and M&E outputs represent a key resource, though assessing outcome and impact indicators may be difficult except where individual programmes have had impact evaluations.

125. The stocktaking task needs to conclude with an aggregation of programme level parameters and results to provide a set of system-level performance indicators which can be compared with costs. ***The CODI, NDPF and other Inter-Agency Social Protection Assessment Tools will provide a framework for assembling detailed information in all of the above areas.*** Two important international data sources for the quantitative indicators to be included in these tools are the following:

- *The ILO Social Security Inquiry (SSI)*[23] collects, stores and disseminates comparable statistical data on social security worldwide, based on information collected by national coordinators and voluntary networks, or from other sources such as the Asian Development Bank's Social Protection Index or the OECD. This includes expenditure and receipts of social protection schemes as well as (administrative) data on protected persons, recipients of social benefits and benefit amounts. Information and indicators (more than 60 in all) are organized into eight ILO policy areas corresponding to "contingency, risk or need" categories: sickness benefits, maternity benefits, old-age pensions, employment injury benefits, invalidity/disability benefits, survivors' pension, family/child benefits and unemployment benefits. Coverage is assessed in terms of the existence of programme(s) anchored in national legislation: *none*; *very limited scope* (1–4 policy areas), *limited scope* (5–6 policy areas), *semi-comprehensive scope* (7

[23] http://www.ilo.org/dyn/ilossi/ssimain.home?p_lang=en

policy areas), *comprehensive scope* (all policy areas). Information is published online and in the World Social Protection Report[24].

- *The World Bank's ASPIRE project*[25] provides comparable quantitative data based on national household surveys allowing the analysis and country benchmarking of social protection systems as they impact on the poor and vulnerable (so not, for example, social insurance for the better off) including their distributional and poverty impact. Indicator types include country context, expenditures and programme size (not yet available), and system performance. Performance indicators are available for 112 countries and include:
  - *coverage*: programme duplication and overlaps;
  - *targeting accuracy*: benefit incidence; beneficiary incidence;
  - *benefit level*: average per capita transfer (daily $ppp), adequacy of benefits;
  - *impacts and efficiency*: poverty headcount reduction, poverty gap reduction, inequality reduction, benefit-cost ratio (as defined in Section 3).

126. These databases are limited in terms of frequency of collection and are limited by, for example, the completeness of programme coverage in household surveys. But they are comparable across countries and therefore useful for benchmarking. (They can also be complemented by qualitative indicators, for example on factors constraining the achievement of intended results.)

System coverage

127. **System coverage is inevitably a more comprehensive and inclusive concept than programme targeting and coverage.** In the 2013 DFID guidance on the measurement and maximisation of value for money in social transfer programmes (White *et al.* 2013, Section 3.2) coverage was considered mainly in relation to targeting issues and approaches at the programme level. In this context, it noted that an important prerequisite for judgements about the comparative VfM derived from different targeting approaches is clarity over objectives and intended beneficiaries, which may go beyond or differ from relief of extreme poverty. It was further observed that targeting benefits to the poorest (usually presented as the main aim of targeting) is a process often associated with substantial under coverage of the poor and relatively high administrative costs.

128. At the system level it arguably makes much less sense to talk about 'targeting' as a critical VfM driver. As systems develop, their purpose is more likely to be one of extending entitlements to social security to people experiencing specific types of need, with people actively claiming against these entitlements rather than being 'targeted'. A more appropriate critical driver to analyse is therefore *coverage of people in various need categories*, either in the sense of a) being a current recipient of a specific benefit, or b) being able to claim an entitlement to a benefit if a contingency occurs. The choice of categories and extent of coverage within each is a matter of policy rather than targeting method. A universalist approach to social protection, as embodied in the aforementioned international obligations and recommendations, recognizes that all members of society face the same kinds of risk and all members need protection/coverage.

129. Having set policy goals for social security, e.g. ensuring that no older person is in poverty or that all children enjoy a minimum level of income security, governments have then to decide what point on the coverage scale to aim for: universal access providing maximum effectiveness but at higher cost, or access restricted through a rationing mechanism but also potentially at lower cost (provided that the rationing mechanism is not too costly). This

24 http://www.socialsecurityextension.org/gimi/gess/ShowTheme.action?th.themeId=3985

25 http://datatopics.worldbank.org/aspire/

apparent trade-off is qualified by two important considerations. Firstly, universal access has a long term development dimension which is difficult to capture using short term cost-effectiveness analysis. Secondly, selection for specific programmes through poverty targeting may have relatively high levels of administrative costs and inaccuracy and greater scope for manipulation and causing social divisions, though this will depend on programme design and context. A more inclusive alternative to selection based on poverty may be "affluence testing" which aims to exclude the rich. This is practised, for example, in South Africa and is suitable where a large proportion of the population is poor or vulnerable to poverty (Kidd, 2013).

130. Coverage metrics are therefore important to include in social protection VfM analysis at the system level. In general it is recommended that metrics include coverage of:

- the overall population;
- the eligible population (taking into account performance in selecting beneficiaries);

and, where possible,

- coverage of the poor population and
- coverage of the vulnerable population (e.g. those consuming below 1.5 or 2 times the poverty line, and others affected by specific lifecycle vulnerabilities),

131. Coverage can be estimated using microsimulation analysis, alongside respective estimates of cost per direct recipient and per wider beneficiary. These metrics can be estimated *ex post* and/or projected *ex ante* over the period during which the programme or system has been reaching or is expected to reach maturity. Table 2 provides a programme-level example of such a procedure for roll-out of the Senior Citizens Grant in Phase 1 of Uganda's Expanding Social Protection Programme, 2010/11 to 2014/15 (in this case assuming there is no Phase 2), extending the VfM metrics presented in Box 3. Equivalent metrics can readily be evaluated at the system level.

Gaps between needs and provision

132. **Gaps between need and provision need to be identified.** As the SSI and ASPIRE databases attest, in most developing countries there is a wide gulf between needs for social protection on the one hand, as indicated by poverty and vulnerability analysis, and actual provision on the other, to the extent that the greater portion of needs go unmet. In conducting a system VfM analysis it is appropriate to consider not just the costs and benefits of existing provision, but also the most cost-effective means of addressing overall country needs at least to some minimum level consistent with national policies if not that prescribed in the ILO Social Protection Floors Recommendation. This will require scrutiny of the programme portfolio to address gaps in programming and implementation. An example of this process was outlined in Box 17 of the programme-level guidance (White *et al.*, 2013), which made reference to DFID support to Government of Bangladesh efforts to strengthen the coordination, targeting and coverage of the country's wide and fragmented array of social protection programmes: together these reach less than a third of poor families and reduce poverty gap by only 10%, but cost 2.4% of GDP (this figure includes as much as 0.6% of GDP for the state-funded civil service pension, not always included in the definition of social protection). For the same cost it would be possible to provide a universal child grant and a universal social pension, reaching 94% of poor families and reducing the poverty gap by 35%.

Table 2: Coverage and cost metrics for Uganda's Senior Citizens Grant roll-out (2015/16 GBP)

	2011/12	2014/15	2022/23	2029/30
Total population ('000s)	33,198	36,488	46,945	58,526
Districts covered	8	14	113	113
SCG direct recipients (000s)	6	100	1,502	1,873
Beneficiaries in SCG households ('000s)	26	424	6,381	7,955
% of population covered (1)	0.1%	1.2%	13.6%	13.6%
Total public cost (£'000s)	6,573	17,429	145,358	179,749
Monthly cost per recipient (£)	91.07	14.55	8.06	8.00
Monthly cost per beneficiary (£)	21.44	3.43	1.90	1.88
Eligible population (000s)	4,513	4,960	6,381	7,955
% of eligible population covered (1)	0.5%	7.7%	70.0%	70.0%
Monthly cost per eligible recipient (£)	101.19	16.17	11.52	11.43
Monthly cost per eligible beneficiary (£)	23.82	3.81	2.71	2.69
Poor population ('000s)	7,304	8,027	10,328	12,876
% of SCG beneficiaries who are poor (2)	48%	48%	26%	26%
No. of poor beneficiaries ('000s)	12	205	1,654	2,062
% of poor covered (1)	0.2%	2.5%	16.0%	16.0%
Monthly cost per poor beneficiary (£)	44.43	7.10	7.32	7.26
Vulnerable population ('000s)	20,135	22,130	28,472	35,496
% of SCG beneficiaries who are vulnerable (2)	82%	82%	64%	64%
No. of vulnerable beneficiaries ('000s)	21	346	4,056	5,056
% of vulnerable covered (1)	0.1%	1.6%	14.2%	14.2%
Monthly cost per vulnerable beneficiary (£)	26.29	4.20	2.99	2.96

