



Federal Ministry  
for Economic Cooperation  
and Development

STRATEGIES 190

# Sector Strategy on Social Protection



# Sector Strategies within German Development Policy

“German development policy contributes to the fight against poverty worldwide, to the securing of peace and the realisation of democracy, to the development of fair globalisation and to the protection of the environment.

In implementing this responsibility, the Federal Ministry for Economic Cooperation and Development (BMZ) is guided by the concept of global sustainable development, expressing itself in equal measure in economic productivity, political stability, social justice and ecological viability.

We actively support the new global partnership between industrialised nations and developing countries. The Millennium Declaration of the United Nations and the Millennium Development Goals [...] form the programmatic framework of German development policy. We work on the implementation of the Federal Government’s responsibilities to increase quality and effectiveness of Development Cooperation (Paris Declaration on Aid Effectiveness (2005) [...].” (Federal Ministry for Economic Cooperation and Development (BMZ) – Guiding principles and organisation targets, October 2007).

To achieve these objectives, German development policy uses, among other things, sector and

supra-sectoral strategies. They contain essential and decision-relevant guidelines for the formation of development policy. This applies to

- a) the identification, examination, conceptual design, implementation, steering and evaluation of programmes and modules relevant in terms of sectors and topics. The strategies are binding for the implementing organisations of national development cooperation. Furthermore, they serve as general guidance for the activities of non-governmental organisations and the private sector.
- b) the development of regional strategies, national strategies and Priority Area Strategy Papers (*Schwerpunktstrategiepapiere*, SSP) of bilateral development policy.
- c) the positioning of German development policy in the international debate and the elaboration of our contributions to multi-lateral/regional cooperation or European Development Cooperation.
- d) communication with the German public, with the German Federal Parliament and with other Federal Departments.

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## Summary

Eighty per cent of humanity still lives under conditions of social insecurity. People living without any protection against various life risks such as illness, unemployment, old age, poverty or the loss of property and capital goods are exposed to the risk of further impoverishment, hunger or further diminution of their ability to help themselves.

Social security is a human right. It is also the basis for sustainable economic development and the successful fight against poverty. In many developing countries, traditional communities of mutual solidarity – especially families – are the only form of social protection. However, due to demographic change, the rapid extension of HIV/AIDS and increasing migration, the resilience of these structures is increasingly stretched to its limits. Above all, women are strongly affected. Due to these reasons and increasing social inequality in many countries, supplementary protection systems become increasingly important. In particular, these systems assist poor people in coping with distress and life risks (such as illness, crop failure or the death of a family member). Through basic social protection, extremely poor people are enabled to lead a humane life. They help low-income households to invest in the health and education of their members. In this way, social protection systems contribute to social justice and help maintain stability and peace.

Social protection systems in developing countries have to be tailored to the partner countries' needs and local conditions. There are no set blueprints for their design. However, experience shows that

they will only be sustainable and effective if civil society, the private sector and the state cooperate closely and complement one another and if the state bears overall responsibility. This way they can create an inclusive social protection system for the entire population that respects the needs of all stakeholders.

The objective of German development policy in the area of social protection is to support partner countries in protecting all parts of the population – especially the poor – against all relevant risks. The measures that are financially supported mainly fall under the priority areas as agreed upon with the respective partner country: *sustainable economic development, health, good governance and rural development*. In this process, German development policy can resort to a broad array of instruments of technical and financial cooperation, for example in establishing and reforming social health insurance and basic social protection programmes as well as in promoting microinsurance. Another way in which Germany actively supports the establishment of social protection systems in developing countries is through its cooperation with other bilateral donors and also with international and multilateral organisations such as the EU, the United Nations and the World Bank.

Germany's internationally recognised experience in developing and modernising social protection systems within the framework of a social and ecological market economy forms the basis for the implementation of this concept in cooperation with the partner countries.

*“Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international cooperation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality”.*

Article 22 of the Universal Declaration of Human Rights of 10 December 1948

*“The States Parties to the present Covenant recognize the right of everyone to social security, including social insurance.”*

Article 9 of the International Covenant on Economic, Social and Cultural Rights of 19 December 1966

# 1. Social Protection: Contribution to the Fight Against Poverty, to Comprehensive Growth and to the Realisation of Human Rights

The topic of this strategy paper is the **promotion of social protection systems**<sup>1</sup> in developing countries within the framework of German development policy. It concretises the principles of the Federal Ministry for Economic Cooperation and Development (BMZ) concerning the social and ecological market economy in German development policy (2007) for the area of social protection and replaces the BMZ's 2002 position paper on Social Protection.

In developing countries, social structures are undergoing fundamental change, resulting from the effects of globalisation such as modernisation and urbanisation, demographic changes and the effects of HIV/AIDS. These changes lead to the erosion of traditional solidarity systems that up to now have given protection to most people. Changed living conditions, rising social inequalities and an augmentation of risks, for example through the effects of climate change, underline an increased necessity for the establishment of social protection systems in developing countries.

Given this fact, the establishment and extension of social protection systems has become increasingly important in recent years, including for development policy. It is also now regarded as being a decisive strategic part of the structural fight against poverty. German development policy is increasingly committed to this field and enjoys the support of the German Federal Parliament.

This was expressed in the parliamentary decision (March 2008), which favoured increased support to developing countries and emerging economies for the establishment and reforms of social protection systems. In recent times, social protection systems are increasingly being recognised as instruments for coping with climate-related crises and with emergencies caused by international price fluctuations (energy, food) as well as in reaction to economic and financial crises.

Social protection systems are both an expression and an integral part of humane development and contribute to the realisation of the human right to social security. They help to break the vicious circle of poverty and social exclusion. They can also be regarded as an investment in the social and economic capacity as well as in the political stability of societies.

