Reconciling Different Concepts of Risk and Vulnerability: A Review of Donor Documents

Rachel Sabates Wheeler and Lawrence Haddad
Institute of Development Studies, Sussex

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Institute of Development Studies
Sussex

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Introduction

The purpose of this paper is to: provide an overview of areas of agreement, points of difference and gaps in analysis and policy on risk and vulnerability among DAC poverty Task team Members. This is achieved by reviewing a range of literature that was considered as representing the various agencies' positions on social protection, risk and vulnerability. The paper will contribute to the process by which Task Team members define the objectives of the task team, how the objectives can be best achieved and what individual task team members can contribute to the process.[1]

Focusing on Risk and Vulnerability: the pro-poor growth argument

There is growing consensus among development practioners that growth alone is not enough to reduce poverty, evidenced by the fact that poverty can increase with GDP growth. The emphasis of development thinkers is now on pro-poor growth. While this represents an important shift in thinking, the term remains ambiguous. Some people define poor-poor growth as 'growth that benefits the poor' (Ravallion, 2004), while others insist that the notion should at the same time aim to achieve a reduction in inequality. Others say that for growth to be pro-poor it should benefit the poor proportionately more than the non-poor (Kakwani, Khandker and Son, 2004). In practice operationalising any definition is problematic as it is difficult to know which combinations of growth, poverty reduction and inequality reduction one should pursue.

For purposes of this paper we utilize a definition of pro-poor growth provided by Voipio (2005).

> Pro-poor growth is a pattern of growth - of incomes and other necessities of life that poor men and women have reason to value - that benefits poor men and women in absolute terms and in relation to the non-poor by involving them as producers, workers and consumers in the growth process.

This definition combines poverty reduction in absolute and relative terms as well as focusing on integrating the poor into the growth process.

So how do notions of risk and vulnerability fit into this agenda? One obvious link comes from recognising vulnerability as a cause, symptom and constituent part of chronic poverty (Prowse, 2003, quoted in van Ginneken, 2005). By definition then, risk and vulnerability are bound up with a pro-poor growth strategy. With risk aversion and a condition of resignation that is manifested in people living in chronic poverty, specific policies to reach these groups become essential. In this way, risk management policies can make the chronic poor less vulnerable, and hence more amenable to taking risks and participating in pro-poor growth.

Recent work illustrates how risks and shocks can decapitalise the poor, and trap them in impoverished positions from which they are unable to escape (Carter et al, 2004). Once households fall below critical asset-thresholds they become trapped into survival coping strategies and have difficultly building up their assets. Social protection mechanisms can provide an important function in keeping vulnerable households from falling below a certain asset threshold. This will mean that these households are more easily able to enter virtuous asset accumulation strategies, rather than asset eroding paths. This will have pro-poor growth effects at the local and national levels. Dercon (2004) states that evidence from many contexts, including Ethiopia, points to risk-induced poverty persistence and possibly even 'poverty traps.' Poverty traps are situations from which no escape is possible using own means and resources, even if there is substantial

[1] The DAC papers reviewed are listed in Annex 1.

growth in the economy. He concludes that risk is a cause of poverty traps, of untapped profitable opportunities and of lower growth. Therefore, public action to reduce vulnerability is good for equity and efficiency/growth.

Some of the documents reviewed here make a growth-promoting case for addressing risk and vulnerability, regardless of the effects on inequality and explicit poverty reduction. Others focus more explicitly on the advantages of a risk and vulnerability agenda for the poor and chronically poor. In order to establish a 'risk and vulnerability' agenda at the centre of current development discourse a case must be made that connects the growth-promoting arguments and the poverty reducing arguments in a pro-poor growth argument for risk and vulnerability. This case can be made in a number of ways, as illustrated below. Tackling risk and vulnerability within a pro-poor growth agenda:

- minimizes exposure to shocks (in other words, vulnerability). As a forward-looking perspective on anticipating when, where and who shocks (economic, political, health, nature, violent) will most affect will, this improved agenda will accentuate a perspective on avoidance and prevention. Examples include avoiding settlement in low-lying areas, the use of condoms in HIV areas, regulation of cross-border financial flows, and planning for smooth democratic transitions.
- enables consumption smoothing by minimizing the transitory impacts of shocks. When shocks hit, behaviour changes as households and communities struggle to adapt. Consumption is often affected—particularly of food. When consumption and income levels move strongly together, we know that households are very vulnerable. Even when credit is available to smooth consumption, the debts tend to persist for a long time.
- can counteract asset-depletion and the occurrence of poverty traps by minimizing the long-term impacts of shocks. When consumption changes are not enough to ride the shock, assets will have to be sold, children will have to be pulled from school and health visits and drug purchases become even rarer. These asset depletions undermine the ability of the households to weather the next shock and lead to a downward spiral of resilience.
- promotes innovation and risk-taking activities because there is less need for individuals to adopt risk strategies that smooth income, but do not maximize it. Income diversification, crop diversification, livelihood diversification—all are sensible responses to very risky situations. But they deny the gains from specialization and tend to inhibit innovation and risk taking.
- focuses policies on asset accumulation and investment. A focus on risk and vulnerability forces us to think more about the ways in which people grow their incomes. Enabling people to become less vulnerable through improved risk management encourages greater productive risk taking which can lead to higher entrepreneurial activity, investment and growth effects at an economy-wide level.
- focuses policies on breaking the cycle of deprivation across generations. It also stimulates thinking that is more lifecourse intergenerational in perspective. Poverty analysis tends to be more static with its focus on levels and gaps.

In conclusion, promoting and instituting actions for managing risk tackles poverty head-on through:

- ***pro-poor growth enhancement:*** hedging risk with the use of insurance has investment demand effects which can reduce poverty and promote growth.
- ***direct poverty reduction:*** redistributive action, underpinning many actions for risk management, raise the income and consumption of the poor directly, thus lifting them out of poverty. The indirect effect of this has implications for livelihood stability and economic growth.