Source: White (2014a)

133. **Gaps in the legal, policy and institutional framework need to be identified.** In many developing countries constitutional rights include general entitlements to social protection and freedom from discrimination in some form, while statutory rights to specific benefits are most often confined to the formal sector, and so fall into the ILO's categories of 'very limited' or 'limited' scope in most of sub-Saharan Africa, the Middle East and parts of south and south-east Asia and south America. National social protection policies may, as in Ethiopia (Box 5) or Kenya (Box 7), offer a relatively inclusive vision of social protection coverage based on major life-course risks and vulnerabilities, but lack a coherent strategy for realizing this vision so that the gap between policy and programming remains wide. In many cases a social protection policy, and even a social protection strategy where it exists or is under development as in Uganda (Box 3), is the product of a social welfare ministry which has limited traction vis-à-vis more powerful government institutions, in particular the Ministry of Finance which has to budget within tight fiscal constraints. Lesotho (Box 6) is an exception in that the driving force behind the statutory universal social pension was the Ministry of Finance itself, with a beefed-up Ministry of Social Development created with coordination responsibilities at a later stage. In this case, there can be a higher level of confidence that the National Social Protection Strategy will be realized within the specified time frame. In contrast, Tanzania has had a draft National Social Protection Framework since 2008, but Cabinet approval of this stalled amid uncertainty over institutional responsibilities, with the result that externally-driven programmes proceed (at the time of writing) in more of a policy vacuum. Commonly there is a need to clarify roles and relationships between the institutions involved in social protection to ensure that policies are aligned and programmes are complementary to each other and to those in other social sectors.

Box 5: Ethiopia – from emergency aid to safety net to sustainable system

Ethiopia has made impressive progress in reducing its very high poverty levels over the last 15 years. Poverty incidence declined from 44% in 2000 to 30% in 2011, alongside significant improvements in life expectancy, child mortality and stunting, access to services and infrastructure, and a reduction in fertility. Inequality is low, with the Gini remaining at 0.30 since 2005. Poverty reduction has been driven mainly by rapid growth averaging over 8% per capita during this period, with growth in agriculture close to urban centres making the largest contribution. The impact of shocks, drought especially, has been much reduced since the mid-1980s when famine killed up to a million people and had long-term welfare consequences for most drought-affected households.

Nevertheless, poverty remains widespread, absolute numbers of the poor have fallen little, and numbers of food-poor have increased. The poorest decile are actually poorer than they were in 2005, thanks largely to high food prices, and large numbers of chronically food insecure (CFI) households require emergency relief each year. On average, 41% of the population are considered either poor or vulnerable to poverty (i.e. likely to become poor within a year due to shocks), and during 1999-2009 less than 40% of rural households that escaped poverty managed to remain above the poverty line. Dependence on rain-fed agriculture is high and droughts are relatively frequent: a drought similar to that of 2002 would raise poverty incidence from 30% to over 50%. The quality of basic services and infrastructure has not kept pace with improvements in access. Stunting remains high at 44%, while only 58% complete primary school. With few off-farm or urban opportunities, there has been minimal structural change in the economy: the urban share of the population is only 17% (only 4% more than in 2000) and the proportion of households engaged in agriculture is unchanged at almost 80%.

Policy is framed by the 1995 Constitution which establishes rights of action against discrimination for women, special protection for orphans, and equal access for all to state social services, and commits the State to undertaking programmes and public works projects for the unemployed and poor. The latest poverty reduction strategy, the 2011-2015 Growth and Transformation Plan (GTP), prioritises agriculture and food security, education, health, roads and water. The 2009 Disaster Risk Management (DRM) Policy and Strategy defines roles of DRM Coordination Offices and DRM Units at all levels in mainstreaming disaster risk reduction through a multi-hazard, multi-sectoral and multi-annual approach, including responding to rural vulnerability through a scalable social safety net. The *2012 National Social Protection Policy* (NSPP) recognises the State's role in 'protective', 'preventive', 'promotive' and 'transformative' interventions, identifying 4 focus areas:

- *Social safety net*: expanding predictable social transfers (conditional and non-conditional) to all rural and urban areas; regular support mechanisms for a core caseload of chronically vulnerable; microfinance and skills training; a social pension for older and other vulnerable people;
- *Livelihood and employment schemes*: expanding off-farm income generating opportunities and providing credit and farm inputs;
- *Social insurance*: expanding public & private contributory pension schemes, private & community health insurance, weather-indexed crop insurance, and informal sector social insurance.
- *Addressing inequalities of access to basic services*: increasing access to health, education and social welfare services, especially for the poor.

Social assistance is dominated by the *Productive Safety Net Programme* (PSNP), initiated in 2005 and now one of Africa's largest safety nets covering 6–8 million CFI individuals. Of PSNP beneficiaries 80% receive a wage in cash and/or food for labouring on public works projects, while 20% are in labour-short households and are targeted for direct support. PSNP operates only in CFI woredas (45% of all woredas) for 6 months of the year, with 82% of beneficiaries in the drought-prone highlands, 18% in the pastoral lowlands. The PSNP with its complementary Household Asset Building Programme (HABP) which aims to promote 'graduation' from the PSNP through livelihood support (credit, advice, market support), and Risk Financing Mechanism (RFM) to enable timely scale-up in response to climate and other shocks, comprise the major element in the Food Security Programme sub-system overseen by the Ministry of Agriculture (MoARD). Other elements are a Complementary Community Investment (CCI) Programme undertaking capital-intensive infrastructural works in CFI areas; and a Voluntary Resettlement Programme encouraging land-short CFI households to relocate to areas with available land. The PSNP, HABP and RFM together cost US$415m/year during 2010-15, equivalent to half of the agriculture budget or 1% of GDP, and are overwhelmingly donor financed.

Continued ...

Box 5: Ethiopia – from emergency aid to safety net to sustainable system (cont.)

Emergency humanitarian assistance has continued to be needed for 2 to 7 million people each year despite the PSNP, mainly for the 52% of vulnerable people who live outside PSNP woredas. An annual Humanitarian Requirements Document (HRD) is prepared jointly by Government and donors in line with DRM policy. The 2014 HRD, for example, put needs at US$452m, while needs during the drought of 2008-2009 were much higher.

Social insurance

The scope of legal coverage of the Ethiopian social security system is categorised by ILO as 'very limited', covering mandated schemes in 4 of the 8 ILO-defined areas:

- *Pensions*: public and private sector contributory *old-age pensions* have been mandated since 1963 and 2011 respectively, funded solely from employee and employer contributions. The effective coverage of old-age pensions is just 9% of people above the statutory pensionable age of 60. The schemes include a voluntary pension for the self-employed, and cover *disability* and *survivors' pensions*, and temporary and permanent *work injury* benefits covering 17% of the workforce.
- *Sickness and maternity*: the public service amendment proclamation (2002) and the labour proclamation (2003) also make limited provision for paid sickness and maternity leave.

System value for money

To date analysis is limited mainly to the PSNP. The PSNP and emergency aid have together curbed both poverty and shock impacts in Ethiopia: two-thirds of transfers go to the poorest two quintiles, households own more assets and are better able to cope with shocks, and famine deaths have been minimised. With total cost-transfer ratio averaging 1.20 over the last 5 years, PSNP transfers are moderately cost-efficient and appear to be more cost-effective than food aid: they are better targeted to the poor, reducing poverty incidence and gap by 2.0 and 1.4 percentage points respectively in 2010/11, and comprise a much larger share of market income (for the poorest decile, 16% for PSNP versus 2% for food aid). In drought-prone areas, a moderate drought causes consumption losses of 8%, but only 6% for PSNP participants, suggesting improved resilience. PSNP transfers boost beneficiaries' food sufficiency and asset protection and/or building, these impacts accumulating with years of participation and confirming PSNP-HABP synergies. School attendance and progression is improved, especially for girls. Pilot studies on PSNP public works show positive returns and a high potential for halting/reversing soil degradation, sequestering carbon and diversifying livelihoods. Qualitative panel surveys attest to a wide range of positive impacts.

