

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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EXPERT MEETING ON

Social Inclusion Programmes and Their Impact on Sustainable and Inclusive Development and Growth



The Role of Social Programmes in Promoting Inclusive Development

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Growth and Inclusive Development



- Growth is a condition *sine qua non* for development
- Without growth, there is no development
- The relationship between growth and development is not linear
- Growth does not automatically lead/translate into inclusive development
- Africa's growth surge of the last decade is a case in point:
 - Poverty has worsened in some fast growing economies.
 - Zambia poverty headcount - 60.3% in 1990 to 73.2% in 2011
 - Liberia - 68.5% to 70.2%
 - DR Congo - 56.3% to 84%
 - Nigeria's poverty headcount has not changed - 60.4% in 1990 and 60.1% in 2011, but # of poor increased - 55.1 million to 98.6 million
- Growth alone is not sufficient, require targeted public policy interventions

Critical elements of inclusive growth



- Its growth that touches all 3 sectors
 - Agriculture, industries, services –but national circumstances matter!
 - Disparities in growth across sectors – low labor productivity in agriculture and services -> the working poor
- It must carry the many with it - **Leave No One Behind!**
- Reduce poverty and inequality, create productive jobs
- It must satisfy the widest range of our basic material needs
 - Clean drinking water and sanitation, food and nutrition security
 - Access to infrastructure, energy, shelter, etc
- It must protect the environment
- It must foster structural transformation

Seeking Entry Points for Inclusion



- Need coordinated and integrated public policies
 - Strong and supportive macroeconomic policies
 - Agriculture policies
 - Trade policies
 - Investment policies
 - Labour market policies
 - Effective social protection
 - Sustainable public finance
 - Well regulated financial systems
- For developing countries, the structure of growth is important
 - Determines total growth and the size of a country-s poverty-growth elasticity
- Agriculture growth is more pro-poor than industrial growth
 - Allows for greater participation of the poor in the growth process

DESA, Social Groups and Inclusive Development



- Social groups
 - Youth
 - Persons with disabilities
 - Older persons
 - Indigenous persons
 - Gender mainstreamed
- Common characteristics include:
 - more likely to experience poverty, to be unemployed/underemployed.
 - Lower levels of human capital
 - Linked to unequal access to opportunities - quality education and health services, social protection, and other basic services.
 - Disproportionately suffer from worsening inequalities
 - Diminished potential to be productive and to participate in all aspects of society

The Predicament of Social Groups



- **Youth:**

- Poverty and unemployment remain very high
- While global youth unemployment rate rose to 13.1% in 2013, from 12.9% in 2012 and 11.6% in 2007
- Youth unemployment remains the highest in the world in MENA region
- Increased from 23.8 in 2009 to 28.6% in 2014, and expected to inch to 28.8% in 2015.
- Among females, the rate jumped from 18.9% in 2009 to 21.1% in 2014
- In North Africa, the rate was more than 29% in 2013 (ILO, 2014).

- **Persons with Disabilities:**

- 20% of the world's poorest persons have disabilities
- 22.4% of all persons with disabilities in 59 low-income countries were in the poorest wealth quintile (WHO and World Bank, 2011)
- households with a person with a disability have higher rates of poverty than households which do not (*World Report on Disability 2011*).

The Predicament of Social Groups, (contd.)



- Indigenous peoples:

- Bolivia:

- the probability of a Spanish-speaking woman completing secondary school is 5 percentage points lower compared to a Spanish-speaking man

- The probability declines by 14 percentage point for a man belonging to the Quechua people, and by 28 percentage points for a Quechua woman (World Bank, 2013)

The Predicament of Social Groups, (contd.)



- Indigenous peoples:

India:

- men from Scheduled Tribes are 4 times less likely to have completed secondary education than men who do not belong to Scheduled Castes or Tribes
- Women from Scheduled Tribes are 6 times less likely than other women to have done so (UNDESA, RWSS 2013)
- Poverty is also concentrated among Scheduled Castes and Scheduled Tribes + among agricultural laborers and casual workers

Social Programmes that Promote Inclusive Growth



- Given these disadvantaged and marginalized social groups, what kind of social programmes are most effective at addressing their predicament and at the same time ensure that they not excluded from the development process?

Characteristics of Social Programmes that Promote Inclusive Growth



- reduce income and non-income poverty and inequality
- facilitate growth with decent jobs
- promote social integration
- linked to human capital formation, training and enhance equal opportunities for all
 - Education, health, labor market
 - Investing in early childhood education critical
- promote gender equality and women's economic empowerment
 - guarantee some basic social protection floor

Examples: (i) Micro-finance



- Important in providing finance for contingencies and smoothing consumption + checks power of money lenders
- Can create better job opportunities for people living in poverty
- Provides opportunities for learning-by-doing, increasing self-esteem, social cohesion and empowering women
- But often romanticizes & exaggerates micro-credit impact on poverty reduction - empirical evidence is mixed (Khawari 2004)
- High real interest rates, even with high subsidization
- Overestimates returns to capital by underpricing labour

(ii) Public works & employment guarantee schemes



- Targeted job distribution → the poor, youth, unemployed
 - State acts as employer of last resort, e.g. during global crisis
- Yield strong pro-poor income growth patterns & economy-wide employment outcomes
- Sectors targeted:
 - Labor-intensive physical infrastructure investments
 - Public environmental improvement programs
 - social care delivery → children, elderly, chronically ill
- Mahatma Gandhi National Rural Employment Guarantee Act
- South Africa's Expanded Public Works Program