- ***equity promotion:*** measures that redress power differentials between individuals and groups can encourage inclusionary economic growth. For instance, appropriate minimum wages can increase the productivity of labour; land access for women can have spill-over effects on children and their contribution to the economy.

The Need for Risk Management

The case for Social Protection and Social Risk Management for reducing risk and vulnerability comes from the recognition of pro-poor growth as an important objective.[2] The poor can participate in and benefit from growth in four ways: as farmers and entrepreneurs, as workers, as consumers, and as potential recipients of tax-funded services and transfers. In order for these benefits to be realised, it is important that exposure to hazards is minimised, and the ability to manage the consequences of the hazard are increased. Hence, for increases in pro-poor growth, public and private actions which improve the risk management ability of the poor are required. Such public and private actions come under the ambit of social protection.

In order to better understand the notion of risk management it is important to lay out some definitions and explore the underlying concepts that inform this notion. All the articles reviewed for this paper use concepts that revolve around a set of commonly used terminology. Exposure to a hazard or shock, ability to manage or cope with the consequences of a hazard, risk, risk management, vulnerability, social protection and risk management. Definitions of various concepts are not consistent across the documents reviewed and can cause a certain amount of confusion.

A common way of conceptualising vulnerability is to view it as a composite of **exposure** to hazard (or shock) and **resilience**, or the ability to manage the hazard. Understanding vulnerability as comprising these two dimensions is important as it illustrates the very different policy responses that need to be taken in relation to what constitutes any one person's/community's vulnerability. It is particularly useful for acute situations requiring an immediate response. That is, at any one time it is possible to construct a static vulnerability profile that indicates whether the hazard or the ability to cope is the main determinant of vulnerability. Policies appropriate to the composite nature of the vulnerability can then be designed.

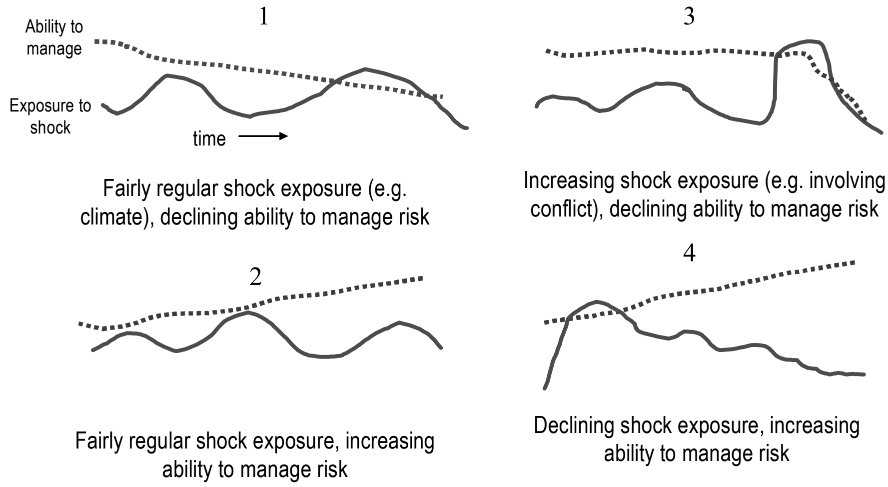
However, to fully understand vulnerability it is not enough to simply take a one-period view; we need know what happens in the next period. Vulnerability needs to be forward-looking as it makes a prediction about future poverty (or other outcomes). An understanding of vulnerability is further complicated by the notion of 'ability to manage.' Ability to manage shocks or hazards is a complex function of existing behaviour, reflected in livelihood profiles that themselves represent long-term or structural adaptation to predictable shocks; crisis response behaviour (such as the ability to rely on formal and informal insurance and networks in times of crisis), which is constrained by established livelihoods; and by external (policy) response to a predicted and actual crisis.

If there is a mismatch in the likelihood of a risk and the ability to manage a shock, the individual, household, community or nation is vulnerable. The concepts are best thought of in a dynamic context (i.e. over time). First, the ability to manage future risk may well be compromised by current risk management. Second the exposure to shocks may be trending up or down. Third, it is not straightforward to disentangle exposure to shocks (or vulnerability) from management of

[2] Managing Risk and overcoming Vulnerability: the role of Pro-Employment Growth and Social Protection: Wouter van Ginneken (2005, draft)

risk. Weakness in the latter will increase the likelihood of the former. Similarly, the severity of exposure will determine the ability of the management strategy to cope.
The above ideas can be illustrated in relation to the vulnerability scenarios presented below.

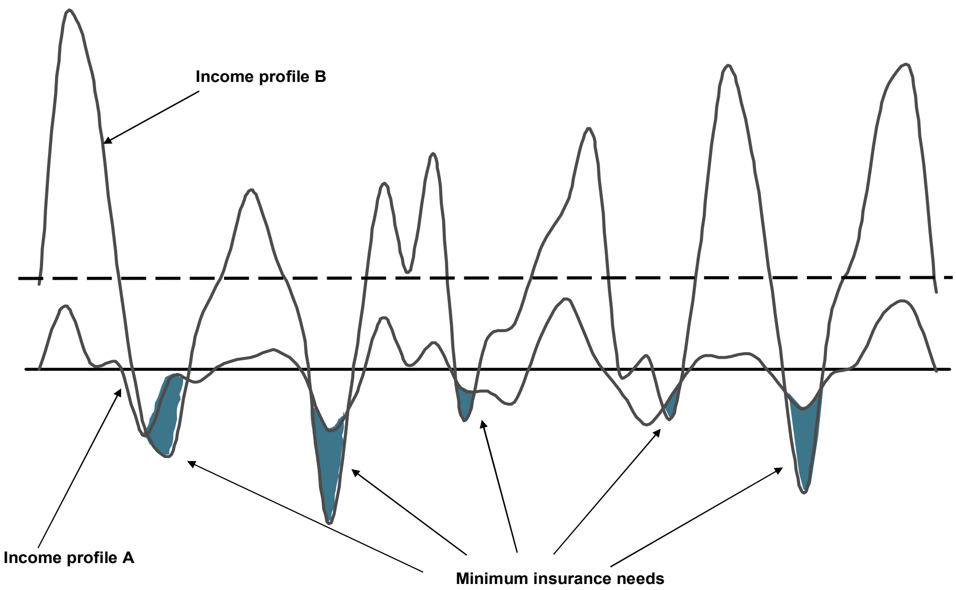
Figure 1: Vulnerability scenarios:
(ability to manage risk *minus* exposure to shock)