## 1.1 Protection against life risks and management of their occurrence

In the course of life, everyone is exposed to diverse **risks** that could cause high costs or loss of salary. This refers to classic **life cycle risks** (age, disability, permanent incapacity for work, temporary incapacity for work for example caused by pregnancy, death of a family member), **health risks** (illness, accidents, epidemics), **economic risks** (unemployment, price shocks) as well as **natural and ecolog-**

<sup>1</sup> Social protection refers to the entire system of protective measures against risks to assist individuals, households and communities to better manage risks and economic shocks, and to provide support to the critically vulnerable. It includes public interventions such as social insurances, social assistance and social safety nets, and provides room for private and community-based initiatives.

**ical risks** (droughts, floods, storms, earthquakes), which occur with increasing frequency and intensity. These risks have to be countered by a sustained policy of social protection.

People try to address these risks by:

- reducing the likelihood of their occurrence (**risk prevention**)
- limiting the effects of their occurrence (**risk mitigation** for example through insurance, saving or diversifying income) or
- absorbing the consequences once a risk has occurred, through the liquidation of assets, borrowing or by expanding employment (**coping**).

Those who have scant possibility of pursuing such strategies are especially vulnerable. For them, the occurrence of a risk means an especially grave danger of impoverishment or the increase of poverty.

**Systems of social protection** support individuals or households in risk prevention, mitigation or in coping with the following aims:

- (i) to secure a certain absolute minimum level of socioeconomic livelihood for all individuals and households, especially for people who are physically unable to work due to age, disability, or reduced potential to help themselves caused by poverty or other factors;
- (ii) to ensure that individuals or households not suffering from poverty do not experience a strong relative deterioration in their socioeconomic situation or a decline into poverty;

- (iii) to encourage poor and non-poor individuals and households to invest in education, health and productive real capital, to secure their own capability for employment and thereby improve their socioeconomic situation through their own efforts.

A variety of agents can be the sponsors of such social protection systems: **informal communities of mutual solidarity** based on family ties, neighbourhood or friendship whose members support each other in case of emergency; **cooperative systems** based on membership which are founded upon the goal of self-help (cooperatives, mutual self-help associations), **commercial enterprises** (insurance companies, companies offering employer-sponsored insurance schemes); and **the state or public sector institutions** (like social insurance and social assistance). In this, the state determines the framework for the interaction of all stakeholders and is responsible for ensuring that all systems are inclusive for the poor.

## 1.2 Social security is a human right

The so-called human rights approach, which means systematic orientation on human rights and their principles, is the foundation of German development policy. The signatory states of the Covenant on Economic, Social and Cultural Rights and of other human rights conventions committed themselves to respect, protect and guarantee the **human right to social security**.<sup>2</sup> The jointly agreed commitments to human rights therefore offer a sound approach for sustainable and poverty-oriented cooperation between donor and partner countries.

<sup>2</sup> Beyond this, the right to social security has been codified in the Convention on the Elimination of Discrimination against Women (CEDAW, art. 11 and 14), in the Convention on the Rights of the Child (art. 26) and in the Convention on the Rights of Persons with Disabilities (art. 28).

At the beginning of 2008, the UN Committee on Economic, Social and Cultural Rights passed the General Comment no. 19, which clarifies the content of the right to social security. Social protection systems shall (i) be **available**, that is, sufficiently existent and functioning, (ii) cover **basic social risks** such as extreme poverty, sickness, invalidity, old age, unemployment, industrial accidents, family and child care, maternity protection, disability, orphan and widow status, (iii) be **appropriate** in terms of quantity and duration of the services, taking into account especially the principles of human dignity, non-discrimination and proportionality between earnings, paid contributions, and relevant benefits and (iv) be physically and economically **accessible for all**, meaning that services have to be rendered **physically accessible** for all and that contributions for social protection systems have to be **affordable** for the poorest and marginalised population groups. Furthermore, admission has to be **free of discrimination** with particular regard to the specific needs of women. The state's task is to assure compliance with these principles and thereby promote the realisation of the human right to social security.

### 1.3 Social protection has positive economic and political functions

Apart from the necessity of protection against social risks from a human rights point of view, systems of social protection have important economic and political functions in development policy.

Their **economic function** is to increase the productivity of individuals and households and their willingness to take risks thereby improving their potential for self-help. By protecting people against fundamental life risks, social protection systems strengthen the willingness of poor households to engage in less security-oriented and liquidity-oriented investments, such as edu-

cation and physical capital. In this way, they enable households to free themselves from poverty and increase the rate of investment and earnings growth, specifically among low-income earners. This is especially valid for women and for the younger generation, which form the majority of the population in many developing countries.

The economic function of social protection is often misjudged due to the widespread opinion that expenditure for social protection is unproductive and to a significant degree can only be financed by rich countries. In contrast, international studies substantiate that expenditure on social protection is both an investment in a country's human capital and substantially contributes to social and economic development. The 2008/2009 financial crisis shows that social protection systems constitute important economic stabilisers as well.

The **political function** of social protection systems is to provide social balance. Systems of social protection strengthen social cohesion, increase the legitimacy of the political system and can prevent social conflicts. In order to achieve this, social protection systems have to be designed and organised in a way that particularly allows poor and disadvantaged population groups to benefit from them.

Social protection is a central area of activity of **social policy**. The latter also embraces aspects of labour market policy, youth and old age welfare policies, education and health policies, equal opportunities policies and family policy.

The **state bears the overall responsibility** for the availability of social protection instruments for the entire population. It can itself offer these instruments. In addition, it has to create positive incentives and the legal framework for the activities of other sponsors and not hinder either these activities or the personal responsibility of citizens.

## 2. Challenges in Establishing and Extending Social Protection Systems

In the partner countries, up to 85 per cent of those employed work in the informal sector and thus are generally not covered by standard public social insurance systems. Furthermore, modernisation, migration and urbanisation as well as the recent consequences of HIV/AIDS have drastic effects on the social structures of partner countries: informal or traditional solidarity systems – which up to now offered protection against risks for most of the people employed in the informal sector – erode under the pressure of these changing living conditions. In addition, people are increasingly exposed to natural risks like droughts or floods caused by climate change. This situation poses special challenges to social protection systems and asks for tailored solutions that differ from those used in industrialised countries.