Less positively, PSNP has not improved nutrition, and HABP has not performed as hoped due to lack of credit and poor coordination. Graduation has not justified a PSNP phase-out by 2014 as the GTP envisaged, and the food gap and exposure to shocks are no better for graduated households than current beneficiaries, many having been graduated prematurely. A failure to index cash transfers to food prices has meant a growing preference for food transfers, in most contexts less flexible or cost-efficient than cash. PSNP has tended to boost the power of kin and clan patron-client networks, kebele leaders, extension workers and male household heads. There are concerns about the opportunity costs of time spent on public works, especially for labour-short households, some parents being forced to assign children to public works labour or domestic work instead of school. Gender concerns (including intra-household) are insufficiently integrated into food security programming. Direct support, subject to quotas, does not cover all who cannot work, or year-round needs.

The PSNP and other elements of the Food Security Programme do not yet amount to a social protection system. Government is reconciled to another PSNP phase (2015-20), but remains concerned about creating 'dependency' and about overall cost, posing a challenge to any transition to the longer-term, inclusive social protection system envisaged in the NSPP. A dialogue around, and system-level VfM analysis of, alternative costed scenarios for such a transition could help establish a useful road-map. Alongside 'green' public works, conceivable options might include entitlement-based year-round direct support for poor labour-short households, a universal or targeted social pension and disability benefit, and expanded programming for vulnerable mothers and children, in a more cost-effective system designed to minimise emergency relief needs while maximising coverage and VfM.

Sources: Conway & Sani (2014); ILO (2014); Rahmato *et al.* (2013); White & Ellis (2012); WB (2015)

Box 6: Lesotho commits to inclusive social protection

Despite a per capita GDP double that of Uganda, Lesotho's highly skewed wealth distribution means that 57% of the population lived below the US$1.08/day basic needs poverty line in 2010/11, and 34% below the US$0.61/day food poverty line. Fully 84% are poor or near-poor, living on less than twice the poverty line (only US$2.16/day). The depth of poverty has barely changed since 2002/03. With a Gini index of 0.53, Lesotho is one of the world's most unequal countries. Impacted by AIDS, life expectancy has fallen to 42 years, while 39% of children are stunted and 15% severely stunted.

Yet Lesotho has made bold strides towards inclusive social protection over the last 10 years:

- The universal non-contributory **Old Age Pension** for citizens aged 70+ was initiated by the Ministry of Finance (rather than the then Ministry of Social Welfare) in 2004 and made a legal entitlement in the 2005 Old Age Pensions Act. Its popularity made it a key issue in the 2007 general election, when its monthly level rose from M150 (then US$21) to M200 (US$29). It now provides 83,000 recipients with M500 (US$42) per month. While transforming the lives of older people, the pension also has special relevance for care of children in the many grandparent-headed households and through sharing of the pension within extended family networks.
- A **Child Grants Programme** (CGP) began as an EU-UNICEF-supported pilot in 2009, targeting poor households with OVCs. In 2013 the government took over funding of the grants themselves and included costs in its medium term expenditure framework. The CGP now reaches 80,000 children in all 10 districts with quarterly grants averaging M120 (US$10) per household per month. Impacts include large increases in spending on children's schooling needs, increased birth registration and better child health, lower school drop-out, better food security, higher maize/sorghum output, stronger social networks and local multiplier effects.
- A **Ministry of Social Development** (MSD) was created in 2012 and is responsible for implementing the CGP and other core social protection programmes (e.g. OVC bursary and Public Assistance Programme) and for coordination across the wider social protection system.
- The **National Information System for Social Assistance** (NISSA) began as a beneficiary registry for the CGP, and MSD is now developing it into a single registry for all social assistance programmes, with plans to link it to the Ministry of Home Affairs' new national identity system.
- Lesotho's **social care services** already have more than fifty qualified social workers and are more than doubling the number of auxiliary social welfare officers.
- Lesotho's **fiscal commitment** to social protection is significant. By 2010/11 over **4% of GDP** was spent on core social protection programmes (excluding the tertiary bursary scheme).

In February 2015, the MSD launched a **National Social Protection Strategy** (NSPS) to **increase system efficiency and effectiveness through better linkage between programmes**. The NSPS is structured around a 'life-course' approach, proposing a suite of core programmes responding to vulnerabilities at key life stages (pregnancy and early childhood; school age and youth; working age; and old age), plus shocks and disability/chronic illness that may impact at any stage. These comprise:

- a **universal infant grant**, phased in over four years, to all pregnant women and mothers with under-2s, linked to a range of complementary health and nutrition interventions;
- a scaled-up, but still poverty-targeted, **child grant**, phased progressively to all extreme poor households with children (approximately 30% of households);
- first steps towards a national **seasonal employment guarantee scheme** to offer public works to the working age poor, plus a basic set of social security benefits for those in the formal sector;
- the **universal old age pension** with a reduced age of eligibility, linked to a mandated contributory pension for formal sector employees plus a voluntary top-up pension;
- a **disability grant**, phased in over four years, to all those with severe disabilities;
- a reformed discretionary **public assistance grant** to vulnerable households requiring short-term, reactive support, estimated to average 0.5% of the population.

The NSPS action plan is designed to maximise poverty reduction per 1% of GDP spent. At full coverage in 2018/19, with greater coherence and reform of OVC bursaries and school-feeding, costs would fall within 2010/11 spending at 3.9% of GDP, but population coverage would increase from 23% to 41%. Incrementally, poverty rate would be reduced by 15%, and poverty gap by as much as 40%.

Sources: Devereux & White (2010), FAO (2014), Freeland & Khondker (2015), GoL (2015), Masasa (2014)

134. **VfM analysis needs to examine other aspects of the governance framework** with a view to identifying and addressing constraints to better cost-efficiency and cost-effectiveness. These include staff capacities; administrative and implementation systems (targeting, enrolment and registration, management information systems, systems for enhancing awareness and participation and handling grievances, operating procedures, delivery mechanisms etc.); research, monitoring and evaluation; and accountability and financial management. Many of these are likely to be system-wide constraints which are best addressed at system level. Systematic attention to the potential for synergies across programmes, for example through common information systems and beneficiary registries as in the case of Lesotho's National Information System for Social Assistance (Box 6), are likely to bring VfM dividends though economies of scale as well as improved system integrity.

Analysing feasible options for improving system coherence

135. **A number of factors need to be considered in assessing the VfM of options to improve system coherence.** Taking a longer term approach to analysing the VfM of evolving social protection systems is important in an *ex ante* appraisal exercise of the kind outlined in Box 3 for Uganda. The findings of such an approach can guide choices between alternative options for system development to address gaps and thereby attain social protection policy objectives. This approach is likely to involve cost-efficiency analysis to ensure that system coverage of intended eligible groups with adequate benefits is achieved at minimum cost through well-coordinated and appropriate implementation systems. Microsimulation modelling can be used to gauge system impacts on poverty and inequality, and to carry out cost-effectiveness (and possibly cost-benefit) analysis in respect of these and other intended outcomes and impacts.

136. Key attributes of such an exercise will be attention to qualitative as well as quantitative criteria for option choices, and to system complementarity and coherence issues, for example minimising fragmentation of provision for similar needs across many small programmes. The sequencing and pace of rollout of programme start-ups require careful consideration to ensure that system evolution is in line with management capacity, the rate at which fiscal space can be expanded and policy and political commitments. Other important determinants of cost, which may merit sub-options for appraisal, are design parameters such as eligibility criteria and thresholds and transfer levels and frequency, which can be adjusted over time in the light of current assessments of needs and adequacy, with periodic re-negotiation of resource allocation as required.

137. Box 3 also illustrates the effect that individual programmes can have on the development of social protection systems. The Expanding Social Protection (ESP) programme has spearheaded the development of Uganda's social protection strategy and policy framework, and piloted a universal social pension which has galvanised demand for and high-level political commitment to a nationwide roll-out of social transfers as one component of that strategy, while promoting a strategic system approach to linking social assistance with social insurance and social care services.