The stylized scenarios in the figure above highlight a few possibilities of dynamic situations. Scenario 1 illustrates a slow-onset crisis where management of risk is slowly eroded amidst the regularity of shocks (for instance, chronic poverty and the run down of assets in face of small but cumulatively devastating shocks). At the extreme left hand side of the diagram we see that shocks and management ability are mutually exclusive. As we move to the right shocks begin to erode ability to manage, however the later dominates the former. Over time the shock increasingly interacts with and erodes ability to manage to the point that the effects of the shock overwhelm ability to manage. Scenario number 2 highlights a situation where public and private actions combine to improve the ability to manage risk, despite the continued exposure to the shock (e.g. the more effective AIDS management areas). Scenario 3 describes a large shock that quickly reduces the ability to manage risk, such as conflict. Scenario 4 is a best case scenario—both exposure to shock is reducing (e.g. homes moving away from flood-prone areas) and ability to manage risk is increasing. Clearly the severity and the frequency of the shocks are crucial factors in determining ability to manage.

Figure 2, below, illustrates the need for risk management instruments. The solid horizontal line is the mean of income profile A. The argument is that if households have no risk management instruments available and cannot 'self insure' through assets and savings then they will adopt income profile A , maximizing income at very low risk. However, if risk management instruments were available that insured them against any falls below the minimum of income profile A then they would be able to adopt income profile B which has a higher expected mean income, the dotted line. In actual fact the risk management instruments would increase the expected mean of income profile B beyond that which is shown by the red line in the figure because the negative variance is reduced.

Figure 2 – Need for Risk Management Instruments



The key contribution of social protection and social risk management to pro-poor growth is in that they provide an opportunity for the poor and vulnerable to diversify out of low risk/low return livelihood traps into higher risk/higher return ventures. This way, by engaging a larger (than without SRM/SP) proportion of the total population in increasingly productive (high return) activities SRM/SP can make a major positive impact to the overall growth of the national economy, too. This is the reason, why from a national economic growth point of view SRM/SP should be considered a productive investment rather than dead weight expenditure.

Van Ginneken considers SP as an important step in satisfaction of basic needs and building up of basic capabilities. For example, contributory social security mechanisms can complement tax-financed government subsidies in financing and provision of access to basic needs such as food, education, health care and housing. SP mechanisms can also be targeted towards particularly vulnerable groups such as working children, disabled and the elderly. SP has a positive impact on labour market (through promoting safe working conditions), and employment (through increased productivity). SP also has a major role to play in social cohesion, which in turn provides the basis for a secure and predictable environment in which growth, employment and investment can flourish. In this way, SP and SRM mechanisms can enhance people's employment capacity, contribute to family and social cohesion, reduce poverty, and improve people's ability to manage risks, thereby reducing R & V.

Actions for Managing Risk and Vulnerability: Differences in Donor Approaches

Donors motivate action against risk and vulnerability using different entry points. The choice of entry point has implications for the objectives of policy and the choice of policy instrument. Below we provide a brief overview of various DAC member approaches to risk and vulnerability. A fuller account of individual agency perspectives is presented in Annex 1.

While the ILO uses social security as a term to refer to social insurance (benefits based on contributions) and social assistance (tax-based social benefits), their main focus is social insurance in the context of employment and its extension to the non-formal sectors. This focus reflects the emphasis of much of the ILO documentation on risk and vulnerability as evidenced by their Extension of Social Security (ESS) working paper series and their 'Decent Work for All' strategy.[3] This strategy establishes as a primary goal of the ILO 'to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.' Van Ginneken reports that the decent work strategy adopts a broad perspective on work which includes not only (paid) employment, but also work at home so as to take gender roles into consideration. Another essential feature of this strategy is that everyone is entitled to basic social protection. Thus, the decent work strategy aims at a universality of coverage.

In his paper on 'Managing Risk and Overcoming Vulnerability, van Ginneken (2005) distinguishes the functions of social protection within a broader social risk management framework. Social protection has risk 'coping' and 'mitigation' functions, while 'promotive' and 'preventive' functions are understood within the wider context of pro-employment growth and of 'policies related to needs and capabilities.' This stands a little at odds with notions of social protection that broadly encompass preventive, protection and promotive functions, such as the World Bank's approach.

At present, extension of social security comprises a substantial agenda of the ILO. The ILO couches its discussion of risk and vulnerability (as well as social protection) in terms of programs and actions rather than pushing a specific conceptual approach. Action is geared towards reactive public measures. While the ILO recognizes the scope for private sectors activities (such as, private health providers or insurance companies), on their own they do not 'qualify' as social protection activities. Social security or social protection requires that mechanisms have to function within the context of publicly supported arrangements. Thus, the term 'social' refers to the nature of the provider.[4] Not all agencies hold this definition of social protection, as private insurance companies, functioning on collective contributions, as well as private actions such as crop diversification can also, arguably, be said to fall within the realms of social protection. Given this focus of the ILO there is limited attention given to private and market based actions to prevent, mitigate and cope with risk that are not publicly supported or donor driven.