The main problem of the existing social protection systems in developing countries is that many people have no **access** to them. One identifiable reason is a deficit in good governance. Generally, the state is responsible for the availability of social protection instruments. Yet, governments often insufficiently fulfil their function as mediator and provider of (social) services. There are unclear assignments of mandates, blurred competences and/or opaque decision structures. As a consequence, social protection systems are not built up and key public services are not sufficiently provided. Apart from low coverage ratios, social protection systems show deficiencies in **financing, efficiency and quality** as well as **distributive justice**.

### 2.1 Access

Generally, social insurance systems are based on formal employment relationships. In partner countries whose social protection systems are exclusively geared towards this model, those employed in the informal sector are not reached. More than three quarters of the population in developing countries have no access to appropriate social protection. Up to now, only a few countries have systematically tried to extend social insurance systems to the informal sector and to adapt them to the specific needs of the informally employed.

In many countries, the systems designed to protect against the financial effects of **health risks** show the highest coverage ratios: these are either health insurance programmes or tax-financed health systems. However, even here a broad range of coverage ratios from below 10 per cent up to 80 per cent can be found. This shows that in a number of countries even social health insurance systems only reach a minority of the population. Furthermore, many tax-financed health systems are underfinanced, with services being of low quality or unavailable in rural areas.

The coverage ratios of the existing non-contributory or tax-financed **pension schemes** tend to be lower. While certain countries in Latin America, North Africa and Asia show coverage ratios of at least more than half of the employed population, in most countries only one third (and sometimes even less than 10 per cent) of the employed population has access to pension systems. In addition, many pension systems do not offer benefit levels sufficient to secure a human standard of living in old age and thus do not decrease the threat of old-age poverty.

**Unemployment insurance** only exists in a few developing countries and mostly covers an even smaller part of the population than pension schemes and health insurance.

The most recent experience with **microinsurance** schemes shows that for the informally employed they improve access to insurance coverage and therefore can contribute to social protection. Up to now however, only three per cent of people with low income in the poorest one hundred countries have access to microinsurance.

Only a small part of the population worldwide is covered by **basic social protection**. Yet basic social protection could protect many people against sliding into absolute poverty, or free them from absolute poverty. This concerns above all, extremely poor people – mostly women, children and adolescents – as well as people who cannot help themselves due to illness, disability or old age and who do not have access to social insurance systems.

**Other risks** are rarely covered although they also constitute a high potential of danger for considerable parts of the population. This includes crop failure caused by droughts, hail or floods, and other natural risks such as hurricanes, floods or earthquakes. This is even more serious as the quantity and intensity of many of these risks will increase due to climate change.

Apart from the horizontal coverage, the **lacking depth of risk coverage** is often a problem. Some partner countries offer social health insurance that actually does not cover conditions that imply catastrophic health expenditure<sup>3</sup> for the people concerned. A comprehensive mitigation of risk is thus not provided.

Furthermore, many partner countries do not dispose of **comprehensive risk management**. For individual households the coverage of particular risks may indeed be possible, but at the same time there are no adequate public or private offers for other, possibly bigger risks. As a consequence, the households concerned continue to run the risk of impoverishment if uninsured risks were to occur.

## 2.2 Financing, efficiency and quality

To some degree, low coverage ratios and limited capacity of the systems are due to **under-financing**. Where sufficient funds are not provided by the state or not sufficiently collected by public institutions, the **quality of basic services** (primary health care, primary education) is often inadequate. Matters are made worse by non-integrated structures additionally decreasing the attractiveness of basic services to prosperous parts of the population. Due to the bad quality of treatment in public health centres, the poorest who do not have access to more expensive private offers partly prefer traditional or home treatment and thus often expose themselves to considerable health risks.

However, lack of funds is not the only reason for deficiencies in social protection systems in partner countries. Many of them spend considerable amounts on social protection but allocate them in an inefficient and socially inequitable way.

One of these inefficiencies is that people benefit from tax-financed social services not intended for them (targeting inefficiency). This is particularly serious in the case of subsidies for food, energy sources and other consumer goods, for which some developing countries spend up to 8 per cent

<sup>3</sup> WHO defines catastrophic health expenditure as occurring when the individuals concerned or their families have to contribute 40 per cent or more of their income beyond the subsistence level.

of their GDP. While this is meant to strengthen the purchasing power of the poor, in most cases it is the non-poor who benefit disproportionately from such state subsidies. In some partner countries, the **administrative and transaction costs of social programmes are very high**, so that only a small part of the original costs of these systems reaches the target group (transfer inefficiency).

With transfers in kind and subsidies on basic consumption goods, corruption is an additional problem. Furthermore, some social insurance carriers inefficiently invest their reserves (the assets of the insured) – for instance at low interest rates resulting in low returns on members' contributions.

### 2.3 Distributive justice

In the partner countries, social protection systems often have a **regressive design**, meaning that they redistribute in favour of prosperous population groups. In many countries only formally employed people have access to social protection systems. In addition, the systems often grant more

generous benefits or lower contribution rates to the privileged part of the population than the social protection systems available to the rest of the population. Furthermore, many social insurance systems are subsidised by tax funds despite only a comparatively prosperous minority having access to them. This is especially problematic because the major part of tax revenue in developing countries is raised by indirect taxes, which are also paid by low-income earners, in some cases even primarily by them.

To sum up, it can be said that while most developing countries do show beginnings of social protection systems, they are not able to meet the respective challenges. The existing systems only reach a privileged minority while the majority of the informally employed and the poorest are not protected. The establishment and the extension of social protection systems, which are adapted to the respective country context and explicitly reach the poorest of the poor, is therefore not only a contribution to social and economic development. It is also a contribution to efforts to foster peace and prevent conflicts in our partner countries.