(iii) Conditional Cash Transfer Programs

- Important instruments of inclusiveness
- Publicly provided CCTs can bring about inclusiveness through investments in education and health
- Markets under provide such goods and services
- In most cases, the social rate of return has been higher than the private rate of return.
- CCTs have enabled the participation of previously disadvantaged and marginalized groups in the labor market

(iv) The Poor as Producers - Cooperatives



- Effective way increase rural incomes, employment and reduce poverty
- Success depends on:
 - Government support → improve the productivity of poor farmers
 - Creation of SMEs linked to value addition → provide most of the jobs
 - improving efficiency of markets → access, credit, marketing challenges
- The Amul Dairy (India), owned by the poor and buys from the poor but sells to the middle and upper income groups!
 - A large dairy cooperative, US\$500m turnover institution
 - Network of 10,000+ village cooperative societies, 500,000+ members
 - Started by selling milk, but has since forward integrated into more value added products → butter, milk powder, cheese, ice cream

Promoting inclusive growth – some development lessons

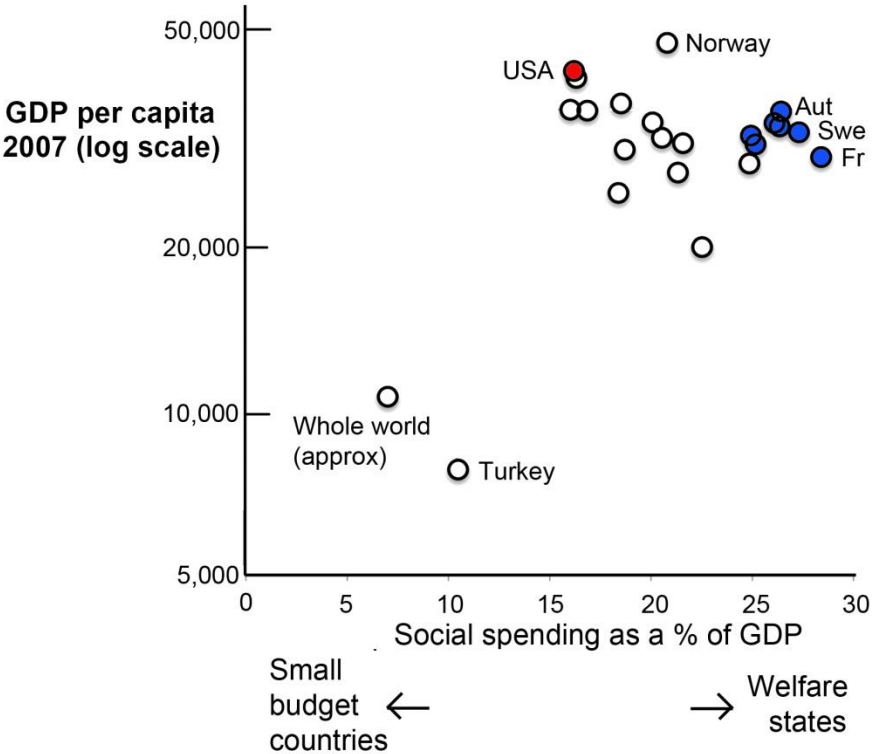


- Social programs, big government and growth
 - Countries that spend a lot on social programs grow no more slowly than those that spend little
 - Evidence points to a tie game – zero net GDP cost – between the social policies of the US and Europe (P. Lindert, 2004, see graphs)
 - But in welfare states, there is less poverty, longer life spans, less corruption
- Targeting vs. Universalism - social provisioning, protection should be **universal** + **integral** to development + poverty reduction strategies
- **Targeting** poor often **expensive** + politically **unsustainable**, while **missing out** many deserving

Source: Lindert Peter H. “Government social programs and economic growth: verdicts from economic history”. June 21, 2012



**Figure 1. No Welfare States are Poor:
Public Social Spending as a Share
of GDP, vs. GDP per capita, OECD 2007**



[Note: These are government social expenditures, gross of tax breaks and excluding public education. For broader measures, see Garfinkel-Rainwater-Smeeding 2010.]

Source: Lindert Peter H. “Government social programs and economic growth: verdicts from economic history”. June 21, 2012



– yet clearly better reduction of poverty –

Figure 2. Welfare States Have Less Poverty



Development Lessons, (contd.)



- Should not rely on markets to ensure that growth is inclusive
 - Markets not good at providing universal education, public health, drinking water, building roads, agricultural extension services, etc.
- Deliberate public policy is necessary to ensure equality of opportunity and social inclusion
 - E.g. mass public education has raised the general level of capability and competitiveness of developed economies
- Fiscal capacity needed to provide basic needs + essential social services
- Government policy space crucial for better social + economic outcomes

Development Lessons, (contd.)



- Governments can assume a proactive developmental role by:
 - integrating economic & social policies that support inclusive output and employment growth
 - fighting inequality & promoting social & environmental justice
 - adopting a universal/rights-based approach to meeting basic social needs

Development Lessons, (contd.)



- Some specific measures to achieve this include:
 - making the promotion of decent work for all a central objective of macroeconomic policies
 - protecting and augmenting social expenditures, even during crisis periods
 - establishing a social protection floor
 - harnessing the power of ICTs to reach the poor and marginalized
 - Strengthening service delivery systems
 - Ebola outbreak – a clear case of health inequities and social exclusion
 - Prioritizing women's economic and social empowerment



Thank You!

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