Usefully, the ILO focuses on groups of people outside traditional coverage, informal sector workers, particularly women workers, and people who face basic needs requirements. The focus on vulnerable groups leads them to stress that social security programs and their design need to be tailored to reflect the resources of different categories of poor people and to reflect their priorities and preferences. The ILO have strongly promoted and supported community-based social health insurance schemes, particularly in West Africa. A further strength of the ILO approach is their committed search for innovation in provision of social services to these vulnerable groups who have varied needs and capacities.

Recent work by the ILO specifically highlights deficiency, over and above adversity, as an important element of social security (Kannan 2004). This extends the traditional view of social security to include promotive mechanisms to manage risk. That is, basic social security (BSS) comprises a platform for all in food security, health security, education security, and housing security. BSS covers a wide range of basic needs that should be provide to all the poor with the

[3] That is, the 'decent work for all' strategy, presented in 1999 to the International Labour Conference.

[4] For the ILO social security or social protection does not mean that the state (or NGOs) provide all the services themselves. Many private sector companies can (and do) provide services, but for it to be social security or social protection these services have to be provided with the context of public or collective arrangements.

ultimate purpose of creating a 'social floor' below which people should not fall. The centrality of the role of the state is crucial for managing R&V if the system is to cover all the poor and vulnerable population.

In a similar vein to the universal 'social floor' advocated by the ILO, Nordic governments encourage a very broad agenda on risk and vulnerability. This approach has been coined the *"Social Policy Approach" (SPA),* or *"Society for All Approach" (SfAA)* and essentially provides the building block of an entire national socio-economic policy framework, as has been the case in Finland and the other Nordic societies. This approach maintains that the most effective and sustainable way to achieve *'pro-poor growth'* is to create a balanced combination of economic and social policies that empower and enable *all* members of the society to sustain and grow their own economies and thereby to make their contribution towards the growth and poverty reduction process of the nation.

The reduction of risks, vulnerabilities and inequalities is considered necessary to *'unlock the human potential'* of every citizen. In other words, the emphasis is on society-wide social risk management through explicit social and economic policies which exploit in a very pragmatic way various blends of individual, market-based, community-based and municipality-managed action as well as central government-driven interventions. The overall rights based framework is legislated and regulated by the central government but the social partners (employers' organisations and labour unions) as well as municipalities play an active and influential role in the negotiations that lead to the comprehensive 'consensus package' of actions that reduce vulnerabilities and help citizens manage their livelihood risks over the whole life cycle.

The main feature of the SPA approach is that it is a rights-based and universalistic model. It supports those who cannot help themselves but also covers those not critically poor. Education for all, as well as social and health *services,* is essential elements of society-wide social risk management. It includes a conscious income distribution policy, a progressive tax regime, an active labour market policy, and proactively equalizing gender and regional policies. It should be noted that the essence of the universalistic model is not that the public sector produces and provides basic services and security but rather that the public sector shoulders its responsibility by guaranteeing or at least promoting non-discrimination and equity and creating an enabling environment for risk management.

The GTZ perspective on risk and vulnerability is not explicit but emerges through its position paper on social protection (2002) and from its very specific focus on social health insurance as a form of social security and social protection. In the position paper GTZ distinguishes between social policy and social protection. 'The aim of state social policy should be not only to ensure the survival of poor people but to help them become integrated into society' (pp. 2). Social protection is subsumed under social policy in that certain social policy measures, such as child protection programmes, welfare transfers to needy groups, micro-finance and insurance initiatives are defined as social protection. Social protection is presented in an instrumentalist way, whereas social policy is the broader conceptual agenda based on notions of social justice and economic empowerment. In a similar way to DfID, GTZ focuses explicitly on the poor and extreme poor as the population of interest for social protection. Social protection systems are support systems that can be put in place to help the poor deal with specific risks through prevention and protection.

GTZ builds on the principle of provision and financing of social services through insurance based on principles of solidarity. Their vision of social health insurance is grounded in an understanding of SP as a human right in accordance with the Universal Declaration of human rights. These basic rights are seen as basic pre-requisites for the world's poorest groups to become prosperous. Poverty reduction rather than social service provision is the overriding concern. Thus, social services provision is conceptualised as instrumental to poverty reduction. There is discussion of externalities and multiplier effects of health investment on human capital, livelihood enhancement and poverty reduction encapsulated in phrases such as: 'health means wealth' and; 'health as the engine for economic development.' We perceive the GTZ line on risk and vulnerability to be about promotive development.[5]

In a similar way to the ILO, GTZ is concerned with provision of programs for vulnerable and disadvantaged groups rather than with pushing or promoting any conceptual agenda. Attention is also given to informal sectors in both rural and urban areas. GTZ moves their understanding of SP away from simply public provision. They view it very much as public/private partnership (pp 8) with Governments, citizens and service providers all sharing the burden of SP. Included within their range of social protection instruments are codes of conduct and mechanisms for corporate social responsibility. This reflects a more progressive understanding of the functions of social protection which is more in line with a transformative social protection and a rights-based agenda. According to GTZ, a wider spin-off from social health insurance schemes is that they promote social justice and stability within a society.

As yet DfID does not have a specific document that lays out its approach to risk and vulnerability; instead it draws from a variety of commissioned papers. Shepherd et al. attempt to summarise these papers to establish what a DfID social protection agenda may look like. The purpose of social protection is seen in broad and far-reaching terms (page 11), including recovery and management of shocks, protection of rights and promotive-springboard effects for poor. The majority of SP instruments reviewed by Shepherd et al. are limited to public or government based initiatives centering on traditional understandings of social security (e.g. section 4 reviews public safety nets, cash and food transfers, pensions, and various insurance mechanisms). A few promotive measures are also discussed. These include microfinance, childcare and school feeding programmes. The paper states that "Social protection is both an approach and a set of policies". As an approach it focuses on reducing risk and vulnerability. As a set of actions it "includes all interventions from public, private and voluntary organizations and informal networks to support communities, households and individuals in their efforts to prevent, manage and overcome risks and vulnerabilities" (from Barrientos 2004, cited in Shepherd et. al. paper). The paper makes the case for the growth-enhancing potential of SP. It has the potential to positively affect poor people, has positive spillover externalities for growth and can be affordable.