## 3. Safety Net and Springboard: Our Goals in the Field of Social Protection

### 3.1 Protecting against life risks

The overarching goal of German development policy in the field of social protection is to fight poverty. Hence, measures are prioritised which, particularly for population groups that are poor or at risk of poverty, improve (i) the protection against risks and/or (ii) contribute to the satisfaction of basic needs.

The main targets of German development policy in the area of social protection are the following:

- Protection for all parts of the population, and especially the poor, with regard to all relevant risks (augmentation of **coverage ratio** and **coverage depth**)
- Creation of **comprehensive and inclusive overall systems** of social protection for the whole of the population, and especially the poor
- Increase of **efficiency and quality** and financial sustainability of social protection systems
- Improvement of **social justice** of the systems

### 3.2 Comparative advantages of German development policy

German development policy is getting itself involved in the protection against health risks (among others, with the establishment and extension of social and group-based health insurance programmes), in the promotion of microinsur-

ance and also, increasingly, in the areas of basic social protection, inclusion of specifically disadvantaged groups (especially of persons with disabilities) and old-age security.

Many partner countries regard the **concept of the social and ecological market economy as an important point of reference** for their own development as it combines competitive markets with the values of social justice and solidarity. For German development policy the principles of a social and ecological market economy – as set out in the corresponding BMZ strategy paper – constitute the most important basic tenets of economic policy. The integrated application of instruments for technical and financial cooperation, the internationally acknowledged achievements of German development policy in advising and developing partner capacities as well as Germany's own experience in developing and modernising social protection systems within the framework of a social and ecological market economy constitute the comparative advantages of German development cooperation in supporting partner countries in the area of social protection.

Besides Germany, the United Kingdom and France are the two other main bilateral donors in the area of social protection. In addition, international organisations are also involved in this field, namely UNICEF, the International Labour Organization (ILO), the World Health Organization (WHO), the World Bank as well as the regional development banks (the main one being the Inter-American Development Bank).

### 3.3 Social protection provides many connecting factors

There are numerous **connecting factors to diverse priority areas**, which are shown in the respective strategy papers. This is above all valid for the priority areas *health, economic policy, good governance* and *rural development* (see details in chapter 4.3) for which separate sector strategies have been produced.

Beyond this, there are links to the priority areas or topics *education* (with a sector strategy on primary education, professional education and higher education), *persons with disabilities* (policy paper), *microinsurance in financial system development* (position paper), *technical and vocational training and the labour market* (BMZ Strate-

gies 140), *implementation of core labour standards in developing countries* (among others, 'decent work', BMZ Spezial 85) and *the Development Policy Action Plan on Human Rights 2008 – 2010* (BMZ Strategies 167). The latter defines the usage of and the reference to legal binding standards of human rights as targets for German development cooperation.

Further points of contact exist with the areas *financial system development* (systemic promotion of the financial sector especially in the field of framework conditions and regulation), *emergency and disaster aid* (avoidance and diminution of natural risks for example floods, storms, droughts, earthquakes), and *environmental protection* (prevention and mitigation of ecological and natural risks).

## 4. Preventing Poverty, Securing the Subsistence Level: Social Protection Brings About Development

Measures for social protection decisively **contribute to poverty reduction and to the realisation of the MDGs**. They specifically reduce or avoid income poverty and hunger and enable the protected households to invest in education, health and productive real capital (see appendix 2).

Measures for social protection promote the decisive factors for pro-poor growth and for a more equitable distribution of the growth in general welfare: For example, in many cases their benefits specifically reach women and social groups that are **disadvantaged, poor or at risk of poverty** (older persons, children – especially orphans, informally em-

ployed people, disabled persons), support their financial independence and enable **empowerment**.

Functions and principles of social protection like access, minimum protection and minimum standards, user sovereignty and accountability simultaneously incorporate **core issues of good governance**. And measures for social protection strengthen the **inner cohesion of society** and the identification of citizens with the state. In fragile state situations, social protection approaches can meanwhile be a contribution to the prevention of conflicts and crises (in these cases normally not under state sponsorship).

#### 4.1 General principles and guidelines

Cooperation in development policy in the field of social protection is reasonable if a partner country faces social or socio-political problems and is determined to address them by its own means as well. External support can be necessary due to lack of financial, technological, personnel or other resources or as a result of the lack of know-how in setting up social protection systems. Development policy should start exactly at the decisive bottleneck in the concrete case.

The institutional model for German development policy is an inclusive, coherent social protection system, which is based on principles of human rights and secure access to different options of social protection for all.

The **initiative** for the establishment, extension or modification of social protection systems **has to come from the respective partner country**. Germany does **not want to export European models of social protection**. Every country decides on its policy of social protection in accordance with international conventions, subject to its existing traditional systems of social protection, historical experience, economic and social situations as well as to its cultural values and social norms. German development policy is therefore geared to the ideas and strategies of the partner country. This is the only way to assure that the country will back the reforms on a mid-term to long-term basis. Besides the government, the administration and parliament, civil society (namely political parties, interest groups such as women's and human rights organisations as well as youth associations, non-governmental organisations, labour unions, professional organisations) should also be involved in the design of the reforms. In many cases, the targeted development of capacities is necessary to enable these stakeholders to assess alternative reform options and to participate in political consultations related to them. Activities in the area of social protection are geared

to the sustained establishment of structures in the partner country.

German development policy is guided by the five **principles of aid effectiveness** as set out in the Paris Declaration (2005) and the Accra Agenda for Action (2008). Accordingly, these principles (ownership, alignment with national strategies, donor harmonisation, managing for results and mutual accountability) shall be reflected in the area of social protection activities. Joint projects are based on the initiative of the partner countries and support them in their independent development of social protection systems (ownership). The elaboration of options and scenarios for the establishment of social protection and for the organisation of social policy is needs-based and country- and context-orientated (alignment with national strategies).