4.2 Implementation systems

138. The 2013 DFID guidance on the measurement and maximisation of value for money in social transfer programmes (White *et al.*) explored the implications of the design and operation of implementation systems for VfM, with an emphasis on registration, eligibility and enrolment, payments systems, financial management and accountability and management information systems (MISs). Here we briefly examine registration and MISs, payments delivery systems, and graduation and referral mechanisms from a systems perspective. In each of these areas there is scope for achieving resource-sharing and synergies across programmes, limiting duplication and fragmentation and achieving better VfM with better

system coherence and coordination. Realizing these benefits requires significant investment in administrative capacity and an awareness of costs, challenges and risks inherent in addressing these issues at the system level. This section is not exhaustive: other implementation challenges will have VfM implications, for example, for social insurance, contribution collection, risk-pooling, avoiding adverse selection, over-prescribing and cost escalation (in health insurance schemes), and management of investments; and in social care services, case management and referral systems are likely to be critical. Information and awareness mechanisms, M&E or complaint and appeals mechanisms are likely to be other areas where cost-efficiency across programmes can be improved.

Registration and management information systems

139. **Single registries can improve the VfM of system registration.** Registration is the process of collecting and storing in a database (or registry) information on individual and household characteristics and circumstances. At the programme level, this includes information that can be compared with programme eligibility criteria to determine whether or not the individual or household is eligible for enrolment on the programme. Data requirements may be relatively undemanding for some programmes (e.g. age and citizenship status for a universal social pension) or more complex for others especially where poverty targeting is involved. While programme targeting policy determines the eligibility criteria, registration operationalises this policy on the ground. The registry may be generated either through an on-demand approach in which applicants travel to a registration centre with requisite documentation, or through a census survey of all households, as occurs in most poverty-targeted programmes, or a combination of the both approaches. A census approach is much more costly to implement[26], although on-demand registration involves applicants incurring travel costs and may exclude those residing far from registration centres. Regular updating of registries is important; this is easier for on-demand registries. For those based on censuses it is costly and so unlikely to be repeated more than once every 3 years or so. This is another factor which can limit selection accuracy in poverty targeted programmes.

140. At the system level, the possibility exists of sharing registries between programmes. Such a combined registry is known as a **single registry**, although it might not cover all programmes in a country. A single registry may, depending on country circumstances, be developed by integrating a number of existing programme registries or by adapting the registry of a single large programme for use by others.

141. **An integrated management information system (IMIS) can also improve system VfM.** A programme MIS is a system, including application software, for turning registry data into information that can be used to ensure efficient and effective programme management. Functions might include generating lists of enrolled applicants who satisfy eligibility criteria, monitoring compliance with conditions where applicable, generating monthly payrolls and records of payment receipt, applying data updates including payroll entries and exits and generating monitoring reports. The system-level equivalent, combining programme MISs, can generically be termed an integrated management information system (IMIS) (Barca & Chirchir, 2014).

142. **The integration of data and information management through a single registry and IMIS can link programmes within the social protection sector (as in Kenya,**

[26] According to Barrett & Kidd (2015:5) “The Uganda SAGE cash transfer programme – which delivers two types of transfers – illustrates the differences in cost between on-demand and census approaches. The universal Senior Citizen Grant – which uses an on-demand registration mechanism – is expected to have an administrative cost that is around 7% of the value of cash transfers when operating at national scale; in contrast, the Vulnerable Family Grant – which selects the same number of people using a census-based registration mechanism and collects data on age, sex, disability and orphan status – is expected to cost 23% of the value of cash transfers.”

Indonesia, Mauritius and South Africa) or go further and link with other sectors (as in Argentina, Brazil and Chile). This may significantly improve system VfM, but experience in realizing these benefits has been mixed and is subject to a number of challenges. These are summarised in Table 3. Increased costs for ensuring confidentiality of private information, data security and risk of abuse of information also have to be weighed against the benefits of integrated data systems. The detailed study by Barca and Chirchir (2014) concludes that development of a single registry and IMIS is most feasible where:

- there is a supportive policy environment, with a strong political leadership advocating for institutional coordination, sufficient capacity to identify and cost policy and financing options, and adequate budget commitment to meet the considerable costs, especially for data collection which may range between $4 and $14 per applicant[27];
- there is a solid national identification system (Civil Registry or social security number) and recent high quality data on applicants exists;
- well-trained, well-paid and well-qualified staff are available at central level, plus a network of local staff to act as an entry point for establishing an on-demand system;
- an independent unit exists or can be established to manage the system, with strong institutional links to other government bodies and an absence of parallel or competing structures; adequate computer hardware exists or can readily be provided at local levels, with high capacity secure servers at central level (conforming to ISO 27001);
- software is available to create a large, flexible, scalable database, with the necessary support to administer and maintain the database and IMIS, and there is agreement over functional requirements and technical specifications;
- internet access is available at all levels; and there are clearly documented protocols that enable quality controls on information before it is transmitted.

Payments delivery systems

143. **Getting payments delivery systems right is challenging but can lead to significant cost savings as well as more efficient delivery and wider benefits.** An effective payments delivery system is one which delivers transfers in the correct form and amount to all intended beneficiaries, and no one else, in an accessible, timely, regular and predictable manner according to a prearranged payments schedule. This is often one of the most logistically challenging and high risk aspects of social assistance and social insurance programmes (Barrett & Kidd, 2014). Payment delays and irregularity may seriously undermine programme effectiveness in achieving intended impacts, while fraud and corruption increase costs to scheme and/or beneficiaries and may result in programmes being withdrawn. Well implemented payments systems have the potential to yield benefits beyond the payments themselves, for example by promoting financial inclusion through access to financial services such as banking, insurance and microfinance for beneficiaries and non-beneficiaries alike. A payments delivery system is generally only as good as the MIS on which it is based.

144. Experience at the programme level suggests that outsourcing operations to a payments service provider (PSP), for example the national post office, a bank or mobile network operator, can tap into available expertise and infrastructure, and avoid scheme administrators being overwhelmed by the burden of payment operations at the expense of other important tasks (Barrett & Kidd, 2014). Secondly, moving from physical cash

[27] This range spans both census-based and on-demand registration, the latter relying on applicants coming to a local benefit office to register and normally costing less (to the scheme) than active survey-based methods.

distribution to an electronic payments system is likely to take longer to set up, but can bring a range of important benefits including significantly lower costs.

Table 3: Experience in realizing potential advantages of integrating information management

Potential advantages of integration	Experience and challenges
Policy advantages	
More equitable approach to resource distribution based on objective and comparable information	• *Systematic exclusion of certain types of households* due to problems with data collection, lack of documentation or eligibility criteria • *Exclusion replicated across all schemes* where associated with a common targeting mechanism • *Potential stigmatisation of households* classified as 'poor' in the national data
Increased responsiveness and inclusiveness of interventions	*Depends on regular updating of data*, e.g. to capture poverty dynamics in poverty targeted programmes involving proxy means tests
Increased transparency and accountability due to programme information sharing	*Depends on institutional commitment and overall policy context* rather than technical system set-up
Increased *linkage to complementary institutional framework* and wider social and economic policies	Not often achieved in practice as *integration focus often limited to a handful of social assistance schemes* and by weak linkage between institutions
Increased *knowledge on issues around poverty and vulnerability*	Little used for this purpose due to *lack of analytical capacity*, longer term focus or coordination with research institutions
Operational advantages	
Better oversight of multiple schemes and reporting to policy-makers	*Achieved in almost all countries* where integrated information management in place, but focus mostly on operational rather than policy aspects, and *insufficient effort made to establish an integrated M&E system* based on single registry data
Less duplication of effort, e.g. in data collection activities for programme targeting	*Achieved in all countries, leading to cost savings*, but serious concerns where updating of data is infrequent (e.g. more than 3 year intervals)
Potential cost savings from a *common payment system* across all schemes	*Only where payments service provider has capacity and geographic coverage* to guarantee this. Performance-based agreements with *Caixa* bank in Brazil considered best practice
Control of 'double dipping', reduced fraud and ability to keep track of who is receiving what	*Highly successful in preventing double dipping and benefit fraud* where national or social security ID numbers available to cross-check databases, but rarely used to keep track of who is receiving what across multiple programmes
Facilitates *transition of beneficiaries between schemes* as their circumstances change	*Potential gains to integration not fully reached* in many countries due to *strong focus on preventing 'double dipping'* and *insufficient updating of data*
Facilitates emergency responses	Several countries exploring this possibility, but no experience documented

Source: Barca & Chirchir (2014)

145. Other advantages of electronic distribution include reduced time taken by beneficiaries to collect payment, large reductions in 'leakage' and quicker payments reconciliation. However, electronic distribution channels are not always more cost-efficient in practice. Lesotho's social pension was initially distributed in cash by branches of the national post

office at a negotiated cost of only 2% of transfer value, and Ghana Post delivered cash payments at community level meetings at 5% (albeit with considerable delays). Pulver (2014) cites costs in a sample of programmes using electronic channels ranged between 1.2% in Brazil's *Bolsa Família* to as much as 11.3% in Colombia's *Familias en Acción*. (Pulver also cites cost of distribution, electronically or otherwise, falling between 2% and 15% of the value of transfers.)