Farrington (2005) authors a separate paper informing the DfID outlook where social protection is defined as public interventions which (i) to assist individuals, households and communities to manage risk better, and/or (ii) which provide support to the critically vulnerable[6] This definition of social protection is different to that provided in the other 'DfID documents' and in this regard it is difficult to make any statement regarding a DfID-specific stance on social protection, or risk and vulnerability. With respect to DfID we would stress that clarity is needed. The ***boundaries*** of social protection need to be clearly defined. Each DFID-related document represents various author's views on risk and vulnerability and so it is almost impossible to know how DfID positions itself with regard to the definition and the purposes of social protection.

The World Bank's approach to risk and vulnerability is epitomized within its social risk management framework (SRM). SRM is the name of a 'new definition [of social protection] and conceptual framework which should allow for better design of SP programs' (pp3). They define SP as follows:

- "SP consists of public interventions to (i) assist individuals, households and communities better manage risk and (ii) to provide support to the critically poor." This definition

[5]While GTZ does not define SP explicitly they do set out four priority themes for the German Development Cooperation in SP. These are: social health insurance, basic social protection, PSIA and microinsurance)
[6] Adapted from World Bank (2001). The difference is in the 'and/or' condition and a focus on eth 'critically vulnerable' rather than the 'critically poor.'

constitutes the underlying framework of SRM. SRM repositions the traditional areas of social protection (labour market intervention, social insurance and social safety nets).

The World Bank's SRM framework 'is one of the best-known articulations of the new conceptualizations of SP that go beyond "social sectors" (such as health and education) and "social assistance" (e.g. welfare benefits for the elderly, sick or disabled). These see social protection both as a "trampoline" capable of helping those who might (for whatever reason) temporarily drop out of productive activity to "bounce back", and as a means of support to the critically vulnerable' (Farrington, pp. 2).

Commonalities and Differences between donor approaches

Searching for a consistent line on risk and vulnerability within the set of documents reviewed for this paper (as well as in the wider donor and research community in general) is problematic. The main reason being different actors address risk and vulnerability according to very different remits, frequently translating into different definitions and policy responses. For instance, the World Bank presents SRM as framework for understanding a 'new definition of SP'; Farrington provides a modified SRM; Van Ginneken sticks closely to the conventional understanding of social protection – insurance, assistance and legislation -- within the context of labor markets and employment. On the other hand Kannan, within the same organisation (the ILO), explicitly addresses the 'rights' to social security. GTZ focuses on health insurance and so their understanding of risk and vulnerability emerges largely from this.

In this section we attempt to identify commonalities and differences between approaches emerging from the various documents. They are fairly detailed, reflecting the rather complex nature of the concepts and the lack of previous attempts to reconcile them. A number of key dimensions can be used to characterise each approach/concept (see Table 1). Figure 2 tries to summarise this visually.

Actors

All of the concepts provide rationales for public action through public or collective arrangements or various sets of policies and programs. Clearly, it is assumed that approaches to risk management are delivered in large part through government agencies. The basic social security concepts tend to focus on state action as do safety nets. Some approaches also emphasis the importance of private action, especially non-collective private action (for instance private insurance). The SRM acknowledges the important role that the government can play in the facilitation of 'informal' strategies (such as foster care within the extended family) The ILO definitions of contingent social security, focus on collective societal action. As do the GTZ definitions. Very much like the WB's SRM framework, many of the documents reviewed for DfID include a wide range of actors and providers within their understanding of risk management. These include community-based and private sector institutions as well as more informal arrangements at the level of the household and even at the level of the individual. The Nordic SPA refers to the "welfare mix" concept consisting of a mix of public and private actors (State, local authorities, NGOs, families/communities. The public sector i.e. government and municipalities have a key role in standard setting and they carry the last resort responsibility for funding.

Risk dimension

The SRM and CSS concepts focus on action pre-shock and post-shock. Social assistance (and safety nets as a special case of SA) tend to be responsive to shocks, while the BSS has a very limited risk focus; however, it greatly contributes to people's capacity to manage risk.. In SPA the risk dimension is embedded as describe above, but the terminology used is more that of social policy than risk management.

Type of capability deficit

The BSS and SA approaches focus on those who are unable to seize opportunities, usually due to some form of dependence. The objective of BSS and the SPA is to create a 'social floor' as a response to deficiency in the realms of food, health, housing and education. Other approaches tend to focus on those who are more economically active. For instance, social insurance is a response to hazardous situations arising primarily out of work. The SPA has a multi-dimensional and multi-level approach referring to the enabling/restricting environment as well as the individual capacities.[7]

Key function

Most of the approaches have either an assistance focus or an insurance focus or a combination of the two. Those dealing with risk focus on insurance, those such as BSS, SA and safety nets focus on assistance while SRM and SPA focus on both. Additionally, in the SPA there is a strong element of support to coping with the aim of empowering the poor to "climb back" to mainstream (the trampoline/springboard).

Level of risk addressed

Social assistance and safety nets tend to be more useful at addressing meso and individual-specific risks, given their spatial nature (i.e. they operate in a defined area where risk may not be able to be spread very well). SRM also aspires to address aggregate shocks such as rapid currency devaluation. The SPA framework emphasizes good governance, including good *(pro-poor* and inequality-reducing*)* macroeconomic management. [8]

Dimension of well-being addressed

While SRM claims to embrace a broad understanding of wellbeing, by definition and in practice its understanding of well being is limited to one of income and consumption. SA, safety nets and to a lesser extent CSS also focus on income earning abilities and labour supply and productivity. The DfID and GTZ documents display much broader understandings of wellbeing that include social and political risks. This is also the case with SPA. These 'modified' or 'extended' notions of SRM are not included within table 1.