German development cooperation has so far proactively advanced the implementation of the Paris Declaration in the area of social protection and social policy and has developed and promoted mechanisms like the Consortium on Social Health Protection, the Providing for Health Initiative, as well as donor coordination in the OECD DAC POVNET Task Team on Social Protection and Empowerment (donor harmonisation). German development cooperation supports the extension of analytical capacity in the partner countries as well as supra-regional instruments for the analysis of policy impacts (e.g. PSIA) and for the monitoring of effects (for example by the ADB's *Social Protection Index*), which also enable cross-border comparability of progress concerning target achievements (managing for results). The promotion of institutions and self-administered organisations forms and strengthens institutional structures, favouring public transparency and accountability (mutual accountability).

In addition, the measures promoted by development policy must be guided by the criteria of efficiency, social justice and their sustainability. It is not unusual that these represent conflicting

goals. In the concrete case of social protection, tension may arise between achieving principles of social justice without compromising the principles of 'justice of performance' (equivalency of contributions and benefits) or distributive justice and solidarity. Therefore, a compromise able to reach consensus must be negotiated within the context of the country concerned.

Wherever possible, German development policy contributes to processes and structures of programme-based approaches (PBA) such as *sector-wide approaches* (SWAPs), particularly in the health sector. In cases where such initiatives do not exist, Germany closely coordinates its development policy with other donors.

Measures taken in the field of social protection and their **promotion by development policy** should be **guided by and measured against the results** hoped to be achieved, at all levels and in all phases. Germany therefore promotes the use of supra-regional methods of policy impact assessment (e.g. PIA/PSIA) and *monitoring* instruments in the field of social protection (e.g. the ADB's *Social Protection Index*).

The **involvement of non-governmental actors** in planning, implementing, and monitoring projects is an important prerequisite for guaranteeing the consideration of the population's concerns and creating **transparency**. Transparency is necessary in order for the public in the developing country or the taxpayers in the donor country to be able to make sure that their governments are held accountable for their actions.

#### **4.2 Promoting individual responsibility, strengthening partner structures**

The aim of development policy is to contribute to the improvement of the effectiveness, efficiency and social justice of social protection systems and their sustainability. This makes it imperative to

strengthen the capacities of the different institutions implementing social protection systems as well as of those responsible for the framework conditions. It also means enabling the target groups to include their needs and interests. This strengthening has to address all levels: the **supra-national level** (at which the exchange occurs via examples of good practice, and regional integration is pushed forward), the national **macro level** (at which framework conditions of social protection systems are defined), the **meso level** (at which particularly self-organising of social protection institutions in associations takes place), and the **micro level** (at which benefits of social protection are provided).

**The major target group** of German development policy within the area of social protection are poor persons and those threatened by poverty. The latter particularly refers to children (above all orphans) and marginalised youth (e.g. child-headed households), under-aged mothers, single mothers, minorities (e.g. indigenous populations, migrants), widows, and old, sick and disabled persons. However, persons and social groups who do not directly belong to these vulnerable groups can always be included in the support scheme. This is the case if such persons form a solidarity group and thus guarantee the continuation and functioning of the system, as for example for national pension and health insurance systems. Particular attention needs to be paid to the protection of existing and functioning informal solidarity groups or collective systems.

As in other areas, German development policy in the field of social protection pursues a multi-level approach across institutions and therefore often has **several partners**.

At the **supranational level**, there is collaboration with international and regional organisations, which organise regional integration and regulatory measures, and promote regional exchange

of experience or provide advice (e.g. ASEAN, EAC, AU, CEPAL, ADB, IADB).

At the **national level**, the government of the respective partner country is the first contact within its overall responsibility for social protection.

Concrete cooperation, however, can occur at governmental and non-governmental levels, and can involve:

- Ministries (e.g. for labour, social affairs, health, finance, planning, statistics, social development, gender and/or women, family, and youth) (macro);
- Authorities and public corporations (e.g. social administration, social insurance agencies, health funds, social development funds, insurance supervision) (macro and micro);
- Control and complaint authorities (e.g. courts, national human rights structures, ombudsman's offices) (macro);
- Social and economic stakeholders (e.g. trade unions, employer's associations, churches, professional organisations, welfare organisations, insurance associations, non-governmental organisations) (meso);
- Commercial and cooperative insurance companies, microfinance institutions, networks of microinsurance companies, research and training institutes, cooperative societies, welfare organisations and local social development funds (meso and micro);

In supporting the target groups, important dialogue partners and mediators also include non-governmental organisations including women's organisations, disabled people's organisations (DPOs), religious groups and trade unions.

#### 4.3 Taking advantage of synergies, developing solutions: promotion instruments and areas of activity

The following approaches and instruments in the special priority areas and areas of activity mentioned above provide only a general framework for orientation regarding the activities of German development policy in the social protection sector. In principle, other options can be considered. The concrete design of cooperation results from the dialogue with the partner government. This often occurs as part of programme approaches agreed upon with the partners and other donors. For German development policy the main focus is on how relevant the activities are for the goal of poverty reduction and on extending these activities to the informal sector. In this context, it is always necessary to analyse the fields in which Germany has a comparative advantage, and which instruments are likely to result in the greatest desirable impact.

Previous experience has shown that the focus can differ, depending on the region and type of country. In the **more advanced developing countries** (including emerging economies), an important role of the social insurance companies can be observed, since their formally employed population is relatively large. Accordingly, the extension and reform of existing social protection systems in connection with complementary basic social protection measures provide important approaches for collaboration. In the **poorer developing countries** however, a large portion of the working population can be found in agriculture or in the non-agricultural informal sector. While adapted solutions for social protection must be found here for the informal sector, the poor and vulnerable groups particularly must also be provided with basic social protection measures (e.g. through tax-financed basic retirement pension schemes and social transfers). The situation is different again for **fragile countries** in which the government does not have the capacities or is

not prepared to establish and maintain adequate public social protection systems. Here, the support via civil society structures seems most feasible. This includes the promotion of social transfers via national and international NGOs or the support of self-help initiative groups, for example in the field of microinsurance schemes (such as community-based health insurance schemes/mutual self-help organisations). Finally, in **transition countries** the right to state benefits is often so firmly ingrained in public awareness that a transition towards more personal responsibility and financing of social protection schemes on an individual basis can only take place gradually. Accordingly, the focus in this case is on an efficiency-based reform of existing systems.