146. The flexibility to choose between distribution channels depends on the country payment environment. Some lower cost channels may be precluded by the regulatory environment and by the state of development of the financial services sector. Distribution via mobile phones is only possible where there is network coverage, which there often is not in the poorest and most remote areas, and where there is very high ownership of mobile phones, including in particular among the poor, which may not be the case in low income countries. On the other hand, large scale social protection programmes can make it worthwhile for banks and mobile network operators to extend their coverage to new areas, thereby benefiting the community at large.

147. **A system level IMIS can be linked to payments delivery systems that span programmes, leading to improved cost efficiency and, for beneficiaries, flexibility.** Providing beneficiaries with mainstream transactional accounts into which their payments are made, as opposed to single purpose accounts, can promote financial inclusion by acting as a gateway to a spectrum of financial services, aiding saving and creditworthiness. It can also support coordination across programmes by enabling account holders to use the same account for multiple benefit types (e.g. pensions and child grants) for which combined records can be held at account level. Using interoperable payment systems for multiple programmes, whether for the same or different account holders, can also allow PSPs to exploit economies of scale, further encouraging PSP investment.

148. The use of bank accounts for payment of cash transfers is increasingly common in large social protection programmes and systems in developing countries – including virtually all payments in South Africa and Brazil – and an increasing proportion of these are mainstream accounts. Barratt & Kidd (2015:8) note that the move from limited purpose to mainstream accounts to deliver cash transfers has been associated with reduced costs, e.g. from US$0.88 to US$0.60 per payment in Brazil, and from US$4.46 to US$2.03 in South Africa.

149. **Cost savings can also be realized if there is a coordinating agency making payments across multiple programmes.** The establishment of the South African Social Security Agency (SASSA), with responsibility for managing multiple programmes such as Child Care, the Disability Grant and the Old Age Pension, gave it a strong negotiating position vis-à-vis PSPs in establishing per beneficiary charges for payments deliveries, which in 2010 were equivalent to 2.4% of transfer value (Pulver, 2014).

A word on 'graduation'

150. **Integrating social protection systems with wider livelihoods support and opportunities for those able to work can, potentially, 'graduate' beneficiaries into sustainably more productive livelihoods, helping to meet social protection objectives and reduce long term system costs.** 'Graduation' can be defined as 'leaving a social protection programme after reaching a wellbeing threshold, once the participant has acquired a set of resources that is expected to equip them for a higher-income future livelihood' (Devereux & Sabates-Wheeler, 2015:1). There are other definitions of graduation, as discussed below.

151. Drawing together contributions to the March 2015 issue of *IDS Bulletin* devoted to the topic of graduation[28], Devereux & Sabates-Wheeler (2015:2) outline a theory of change that underpins the approach of a number of 'graduation model' programmes that are designed with graduation as a primary objective as follows:

> The theory of change starts from the recognition that a single intervention such as a cash transfer is unlikely to achieve a transformative impact on poor people's livelihoods, but a holistic package of support has the potential to construct a pathway out of poverty towards sustainable self-reliance... Cash transfers are expected to: (1) stabilise household consumption, (2) protect assets against being sold to meet basic needs, and (3) relieve liquidity constraints, allowing households to make productive investments. The promotion of savings and access to microcredit strengthens resilience to shocks and also protects the assets transferred against being sold as a 'coping strategy' following a shock. Finally, training in income-generating activities plus coaching in life-skills is sometimes described as the 'X-factor' of graduation model programmes. The intensive personal attention given to each participant aims to ensure that they make the best possible use of the resources and opportunities they receive.

Graduation programmes

152. **A number of social protection programmes contain 'graduation' approaches with potential lessons for graduation systems.** The case studies cited by Devereux & Sabates-Wheeler (2015:2) include the first generation of such programmes in Bangladesh – BRAC's Challenging the Frontiers of Poverty Reduction (CFPR) programme, the Chars Livelihoods Programme (CLP) and the Economic Empowerment of the Poorest (EEP/Shiree) programme. All of these focus on the extreme poor, provide a combination of cash transfers for a specified period, asset transfers (most commonly livestock), assistance with saving, training and other forms of livelihood support, and all measure their success – and their value for money – in terms of graduation. Based on the experience of these programmes, CGAP has tested the approach with 10 pilots in eight other countries, while Concern Worldwide is implementing graduation model pilots in Burundi and Rwanda. A number of national programmes, such as Ethiopia's PSNP (Box 5) and Rwanda's Vision 2020 Umurenge Programme (VUP) have incorporated elements of the 'graduation' approach. (PSNP and VUP are also, arguably, in their provision of public works and direct transfers to households without labour, types of graduation programmes themselves, even before incorporating elements of the Bangladesh graduation approach.)

153. In most of these cases significant claims have been made for the success of graduation programmes in 'lifting people out of poverty', and there is certainly convincing evidence, summarised by Devereux & Sabates-Wheeler (2015), of their positive impacts on incomes and consumption, assets, savings, food security and empowerment.

154. Further evidence comes from a recent study by Banerjee *et al.* (2015) of randomised trials of graduation programmes based on asset-transfers in six countries (Ethiopia, Ghana, Honduras, India, Pakistan, and Peru with a total of 10,495 participants). This finds statistically significant positive impacts across all ten key outcomes selected for investigation by the end of the 2-year intervention, with impacts sustained for a further year for 8 out of the 10 outcomes. In most countries, the discounted extra earnings exceeded the programme cost.

[28] This issue draws on contributions to an international conference on '*Graduation and Social Protection*', hosted by the Government of Rwanda in Kigali on 6–8 May 2014, which was an activity of the Centre for Social Protection at the Institute of Development Studies in partnership with Irish Aid.

Definitions of graduation

155. **There is uncertainty about both the meaning of 'graduation' and the criteria used to measure it.** Sabates-Wheeler & Devereux (2013) distinguish between '*threshold*' and '*sustainable*' graduation:

- ***Threshold graduation*** occurs when participants satisfy one or more administrative criteria which render them no longer eligible to receive benefits or at the end of a predetermined period of support. For example in CLP Phase 2 (2010-2016), six out of ten graduation criteria, covering income sources, food consumption score, nutrition, sanitation, asset base, women's empowerment, vulnerability to flood, cash savings, and membership of social groups, must be met to constitute graduation.
- ***Sustainable graduation*** goes further to include a notion of resilience, e.g. in Ethiopia's PSNP a two-stage graduation process applies, in which 'a household has graduated when, in the absence of receiving PSNP transfers, it can meet its food needs for all 12 months and is able to withstand modest shocks' and is therefore 'food sufficient', but it will continue to benefit from the complementary Household Asset Building Programme (HABP) for at least a year and until further criteria are satisfied for it to be deemed 'food secure' and able to deal with shocks in future years. (GFDRE, 2007).
- ***Longer term sustainable graduation.*** Roelen (2015) goes further to suggest a much longer timeframe in which 'true sustainable graduation should be about achieving long-term improvements in livelihoods and living conditions that are maintained across generations'. Pressure to graduate households quickly may have adverse intergenerational impacts, for example when the associated demands on household resources leave children worse off and come at the expense of long-term poverty reduction.