Attention to rights

BSS addresses rights for all. DfID and GTZ also emphasise a concern with rights. The SPA is a rights based approach, as is the Decent Work for All strategy of the ILO.

Poverty Focus

Typically social assistance and safety nets have an explicit poverty focus. By definition BSS (as discussed in Kannan) addresses deficiency, so also addresses poverty head on. The majority of the DfID documents address vulnerable groups, in particular the chronic poor. The SPA focuses on the entire population emphasizing the preventive aspects and the 'middle-class buy-in' required for financial sustainability as well as for reaching a wide enough political support for coherent inequality-reducing macro policies.

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[7] This kind of conceptualization is in line with the international standard, the WHO " International Classification of Functioning, Disability and Health. " (ICF)

[8] The distinction between "idiosyncratic" and "covariant" risks may not be so clear-cut in practice. The risks to which people are exposed, are often a mixture of the two. For example, the risk of malaria is such as mixture, but its treatment can (and is often) covered within community-based health financing schemes.

Table 1: Mapping Different Approaches to Risk and Vulnerability

	Social Policy Approach	***SRM***	***Basic Social Security***	***Social Insurance (CSS)***	***Social Assistance***	***Safety Nets***	***Social Security Legislation***
Actors							
Public Action	X	X	X	X	X	X	X
Collective Private Action	X	X	X	X	X	X	
Market-based		X		X			
Individual private action		X			X	X	
Risk Focus							
Risk Prevention and Mitigation	X	X		X			X
Risk Coping	X	X		X	X	X	
Non-risk management policies that may affect risk management	X	X					X
Duration of Action							
Short-term measure	X	X				X	
Long-term measure	X	X	X	X	X		X
Type of capability deficit							
Measures to support those who cannot help themselves	X		X		X		
Focus on the able-bodied	X	X	X	X		X	X
Measures to provide basic food, health, housing and education security for all	X		X				X
Key Function							
Insurance	X	X		X			X
Assistance	X	X	X		X	X	X
Enabling/empowering social services & infra	X						
Types of risk addressed							
Co-variant (or aggregate)	X	X					
Meso	X	X		X	X	X	
Idiosyncratic (specific to the person)	X	X		X	X	X	
Dimension of wellbeing addressed							
Income and consumption	X	X	X	X	X	X	X
Non-income dimensions of well-being (social, political)	X		X				X
Includes a rights focus?	X		X				X
Explicit focus on the poor and deprived	X		X		X	X	

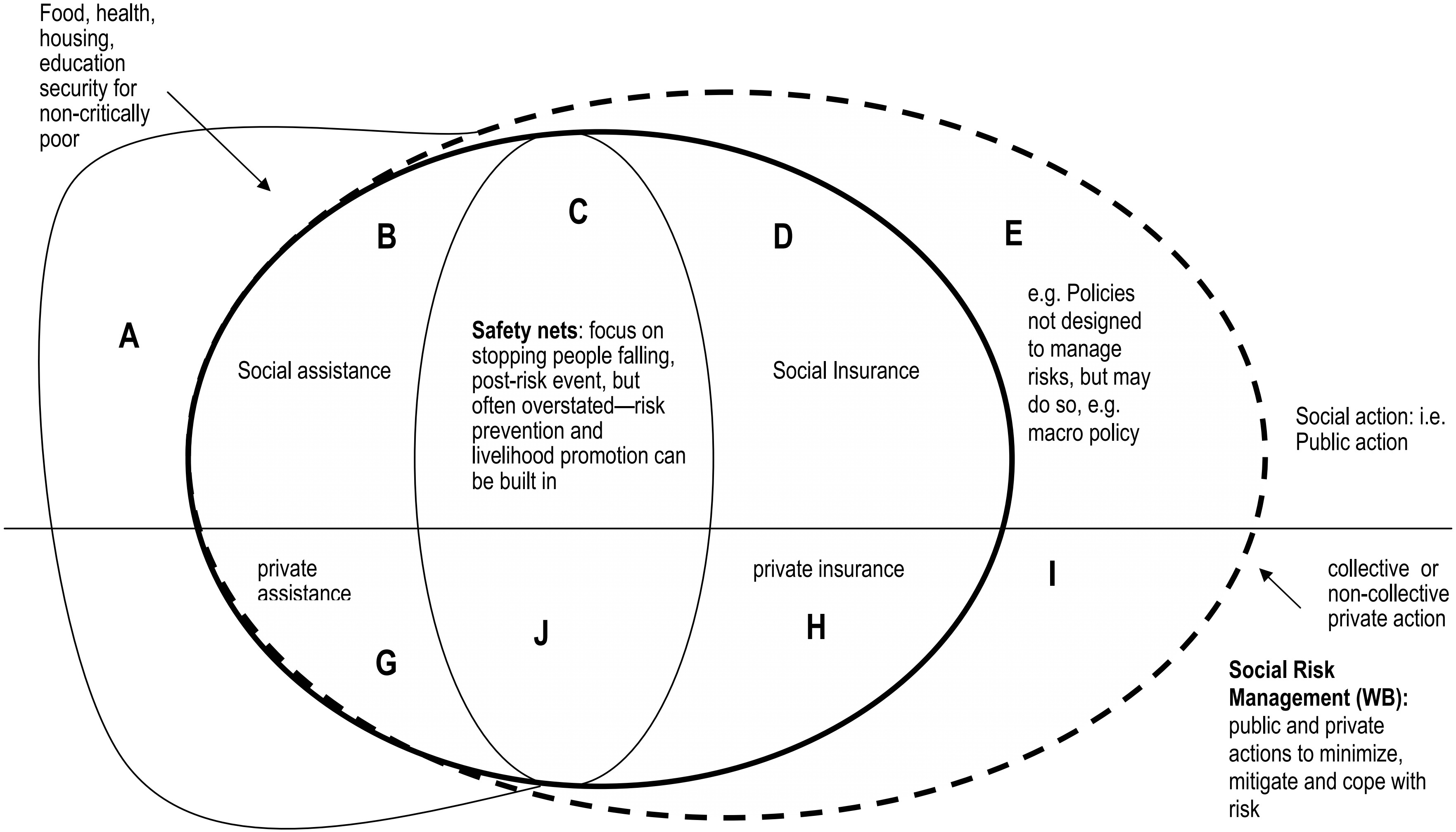
Figure 2 provides a visual illustration of the different instruments that may constitute a risk and vulnerability agenda. The straight line, cutting through the 'fish' separates the spheres of public or state action, and private, non-state action. Anything above the line refers to the former and instruments below the line indicate the latter. All R & V agendas include safety nets, thus they sit centrally as a set (C and J), with various donor differences being defined as safety-nets plus other elements. Set 'C' refers to those social/public programmes design to alleviate deprivation (such as social assistance, food subsidies, etc). Set J comprises individual or household actions to cope in the face of crisis, such as a reduction in consumption, or the sale of livestock. Typically, private safety nets are not included in the risk and vulnerability agendas of donor agencies; however, state or donor support to promote of facilitate privately-provided risk management instruments does fall within the remit of social protection and eth R&V agendas of donors.