The area of social protection is a **cross-sectoral theme** within German development policy. This means it is implemented to a major extent as part of the special priority areas (namely *sustainable economic development, health, good governance, and rural development*) agreed upon with the partner countries.

The special **priority area of sustainable economic development** involves the implementation of social protection projects, for example via systemic advice, promotion approaches in the field of social policy or in the form of *public private partnerships* in cooperation with the insurance industry. In the field of financial system development, a number of microinsurance programmes are being implemented, which provide protection against various risks. In addition, unemployment insurance as well as basic social protection programmes are suitable and feasible. They can enable particularly vulnerable population groups to participate in social and economic life and can be important components of a strategy for pro-poor economic development.

The **priority area of health** covers particularly the area of activity of social health protection. In this context technical and financial cooperation

can comprise the establishment of social or community-based micro health insurance schemes or vouchers for health services for particularly disadvantaged groups, *public private partnerships*, or support in reforming health financing systems.

The **priority area of good governance** among others includes programmes to advise partner governments on introducing and reforming social protection systems. In addition, basic social protection programmes are developed whose existence and availability can be an important indicator of good governance (in the sense of social cohesion, access to the legal system and participation), and also contribute to the further inclusion of central elements of good governance through their efficient and transparent design.

The **priority area of rural development** refers mainly to protection against risks of natural disasters and crop failure. Additional measures include basic social protection programmes to improve social protection and food security, particularly among the rural population (e.g. by vouchers and social transfers).

In countries receiving **budget support**, the necessity for social protection systems shall be emphasised within the political dialogue and where possible, be included in the expenditure programmes. This commitment should be supported by consultancy. The costs of access to basic services can, degressively and conforming to the guidelines, be covered as initial funding to generate empirical evidence, and in countries in which the government does not have the capacity and/or financial means.

The next section describes in detail the **instruments within the individual areas of activity** of the social protection sector, where German development policy can offer specific contributions. To appropriately address the multitude of contact points and intervention options presented by the issue of social protection, both sub-areas of so-

cial protection and individual instruments as well as particular target groups are listed separately under 'areas of activity'. In this context, one must note that many areas of activity are interwoven. For example, basic social protection is an important area of activity both for old-age security and for people with disabilities.

#### **Area of activity: Social health protection**

The establishment and reform of social health insurance systems and of tax-financed health systems serves to improve access to health services for poor population groups.

German development cooperation promotes social health protection through the following approaches: (i) consultancy services, further education and capacity development, (ii) exchange of experience, (iii) funding for the structural establishment and reform of health financing systems, and (iv) access to basic health services for vulnerable groups, for example through the provision of vouchers for health services.

#### **Area of activity: Old-age security**

The protection of old people can be financed through dedicated social insurance systems with adequate contribution and benefit conditions, through funded systems with participation of the private sector, through tax-financed universal basic pension systems, or through a combination of these approaches.

German development cooperation supports old-age security through: (i) consulting services, further education, and capacity development, (ii) exchange of experience and (iii) funding of the structural establishment and reform of old-age security systems. In this context, the monetary benefits should not be the only focus of attention. The means by which poorer old people can gain improved access to basic social services must also be considered.

#### **Area of activity: Persons with disabilities**

Modern conceptions of social protection are aimed at the active inclusion of people with disabilities (including physical, sensory, intellectual, or psychological disabilities). This includes measures for integration into employment (professional rehabilitation), as well as measures to assure the social participation of persons with disability to the maximum possible extent. Support and services shall involve family members or the respective caregivers.

German development cooperation supports the inclusion of disabled persons by means of a *twin-track approach*. This means that specific action is taken for people with disabilities, and the fight against structural social inequalities is integrated into all strategically important areas of development cooperation. In principle, this applies to (i) consultancy, further education and capacity development of all actors, (ii) data collection, provision of information and exchange of experience, (iii) measures assuring access to social support (services) for persons with disabilities and (iv) financing of the structural development and reform of the appropriate systems. In concrete terms, the goal is to integrate persons with disabilities into the country specific systems of social protection and simultaneously consider the additional necessary disability-specific expenditure.

#### **Area of activity: Protection against natural disasters and crop failure risks**

For many people in developing countries – and particularly in rural areas – natural risks such as droughts and crop failure, storms, floods, or earthquakes are as much of a threat as old age or disease.

In the context of the support to microinsurance approaches, German development cooperation is testing concepts for protection against such risks. Examples include insurance schemes against

flooding or weather hazards, which serve in adaptation to climate change and increase social security of households. Further conceptual work is necessary to better assess the suitability of complementary instruments of social protection that work against this partly varied group of risks. German development cooperation provides support through (i) consultancy, further education, and start-up financing, especially of pilot projects, and (ii) provision of reinsurance funds.

#### **Area of activity: Social policy**

The social dimension of sustainable development is put into practice here. In this context, the coherence and harmonisation of different areas of activity in social policy should be assured, as should the interdependency with other relevant policy areas such as the economic and fiscal policy, legal policy and youth policy.

German development cooperation supports (i) cross-sectoral policy consulting services that focus on the assessment of social and economic effects of reform processes (instruments of policy impact assessments such as PIA and PSIA address aspects of distribution, the adaptation of the institutional environment, and the necessary strategic reform steps), (ii) advice on citizen-centred social policies supported by social accountability processes, and (iii) development of competence in methods of social policy (improvements in the basis of information for social policies, professionalisation of procedures of social compromise, and the peaceful resolution of social conflicts, as well as the professionalisation of educational courses in social work).