156. **Most 'graduation' programmes employ a threshold concept of graduation.** CLP2 has so far graduated 85% of its 'core' participating households with its 20-month package of support, but recognizes the arbitrariness of its '6 out of 10' threshold. Despite changes made to the criteria in response to successive external reviews, it has attempted to build in a measure of sustainable graduation in resurveying households covered in the first CLP phase. As with CFPR and EEP/Shiree, graduation in CLP has not been used as a criterion for withdrawing support, only for assessing the number of beneficiaries reaching this threshold at the end of the support period. The true success or otherwise of sustainable graduation will arguably be apparent only much later, long after programme support has ceased. CFPR's threshold graduation rate for its 2007 cohort was 74% on exiting the programme in 2008, but this increased to 93% two years after exit in 2010, suggesting sustainability at least over this period. Yet the high cost of these programmes – CLP2's one-off package will have cost £771 per core household by 2016 – and their implementation so far largely independently of government also raise questions about the sustainability of this graduation model as a component of a national social protection system (White, 2014b). Ethiopia's PSNP graduation rates have fallen behind government expectations that the programme could be terminated in 2014, but political pressure has meant that many households have been graduated prematurely, with a 2012 analysis suggesting that they may have slightly better assets and household labour endowments, but are no better than current beneficiaries in terms of food gap or exposure to shocks (Conway & Sani, 2014).

A tentative way forward

157. Graduation logic suggests that a social protection system will achieve better cost-effectiveness if it provides pathways whereby, with appropriate referral mechanisms, individuals who are able to work can graduate from programmes for the extreme poor who cannot afford to take risks, to those which support entrepreneurial behaviour with progressively increasing levels of investment and risk-taking, enabling them to move out of poverty altogether.

158. **But in helping to meet graduation objectives, social protection must not lose sight of its core function.** Devereux and Sabates-Wheeler (2015:11) conclude that although the achievements of graduation programmes are innovative and impressive, they are not a substitute for the core social protection functions of social assistance and social insurance. In addition, 'Realistic expectations and time-frames for graduation are … often sacrificed to the imperatives of speed and value-for-money calculations' with the result that programmes fail to achieve graduation that is adequately sustainable. The PSNP-HABP-food security programme model in Ethiopia rests largely on this logic, and yet as we have seen it is this very linkage that has created certain problems.

159. 'Graduation' programmes clearly have the potential to bring about real, sustainable improvements in livelihoods of the poor, but they should run alongside social protection rather than in its place. They are only relevant for those able to work, and quite often have shorter periods of support, while social protection systems are often aiming to provide longer term support for those who cannot (or should not) work: children, the severely disabled, the sick, women during a period before and after giving birth, and older persons.

4.3 Politics, institutions and the role of donors

Why politics?

160. **The conception, design and implementation of social protection policies, programmes and systems have important political dimensions that influence their uptake, effectiveness and sustainability, and that therefore need to be analysed and understood.** An analysis of political context and trajectories is often central to an understanding of the scope for and pathways to social protection system development, reforms and strengthening, and therefore ultimately to maximising system VfM. In addition, while political context and processes affect social protection, the converse is also true: social protection can shape the trajectory of politics in a country, including the politics of social protection itself (Mkandawire, 2006; Hickey, 2008; Cliffe, 2008). Political analysis can reveal important insights into prospects and priorities for, and appropriate sequencing of, social protection system development, helping in turn to maximise political commitment and sustainability and therefore long-term effectiveness.

161. This can, potentially, lead to a fundamentally different overall system design and programming approach than that derived from an exclusive focus on technical evidence at the programme level. Policy discourse on social protection tends to be technocratic. This can overlook the political nature of processes by which poverty is diagnosed, beneficiaries are selected, and programmes are designed and implemented. It can also overlook the potential for patronage at different levels in the system. Politics, where considered at all, is often presented as merely a constraint to the proper implementation of technically sound, evidence-based programming.

162. **Social protection system and programme designs that have strong buy-in from governments and the public at large are likely to be better managed and financed and more sustainable** than programmes that score better on cost-effectiveness and cost-efficiency analysis but that do not resonate with the population or key decision-makers.

Democratisation

163. **Democratic elections and a greater focus on poverty in national and international discourse have tended to support the development of social protection.** In the late 1990s poverty became more prominent in national and international development agendas. In many developing countries this trend was given additional impetus by processes of democratisation, involving improved transparency, some political empowerment of the poor

themselves and a recognition that poverty can pose a threat to democracy (Mkandawire, 2006).

164. One result of these processes is that inequality and social protection have become prominent electoral issues. Thus the increase in the level of Lesotho's universal social pension (Box 6) became a key campaign issue in the 2007 general election, so much so that a post-election survey revealed this to be the main reason that voters gave for their continued support for the winning Lesotho Congress for Democracy under which the pension had been initiated three years earlier. Complaints in Swaziland over failure to pay out the social pension in November 2006 led to local MPs suspending House of Assembly business until the issue was resolved. Farm input subsidies became critical electoral issues in Malawi and Zambia following their reintroduction in the wake of the southern African food crisis of 2002-03. In Uganda, social spending has followed a 'political cycle', with initiatives timed according to the electoral calendar, and the President has clearly appreciated the political advantage to be gained from a nationwide roll-out of the Senior Citizen's Grant (Box 3). Brazil's *Bolsa Família* is considered to have increased President Lula's vote by 1-2 percentage points in 2006, and was supported by all four candidates in the 2010 presidential election (Hickey, 2007; Devereux & White 2010; Soares, 2012; Barrientos *et al.* 2014).

165. These examples illustrate there is potentially a strong political constituency for broad-based social protection. This is in some respects hardly surprising given the extent of poverty in most developing countries, the shape of the wealth distribution and the consequent likelihood that the large majority would gain from such programmes. In fact one would expect the poor to exercise their voting power more effectively than they do in favour of these and other redistributive, pro-poor policies. Mkandawire (2006) cites a number of constraining factors: policy-making that is dominated by domestic élites; the ideological shift towards neoliberalism and collapse of socialism on the international stage from the 1980s; the influence on domestic policy of donor and international financial institution (IFI) agendas (though donors and IFIs, including the World Bank and more recently the IMF, as well as the UN system, have also been strong advocates of social protection and of greater government accountability); a lack in new democracies of a culture of coalition-building alongside organizational weakness among the poor; and new regimes' reliance on technocracies (often supported by donors and IFIs) as a reaction to governance failures of the past. New democracies often inherited economies left in a poor state by preceding regimes. Further restrictions on democratic choice derived, arguably, from new constitutions and poverty reduction strategies that circumvented elected bodies.

Institutions

166. **Coordination and coherence across social protection systems is complicated by the wide range of institutions involved in one way or another, both 'formal' and 'informal'.** In terms of organizations, these include, for example, political parties, national assemblies and parliamentary committees; ministries of social welfare, agriculture, works and transport, planning, finance and local government; parastatals (including marketing boards, food reserve agencies, credit agencies); development partners (bilateral donors, IFIs and UN agencies and national and international NGOs); civil society organizations; trade unions; national committees established for specific vulnerable groups (e.g. OVCs or people living with HIV/AIDS); sub-regional bodies (e.g. in southern Africa these might include the African Union, Southern African Development Community (SADC), Southern African Customs Union (SACU) and Common Market for Eastern and Southern Africa (COMESA)); local government structures under decentralisation arrangements (e.g. district development committees); and informal institutions including traditional authorities, ethnic identities and systems of patronage. **Competition for resources and influence between these structures is likely to threaten both horizontal and vertical coordination.**

167. Formal institutional structures have their official mandates and remits, but what often matters more is their informal *modus operandi*: the way they bring to bear their perception of poverty and vulnerability and their vision of an effective social protection system in the national context, and their approach to accountability, securing a voice for the poor and achieving functional synergies with other institutions. Formal institutions may also be overlaid with hierarchies and systems of patronage which undermine accountability and coherence in a number of ways, from choices about geographical coverage and target groups at national level to implementation mechanisms such as beneficiary selection, conditionality or grievance procedures at sub-national and community levels. Where multi-party politics is structured along ethnic lines it may of course itself provide a channel for patronage. States may even become more or less 'neopatrimonial' in character in that they exhibit the characteristics of a democratic state but in practice state institutions are systematically oriented towards appropriating public resources, including social protection itself, for private gain, 'rent-seeking' or political support. In general, the more social protection systems are rooted in legislation with clear, unambiguous selection criteria, electronic delivery systems and legal entitlement to appeals procedures, the less likely they are to be susceptible to patronage and corruption, administratively burdensome and cost-inefficient. As such, their potential for nation-building and overcoming social and ethnic divisions is likely to be greater. There could also be scope for greater lesson learning on effective institutional structures between countries at different stages of social protection system development.