Sets B and G are social assistance instruments encompasses all forms of public action (governmental or non-governmental) which are designed to transfer resources to groups deemed eligible due to deprivation. These are usually tax-financed benefits, such as disability benefits or social pensions. They differ from safety nets as they morethan short-term responsive measures.

Section 'D' correspond to collectively provided insurance and diversification mechanisms, such as pensions, maternity benefits, health insurance, These mechanisms are intended to avert deprivation resulting from risk. Below the line, H, refers to private insurance and diversification strategies, such as crop insurance or marriage.

The dashed line indicates the boundaries of SRM. 'E' and 'I' refer to promotive policies that enable people to move out of vulnerable situations and improve their livelihoods. These policies could be seen as the 'springboard' elements of R&V as opposed to traditional safety nets. 'A' illustrates the breadth of social policy approaches to risk and vulnerability as they include basic social services, such as education and health for all.

Figure 2: Mapping Different Actions Related to Risk and Vulnerability



Conventional understanding of Social Policy = Everything with less weight on private action
Conventional Understanding of Social Protection = B+C+D+G+H
Social Risk Management =Everything – (A + F)
Social Security=A+B+C+D+H + SS legislation

Basic Social Security=A
Social assistance = B + C + G +J
Social Insurance =D + H
Safety Nets: = C +J

Knowledge Gaps

- While some mention is made of the **possible 'crowding-out problem'** (for instance, Farrington ; GTZ) there remains a large knowledge gap concerning the extent and nature of this problem. Put simply, if (as it is widely believed) non-state, informal mechanisms for coping with risk (eg. the extended family) are being overstretched, what can the Government do to alleviate this caring burden without crowding out this valuable source of social protection? Little is known empirically about when and why public action crowds out private action. If a trade off between the two exists, then the sensible policy question must be: how can we mobilize and support rather than undermine these increasingly fragile systems? The answer will require an understanding of how local social networks and systems of support are constructed and maintained.
- Many of the documents reviewed discuss the provision of risk management instruments and mechanisms as though **cost is not the primary concern**.[9] For instance, within the ILO ESS literature there exists the obvious problem of limited public funds for experimenting with and extending social protection initiatives. Empirical evidence on the successful experimentation with new systems of SP and successful extension of formal SP to traditionally excluded groups, such as the informal sector and the rural economy, is typically accompanied by one or more of the following: positive growth in the economy which enables the government to provide substantial subsidies and instills confidence into the population; substantial and sustained donor commitment; idiosyncratic factors related to leadership style and trust in a specific organization. It would be useful to find empirical support highlighting successful examples of SP extension in very poor countries, such as Uganda and other SSA countries.
- Following from the previous point, creative thinking about **affordable alternatives**, such as improved regulation and monitoring and ways to deal with structural vulnerabilities, would be a welcome addition to this literature.
- In addition more empirical work needs to be done (as a complement to Barrientos, 2004) that informs us about the costs of risk management and the comparative costs and benefits of different instruments, and of combinations of instruments.
- The majority of the papers reviewed for this review contain a **limited conceptualisation of vulnerability:** Within the SRM framework vulnerability is attributed to the characteristic of a person or group, an event affecting a person or group, or a point in a person's life-cycle. This type of analysis tends to classify vulnerability according to a range of risks or shocks that affect one or more of a variety of livelihood assets (World Bank 2000:136-138). This is reflected in the range of policy instruments proposed, such as reception centres for orphans,or foodgrain warehouses. However, if rather than focusing on risk as an exogenously given factor to be managed, vulnerability is conceptualised as emerging from and embedded in the socio-political context, then our attention would no longer be focused on how to design a policy so that various groups face less risk in a given context, but on how to change this context to minimise risk for a range of vulnerable groups.[10] The papers by Piron, Farrington and Shepherd et al. do recognize risks related to political factors and make some references to a rights based agenda on this basis, however discussion of structural vulnerabilities and the implications this has for transformative social protection remains limited (see Devereux and Sabates-Wheeler 2004)
- Problem of the **downside to SP provision** – entrapment and further exclusion. Many protective measures can have the unfortunate effect of reinforcing established power hierarchies and patterns of exclusion. Furthermore, they can introduce social polarisation.

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[9] The exception to this is the paper by Barrientos. 2004.

[10] For a more detailed discussion on vulnerability and transformative social protection, see Devereux and Sabates-Wheeler, 2004 and Sabates-Wheeler and Waite 2003.

For instance, some targeting mechanisms that are applied on public works or school feeding schemes can have stigmatising effects that create social tensions and exacerbate vulnerabilities.