#### **Area of activity: Systemic consultancy on the establishment, reform and monitoring of social protection**

Many partner countries need advice on how to improve the fiscal, legal, regulatory, and institutional frameworks for social protection, and how

to systemically design the entire complex of existing social protection measures. Particularly in the field of social protection, a partner country should be enabled on a long-term basis, to correctly assess the situation and the needs for sustainable protection against risks for the population.

In this area of activity German development cooperation supports (i) specialist and organisational advice, in order to design the field of social protection innovatively and comprehensively, i.e. to create more efficient, transparent, socially fair and gender equitable structures, (ii) further education of professionals and managers as well as international dialogue events, and (iii) cross-sectoral national policy dialogue which makes it possible to overcome any political resistance and achieve comprehensive reforms by involving the relevant actors.

#### **Area of activity: Microinsurance schemes**

Microinsurance schemes are special financial services for the poor and serve to complement public systems of social protection, particularly where the state is unable or unwilling to extend public systems of social protection to a majority of the population. These schemes are suitable instruments for protecting informally employed workers, and can also be accessed by comparatively poor population groups.

The following quality indicators apply to the support of microinsurance schemes: (1) financial sustainability, i.e. insurer and agent operate efficiently and in the medium-term without external support thus guaranteeing a sustained supply of services, (2) demand orientation, i.e. microinsurance schemes are developed and sold on the basis of demand and verifiably improve the situation of the insured, (3) breadth of effect, i.e. a large portion of the population has access to microinsurance schemes.

Measures taken by German development cooperation to support microinsurance schemes include: (i) consultancy services, exchange of ideas and know-how, as well as capacity development, (ii) financing of feasibility, product development and organisational studies for sponsors of microinsurance systems, (iii) funds for the foundation of microinsurance schemes and financing for the costs of *start-ups* and (iv) risk balancing funds at near-market conditions.

#### Area of activity: Basic social protection

Basic social protection systems are programmes paying transfers to the entire population of a region ('universal transfers') or to all needy people ('means-tested transfers') to assure that all citizens can satisfy their basic material needs. Basic social protection programmes can provide transfers in kind or cash. Basic social protection systems should be designed particularly for those groups who are not reached by prevention-focused systems of risk management and/or who are unable to free themselves from poverty by their own efforts, for example children (orphans) and young people, extremely poor people, women from poor or deprived backgrounds, people with disabilities and old people. Basic social protection therefore plays an important part in the overall system of social protection.

German development cooperation provides its support through (i) consultancy, further education, and capacity development, (ii) exchange of experience, also as part of trilateral cooperation, and (iii) to a limited extent by financing social transfer systems and their infrastructure. The costs of access to social transfers can also be covered degressively and conforming to the guidelines as initial funding, to support pilot projects or to generate empirical evidence, and in countries in which the government does not have the capacity and/or financial means. This also applies to *failing states*, which are to be stabilised rapidly.

#### 4.4 Strategic cooperation with multilateral organisations and the EU

The development of extensive and sustained social protection systems in our partner countries can only occur through close strategic **cooperation with multilateral and regional organisations** and the European Union. Based on its active participation in the European Union, the United Nations (in particular WHO and ILO), the World Bank, the regional development banks and the OECD, German development policy asserts its influence in this field. Through agenda setting as well as through the adjustment of the processes of cooperation, German development policy is working to increase the commitment of multilateral donors towards social protection in their mandates and their instruments.

Apart from the UN conventions already mentioned, various other multilateral organisations have already committed themselves in **conventions and declarations to promote social protection systems**. These include for example the 'Social Security (Minimum Standards) Convention' (1952) and the 'Equality of Treatment (Social Security) Convention' (1962) by the ILO. These conventions are reflected in the 'Campaign on Social Security for All' and 'Social Security Resolution and Conclusions of the ILO' (2001). The resolution of the World Health Assembly on 'Sustainable health financing, universal coverage and social health insurance' (2005) is a specific system of rules for social health protection. Additionally in 2007, the G8 nations passed a resolution concerning *Growth and Responsibility in the World Economy* in their summit declaration of Heiligendamm, in which they declared that they would treat social protection as a priority development policy issue and support partner countries in developing adequate systems of social protection.

Some **multilateral donors** have already noticeably extended their **involvement in the field**

of **social protection** in the past few years. The World Bank and the regional development banks support health and old-age pension reforms as well as (conditional) social cash transfer programmes at a technical and financial level. In the past few years, the United Nations Children's Fund (UNICEF) has more intensively supported social cash transfer programmes for poor families in developing countries, which should enable children to gain access to schools and education. ILO and WHO have excellent expertise at their disposal. The ILO works comprehensively on the issue of social protection, and WHO on social protection in the case of illness.

Furthermore, it is important to strengthen the coherence of the donors' approaches. In this context, German development policy also promotes the **efficient networking of bilateral and multi-lateral development policies**, especially within the partner countries themselves. Particular support is therefore given to initiatives for donor harmonisation such as the Providing for Health (P4H) Initiative for social health protection. Together with France, WHO, ILO, and the World Bank, German development policy actively implements the P4H initiative and aims for its expansion.

#### 4.5 Sharing of experience and comparative advantages: using a set of instruments

The area of social protection is relevant for **all instruments** of German development policy. Above all, its comparative strength derives from the interaction of **technical and financial cooperation**. For example, in the field of social health protection, advice on the extension of a national health insurance scheme (technical cooperation) can be combined with subsidising particular services for poor population groups (financial cooperation). In the field of social protection, consultancy on the establishment and extension of a conditional social cash transfer programme (technical cooperation) can be combined with start-up financing of social transfers and the development of social infrastructure (financial cooperation); the latter is required because the demand for social services is increased by the availability of social cash transfers.

**Civil society actors in development policy**, such as non-governmental organisations, foundations and churches are very active in establishing and supporting social protection systems and, in addition, have good channels of communication with civil society actors in partner countries and their activities in the field of social protection. They should therefore be closely involved. Targeted cooperation could be beneficial in the areas of community-based health insurance schemes and basic social protection, among others.