The role of donors and development partners

168. **Donors have often played a key role in financing and influencing the design of social protection in low-income countries.** Their role has some bearing, depending on context, on the value for money of social protection system development. Donors' focus on pilots and programmes, often NGO implemented, may have detracted in some contexts from social protection system development. There has been a more recent focus on system development along with an emphasis on gathering evidence on the impact of social protection programmes. But donors have also, at times, been divided in approaches to social protection which may have weakened their combined support to national approaches. In posing the question *Social Protection In Africa: Where Next?*, Devereux *et al.* (2010) noted:

> As for the development community, we cannot agree among ourselves on how to move the social protection agenda forward – some take a 'rights-based' perspective while others want to implement a needs-based 'social floor'; some favour unconditional cash transfers while others want to introduce conditions; some argue for social pensions while others target 'orphans and vulnerable children' (OVC) or the poorest 10%; and in some countries different approaches are being 'piloted' in different districts simultaneously, not informed by any national vision.

169. While some differences of opinion are inevitable as the evidence base is built, there has been a need for a more coordinated process for supporting national social protection system development.

Going forward

170. Recently, international development partners have recognised the need for improved coordination reflected in the work of Social Protection Inter-Agency Cooperation Board (SPIAC-B)[29], co-chaired by the World Bank and ILO. There is other evidence of greater support to system building. For example, the World Bank's Rapid Social Response Programme which provides TA to governments, Australian support to Indonesia since 2009/10, support from DFID, Irish Aid and UNICEF to the Expanding Social Protection

[29] SPIAC-B documentation can be found at http://www.ilo.org/newyork/issues-at-work/social-protection/social-protection-inter-agency-cooperation-board/lang--en/index.htm

programme in Uganda since 2010 (Box 3) and combined IFI and donor support to the National Safety Net Programme in Kenya (Box 7). These programmes are explicitly oriented towards helping to embed social protection within government policy, budgetary and implementation systems.

171. As the emphasis for donors moves towards supporting social protection systems rather than programmes, it may be necessary to re-evaluate their role and make modifications to the design of – or even replace – traditional donor supported programmes to avoid overlaps, build in system coherence and maximise VfM. Donors' continued use of parallel financing and project management mechanisms could risk undermining the long-term development of national social protection systems, as well as sustainability.

172. Development partners can still play an important role in supporting policy and strategy development, by financing key system development costs such as capacity enhancements including staff training, implementation systems, set-up costs, research and M&E, by bringing to bear international perspectives and experience through technical cooperation, and by working from a common platform. They can also usefully fund start-up programmes where there is government commitment to use these as a basis for programme roll-out using domestic funding. A new starting point may be to support new programmes only where they are explicitly designed as integral components in an existing or prospective social protection system, with clearly articulated complementarities. This suggests a need, as Cherrier (2014) asserts, to understand how social protection systems reflect the dynamics of power within the national political economy and to recognise that 'non-propositional' knowledge (that which is informal, implicit or derived primarily through personal experience) tends to be at least as important as empirical evidence in informing policy decisions.

Social contracts and the politics of social protection financing

173. Finally, social protection system development and VfM is influenced by approaches to the 'social contract', and the politics of system financing.

Definitions of the 'social contract'

174. **The concept of the 'social contract' has different definitions with different implications for social protection systems.** In recent years the politics of social protection has increasingly been framed in terms of a 'social contract' between government and citizens. However the concept, originating in early philosophical theories about the legitimation of political authority, has come to mean different things to different users, even within international development circles. As Hickey (2011:4) notes, "an assumption here seems to be that a social contract is a 'good thing', which denotes not only more legitimate, peaceful and consensual forms of political authority, but also a wider commitment to social justice that can help relocate public policy within the realm of rights rather than patronage." Yet there are at least two distinct strands of social contract theory that could give rise to contrasting forms of social protection:

- a **'liberal or interest-based' approach**, which is more akin to a legal contract in which isolated parties pursue their individual self-interest;
- a **'social or rights-based' approach** whereby people are presumed to be more concerned with collective fair treatment.

175. The first of these may underpin a more minimalist approach to social protection, for example where the 'contract' involves targeted beneficiaries receiving cash in exchange for prescribed developmental behaviours. The second corresponds more with a social democratic welfare regime characterised by rights-based, universalist programmes grounded in legislation. The latter may be more attuned to the task of establishing a social protection system which binds state and citizens together in a progressive social contract based on the rights of citizenship. But this is subject to debate.

Box 7: A common platform for system development in Kenya

In the wake of Kenya's new Constitution of 2010, which guarantees the **right to social security** and commits the State to "provide appropriate social security to persons who are unable to support themselves and their dependants", a **National Social Protection Policy** (NSPP) was approved in 2012 to articulate plans for progressive realization of this right. This sets out policy measures, system coordination and integration, institutional framework, financing and M&E arrangements in 3 areas:

- **social assistance**, with the ultimate goal "to provide universal access to the vulnerable throughout their lifecycle", including cash transfers, emergency humanitarian assistance, targeted waivers and subsidies, livelihood support;
- **social security**, including redirecting employer and government liabilities to a reformed National Social Security Fund (NSSF), extending retirement schemes to informal sector workers and improving replacement rates, sickness/injury benefits and unemployment protection;
- **health insurance**, reforming the National Health Insurance Fund (NHIF) with increased beneficiary and employer contributions, universal access, and core services for those unable to contribute.

In all these areas coverage has hitherto been low in relation to needs, fragmented and poorly coordinated. Though social assistance spending doubled to 0.8% of GDP between 2005 and 2010, 71% of this was donor-funded and 53% was for food distribution in drought-prone areas. By 2010, coverage was still limited to an estimated 9% of the poor population. Implementation involved over a dozen different agencies, many of low capacity, with duplication of efforts limiting cost-efficiency.

The 2013-17 **National Safety Nets Programme** (NSNP) is a US$ 1 billion collaborative effort by the Government, World Bank, DFID, SIDA and UNICEF aimed at expanding coverage of, strengthening implementation systems for and harmonizing cash transfers. The NSNP focuses on Kenya's principal cash transfer programmes: the Cash Transfer for Orphans & Vulnerable Children (CT-OVC), Older Persons Cash Transfer (OPCT) and Persons with Severe Disability Cash Transfer (PWSD-CT) – all these nationwide – plus the Hunger Safety Net Programme (HSNP) in 4 arid/semi-arid northern counties. Combined coverage in 2013 was 300,000 households, all targeted for poverty and/or vulnerability.

The NSNP is a good example of government and multiple development partners, in this case led by the World Bank, working from a common platform, with pooled financing and a common design and objectives, to enhance the efficiency and effectiveness of social assistance at the system level. Under a pre-agreed financing plan, the Government of Kenya (GoK) contribution will rise progressively from 39% (0.1% of GDP) in 2012/13 to 77% (0.26% of GDP) in 2017/18.

The NSNP also exemplifies the World Bank's new **Program-for-Results (PfR)** financing instrument, whereby funds disbursements are linked to the achievement of tangible and verifiable results, assessed periodically according to a series of pre-negotiated disbursement-linked indicators (DLIs) and associated disbursement-linked results (DLRs), applied at appropriate levels in the results chain. For the NSNP, DLRs have been established in each of the above result areas, for example:

- **Expanding coverage**: 235,000 additional households enrolled and financed by GoK (2017/18).
- **Strengthening systems**: 15% increase in beneficiaries conforming to eligibility criteria (2016/17); single registry fully operational and linked to IPRS (2015/16); 90% of NSNP payments made electronically using two-factor authentication (e.g. card plus biometrics) (2017/18); 65% of payments disbursed to payment service providers on time (2016/17); 65% of program beneficiaries can name two means of making a complaint (2017/18).
- **Harmonising cash transfers**: system for scaling up NSNP as part of national drought risk management system created with agreed levels of GoK contingency financing (2015/16); strategy for consolidating CT-OVC, OPCT and PWSD-CT implemented (2016/17); GoK finances HSNP in line with budget and policy commitments (2013/14).

Each DLR carries a predetermined funds disbursement element, triggered on DLR achievement. An Implementation Status & Results Report is published following each assessment. This notes the status of each DLR, and provides a range of performance ratings and a brief narrative on key issues. The PfR instrument is expected to promote strategic policy dialogue at sector level, help strengthen institutional capacity and facilitate contingency planning for scalable safety nets to respond to shocks, improve sector coordination and harmonisation, and lead to more sustainable government financing.

Sources: GoK (2011, 2012); Monchuk (2014); World Bank (2013, 2014a, 2014b)

Social contracts, social funding and social spending

176. **The 'social contract' and the nature of revenue sources can help explain how social protection systems are funded.** The 'social contract' is often used to explain the politics of taxation whereby citizens consent to pay taxes to the state in exchange for representation, accountability, services and social security benefits. A key question is from which social group the revenue is being raised. A steeply progressive taxation system may lead government to target spending at the high income groups who contribute the most, while a tax burden spread across all income groups can generate more revenues which can be used for more broad-based social protection. The politics of social spending can be linked with the politics of social financing: whereas social spending is popular among recipients but once introduced is politically difficult to cut, taxation to fund social spending is politically difficult to introduce, especially where contributors do not expect to benefit, and tax cuts are popular. Tax-funded social protection is likely to depend on contributors getting something in return (Ulriksen, 2013). From a political economy perspective, social protection system financing requires buy-in from the middle class (where one is emerging), which may be more likely if they also have a stake in the benefits provided. But there is a trade-off: wider entitlements are also likely to be more expensive.

177. With respect to southern Africa, Ulriksen (*op. cit.*) also shows how the mix of revenue sources influences the politics of social protection spending and the nature of the social contract. In aid-dependent countries (Malawi, Zambia), donors set the agenda, favouring short-term spending with visible developmental outputs such as pilots and poverty targeted transfers, and since the recipient government is more accountable to donors the potential for a social or rights based (as opposed to liberal) state-citizen social contract is restricted. In resource dependent economies (Angola, Botswana) or those relying more on Southern African Customs Union revenues (Lesotho, Namibia, Swaziland), donor policy intrusion is less and the tax burden kept low, limiting democratic accountability and citizens' leverage on spending vis à vis political élites. In this case the latter are likely to opt for minimal but broad-based social protection, sufficient to ensure political legitimacy. Only where domestic taxation provides the major share of revenue (Mauritius, South Africa and to a lesser extent Namibia) is there something approaching a state-citizen social contract, and this is associated with higher expenditure on universalist social protection.

178. **An apparent problem with a contractual approach to explaining the politics of social protection is the mismatch between those who most need benefits (the poorest and especially children, women or the elderly) and those who contribute most in taxes**, as for example exists in post-apartheid South Africa and Namibia. Ulriksen and Plagerson examine this issue within a broader framework of rights and duties, noting that:

> Either social protection is viewed in a neo-liberal (welfare contractual) manner with an emphasis on the fulfillment of duties, or social protection is promoted as a right. However, both approaches tend to make a seemingly impermeable distinction between the poor and the non-poor. This is problematic for at least two reasons. First, it supports a limited perspective on "the poor". Either poor people are regarded as passive claimants that must be forced to fulfill conditions in return for a benefit (neo-liberal/welfare contractual views) or as mere rights-holders without acknowledgment of their possible contributions as productive citizens (rights-based approaches). Secondly, if promotion of social rights, and the expansion of social protection policies, is the goal, then solidarity among citizens is important. However, policies that emphasize a distinction between the poor and the non-poor are more prone to carry stigma, social unacceptability and therefore hold less political appeal. Consequently, more encompassing social protection policies are more likely to build a stronger sense of solidarity and to be more politically sustainable.
>
> Ulriksen & Plagerson (2014:755)

Once a political constituency for a broad-based social protection system is established, it may become politically feasible to raise revenue through taxation to sustain the requisite level of spending, provided that citizens are satisfied that

financing and spending is efficient, effective, equitable and accountable. This can expand the vision of a social protection system beyond targeted safety nets. Pritchett (2005:4), discussing the political economy of targeted safety nets, considers it 'naïve' to choose the degree of targeting under the false assumption that the budget for redistribution is fixed and then seek to maximize social welfare by targeting the benefits to the poor.

179. **A more comprehensive perspective on value for money derived from a social protection system may be gained from looking beyond social contracts within the social protection sector to examine the role of the sector across the broader landscape of a social justice framework**, which engages with social causes of poverty, inequality and exclusion at the level of power relations. As Hickey (2011:15) suggests, from this perspective 'most current instruments of social protection appear as essentially ameliorative and palliative, rather than being associated with any more structural changes', and can even obstruct social justice where they undermine the role of the state and popular accountability leading to corruption or weaken pressure for the structural change needed to counter the exclusion of the majority of working people from formal sector employment (as in South Africa) (Hickey, 2014:334). This suggests a case for examining linkages with decent employment as a facet of 'value' in a social protection system, as mentioned in paragraph 52 above.

5. Conclusion

180. **This guidance note examines VfM issues at the level of national social protection systems rather than individual transfer programmes.** In doing so, it goes beyond social transfers to consider briefly other types of social protection, including social insurance and social care services. And it interprets 'value for money' in broad terms, going beyond a sole concern with the relationship between costs and outputs/outcomes/impacts for a given set of programmes to examine factors determining the nature of those results and the 'value' that they represent into the longer term as systems evolve.

181. **While VfM concepts and analytical approaches are broadly similar for programmes and national systems, moving to system-level analysis introduces several complications.** The number of possible programme types is large and their objectives wide-ranging. Their outputs and especially impacts cannot always be measured in the same terms, and many are qualitative and nuanced and not readily reducible to concise category or quantity variables. This makes cost-benefit analysis even more tentative than at the programme level. Programme inventories may miss out programmes that are not managed by government, and different countries are likely to have different definitions of 'social protection' which may include or exclude subsidies, humanitarian relief, certain social care services, labour programmes etc.

182. **There are ongoing efforts of international agencies under the Social Protection Interagency Cooperation Board to collaborate in proposing a common set of definitions, tools and metrics for describing country social protection systems in a standardised way and tracking performance over time against country objectives.** VfM analysis has an important role to play in these assessments, and it is hoped that this guidance note will prove useful in contributing to this process.

183. **The ILO's Social Security Inquiry and the World Bank's Atlas of Social Protection: Indicators of Resilience and Equity (ASPIRE) databases** can be used, *inter alia*, as data sources for system VfM analysis (though inevitably, the data may not always be up-to-date for the purpose of analysing rapidly evolving systems).

184. **System impacts usually refer to poverty headcount and depth and inequality.** But there may be broader target groups and different objectives, connected for example to life cycle stage vulnerabilities and especially vulnerable groups, including women and girls, children, older people and people with disabilities, that change the VfM calculation.

185. **Measuring system cost-effectiveness in reducing poverty and inequality, either *ex ante* or *ex post*, is challenging.** In the case of poverty, problems arise with the arbitrariness of poverty lines, which may be kept artificially low for political reasons. Cross-country comparisons are normally made using the international extreme poverty line of US$1.25 PPP, though the conversion from national currencies is itself problematic (and this line is of much less relevance in middle income countries). Another issue is the clustering of households around the poverty line and the dynamic nature of poverty causing households to move up and down the consumption scale.

186. **A sequenced approach to analysing policy and programming coherence involves a number of steps**: a comprehensive analysis of poverty, vulnerability and discrimination; an analysis of the national legal, policy and governance framework; a stocktaking of existing social protection programmes and their costs; and an analysis of gaps. Tools developed as part of the **Inter-Agency Social Protection Assessment (ISPA) Tools, overseen by the Social Protection Inter-Agency Cooperation Board (SPIAC-B), may help significantly.**

187. **Operational systems (registration and MIS, payments delivery systems and 'graduation' mechanisms) can make a substantial difference to system VfM.** They tend not to be captured in international databases but sharing systems across programmes can

significantly increase VfM (and help improve programme coherence). There are usually VfM advantages in establishing common registries as in Brazil, Indonesia or Lesotho. There may also be significant potential VfM gains from including livelihood support programmes within social protection systems, provided that the two are not treated as mutually exclusive and 'graduation' from such programmes is not used as a threshold device for limiting social protection caseloads.

188. **The importance of taking political economy factors into account in social protection system development is widely acknowledged but often forgotten in the technical, evidence-based discourse surrounding system design and implementation.** Attempts to measure and maximise system VfM need to allow for the motivations of and power relations between decision-makers and institutions at all levels, which may not be primarily evidence-driven. Otherwise there is a risk of support to system building having little impact. System design options that show good benefit-cost ratios in the short-term may not always have political traction and impact in the long term.

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