# Abbreviations

ADB	Asian Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ASEAN	Association of Southeast Asian Nations
AU	African Union
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Development and Cooperation)
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CEPAL	Economic Commission for Latin America and the Caribbean
DAC	Development Assistance Committee
DIE	Deutsches Institut für Entwicklungspolitik (German Institute for Development Policy)
EAC	East African Community
EU	European Union
G8	Group of Eight
GTZ	Gesellschaft für Technische Zusammenarbeit GmbH
HIV	Human Immunodeficiency Virus
IADB	Inter-American Development Bank
IDS	Institute of Development Studies
ILO	International Labour Organization
KfW	Kreditanstalt für Wiederaufbau
MDG	Millennium Development Goal
NGO	Non-Governmental Organisation

OECD	Organisation for Economic Cooperation and Development
P4H	Providing for Health Initiative
PBA	Programme-based approach
PPP	Public Private Partnership
PIA	Poverty Impact Analysis
PSIA	Poverty and Social Impact Analysis
SK	Sektorkonzept (Sector Strategy)
SSP	Schwerpunktstrategiepapier (Special Priority area Strategy Paper)
SWAP	Sector-Wide Approach
UNICEF	United Nations Children's Fund
UN	United Nations
WHO	World Health Organization

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# Appendix

## Appendix 1:

### Areas of Activity and promotion instruments of German development policy in the field of social protection

Areas of Activity	Priority areas				Activities
	Sustainable economic development	Health	Rural development	Good governance	
Social health protection	X	X	X		Establishment and reform of health financing systems, which improve the access of poor population groups.
Old-age security	X	X	X		Establishment of context-related old-age security systems especially for the protection of poor population groups and for improved access to health services in old age.
Persons with disabilities		X		X	Specific measures for supporting persons with disabilities, measures fighting structural social inequalities and the formation of inclusive national policies.
Protection against natural disasters and crop failure risks	X		X		Testing and implementation of insurance approaches, e.g. index weather insurance for protection against climate-related extreme weather events.
Social policy	X	X		X	Cross-sectoral comprehensive policy consultancy e.g. for the social impact assessment of reform processes, for coherent social policy formation of sector policies and for citizen and human rights-oriented social policy.
Systemic advice	X	X	X	X	Improvement of the fiscal, legal and institutional frameworks and coherent design of comprehensive social protection systems.
Microinsurance	X	X	X		Establishment of complementary insurance systems for poor people and for those employed in the informal sector taking account of their specific income situation and needs.
Basic social protection	X	X	X	X	Establishment of social transfer systems which mainly support households only disposing of a limited potential for self-help, e.g. the poor, old people and persons with disabilities.

Promotion instruments								
Political dialogue	SWAP u. BPA Financing	Consultancy	Basic and advanced training	Start-up financing and fund capital	Investments in real capital	Public-private-partnerships	Feasibility Studies	Teaching of best practice
X	X <sup>4</sup>	X	X	X	X	X	X	X
X	X	X	X	X		X	X	X
X		X	X		X		X	X
		X	X	X <sup>5</sup>		X	X	X
X		X	X				X	X
X		X	X		X		X	X
X		X	X	X <sup>6</sup>		X	X	X
X	X	X	X	X	X		X	X

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4 For the access of poor target groups to defined health services

5 For the creation of reinsurance funds

6 For the establishment of microinsurance programmes and for the establishment of risk balancing funds at near-market conditions

## Appendix 2:

### Contributions of social protection to the Millennium Development Goals

The establishment and expansion of social protection systems make important contributions to achieving the Millennium Development Goals (MDGs). This is especially valid for MDG1; however, social protection systems are also relevant for the attainment of MDGs 2 – 7.

#### MDG1 (Eradicate extreme poverty and hunger):

- ⇒ **Protection of the poorest:** Social protection systems decrease/prevent poverty of individuals who are living in poverty and are unable to overcome this poverty by themselves.
- ⇒ **Protection against impoverishment:** Social protection systems prevent non-poor individuals and households from impoverishment due to the occurrence of risks.
- ⇒ **Enabling investment:** Social protection systems encourage poor and non-poor individuals and households to invest in education, health and productive real capital, to maintain their own employability and thereby to improve their socioeconomic situation themselves.
- ⇒ **Securing of nutrition:** Social protection systems contribute to secure sufficient nutrition in the case of risk occurrence.

#### MDG2 (Universal primary education for boys and girls):

- ⇒ Social protection systems contribute to parents being able to send their children to school instead of being compelled to make them work.

#### MDG3 (Gender equality):

- ⇒ Social protection systems are not automatically fair for both sexes. However the importance of equal access and the differences regarding the biographies and income situations of men and women are increasingly considered when determining benefits.
- ⇒ Social transfers for poor families are generally paid to women as this increases the likelihood of their usage for all household members and especially children. At the same time, this strengthens the social position of the recipients and contributes to their empowerment.

#### MDG4 (Reduction of child mortality):

- ⇒ Through measures of social protection – and especially through approaches of social health protection – parents/mothers can afford the costs of preventative and curative health provision and reduce the infants' risks of dying from untreated illnesses.

**MDG5 (Improvement of maternal health):**

- ⇨ Similar to the contribution of social protection systems to the attainment of MDG4, they can also contribute to increased usage of health services by pregnant women. Thereby, there is a sustained contribution to the reduction of maternal mortality.

**MDG6 (Combat AIDS, Malaria and other diseases):**

- ⇨ Systems for income protection but also specifically social health financing and the protection of access to basic health care make it possible for poorer population groups to protect themselves against diseases and be treated in the case of illness.

**MDG7 (Ensure environmental sustainability):**

- ⇨ The use of ecological capital can be part of a strategy of coping with social risks. Social protection systems can contribute to preventing households from being forced to over-exploit natural resources (soil, forests, water etc.) in case of emergency.

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