- More insights into the capacity constraints and political considerations underpinning successful public actions for risk management would be useful. Complementing this, the politics of SP in the non-state sphere, such as patronage; elite and middle class views on social protection; social solidarity and its explanations would provide interesting pieces of research.

Annexes

Annex 1: List of Documents

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Annex 2: Individual Agency Approaches to Risk and Vulnerability

ILO

The ILO documents (Kannan 2004; van Ginneken 2003; Global Campaign Detail of Key ILO Activities; International Labour Conference 89th Session) focus on social security.

The Kannan paper builds on a definition of social security by de Swann (1988) "social security arrangements are collective remedies against adversity and deficiency". The ILO documents use the twin concepts of adversity and deficiency to define social security. Basic social security (BSS) comprises a platform for all in food security, health security, education security, and housing security. This is supplemented by Contingent social security (CSS) – social arrangements to take care of adversity. The paper implies that BSS is necessary for successful CSS, although we would suggest that BSS is not a necessary condition for successful CSS. One can manage adversity from a very low base—in fact effective CSS can be a cause of as well as a solution to poverty—witness the inability to diversify out of subsistence crops in some areas that would benefit from doing so.

Kannan advocates the adoption of BSS and its universalisation to all the poor with the ultimate purpose of creating a 'social floor' below which people should not fall. The centrality of the role of the state is crucial if the system is to cover all the poor and vulnerable population. BSS is particularly relevant in this regard (includes social services, aid and cash transfers). Within this document social security is conceived of broadly in the sense that BSS covers a wide range of basic needs.

The van Ginneken paper states that social security comprises the "benefits that society provides to individuals and households--through public and collective measures--to guarantee them a minimum standard of living and to protect them against low or declining living standards arising out of a number of basic risks and needs". Again, there is a focus on deficiency and adversity. While the definition refers to social security, a term used to refer to social insurance (benefits based on contributions) and social assistance (tax-based social benefits), the main focus of the paper is social insurance in the context of employment and its extension to the non-formal sectors. This focus reflects the emphasis of much of the ILO documentation on risk and vulnerability as evidenced by their Extension of Social Security (ESS) working paper series and their 'Decent Work for All' strategy.[11] This strategy establishes as a primary goal of the ILO 'to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.' Van Ginneken reports that the decent work strategy adopts a broad perspective on work which includes not only (paid) employment, but also work at home so as to take gender roles into consideration. Another essential feature of this strategy is that everyone is entitled to basic social protection. Thus, the decent work strategy aims at a universality of coverage.

In his paper on 'Managing Risk and Overcoming Vulnerability, van Ginneken (2005) distinguishes the functions of social protection within a broader social risk management framework. Social protection has risk 'coping' and 'mitigation' functions, while 'promotive' and 'preventive' functions are understood within the wider context of pro-employment growth and of 'policies related to needs and capabilities.' This stands a little at odds with notions of social protection that broadly encompass preventive, protection and promotive functions, such as the World Bank's approach.

[11] That is, the 'decent work for all' strategy, presented in 1999 to the International Labour Conference.

At present, extension of social security comprises a substantial agenda of the ILO. The ILO couches its discussion of risk and vulnerability (as well as social protection) in terms of programs and actions rather than pushing a specific conceptual approach. Action is geared towards reactive public measures. While the ILO recognizes the scope for private sectors activities (such as, private health providers or insurance companies), on their own they do not 'qualify' as social protection activities. Social security or social protection requires that mechanisms have to function within the context of publicly supported arrangements. Thus, the term 'social' refers to the nature of the provider.[12] Not all agencies hold this definition of social protection, as private insurance companies, functioning on collective contributions, as well as private actions such as crop diversification can also, arguably, be said to fall within the realms of social protection. Given this focus of the ILO there is limited attention given to private and market based actions to prevent, mitigate and cope with risk that are not publicly supported or donor driven.

Usefully, the ILO focuses on groups of people outside traditional coverage, informal sector workers, particularly women workers, and people who face basic needs requirements. The focus on vulnerable groups leads them to stress that SS programs and their design need to be tailored to reflect the resources of different categories of poor people and to reflect their priorities and preferences. The ILO have strongly promoted and supported community-based social health insurance schemes, particularly in West Africa. A further strength of the ILO approach is their committed search for innovation in provision of social services to these vulnerable groups who have varied needs and capacities.

World Bank

The World Bank documents focus on social risk management and social protection (Holzmann and Jorgensen 2000; Holzmann; Benz and Teliuc 2003; Social Protection Sector Strategy; Contribution of SP to the MDGs).

The paper by Holzmann and Jorgensen develops a 'new definition [of social protection] and conceptual framework named "Social Risk Management" which should allow for better design of SP programs' (pp3). They define SP as follows:

"SP consists of public interventions to (i) assist individuals, households and communities better manage risk and (ii) to provide support to the critically poor"

This definition constitutes the underlying framework of SRM. SRM repositions the traditional areas of social protection (labour market intervention, social insurance and social safety nets) in a framework that includes:

"The main elements of the Social Risk Management framework consist of:

- Strategies to deal with risk (risk reduction, mitigation, coping[13])
- risk management arrangements by level of formality (informal, market-based, and publicly provided or mandated) and

[12] For the ILO social security or social protection does not mean that the state (or NGOs) provide all the services themselves. Many private sector companies can (and do) provide services, but for it to be social security or social protection these services have to be provided with the context of public or collective arrangements.

[13] Risk "reduction" is essentially risk prevention and means minimizing the probability of hazard/shock/risk occurring while "mitigation" means action to help minimize the impact of a future shock/hazard/risk and "coping" means post-shock action to minimize effects)

- actors in risk management (from individuals, households, communities, NGOs, market institutions, government to international organizations and the world community at large)"

As stated by Farrington (2005), the World Bank's SRM framework 'is one of the best-known articulations of the new conceptualizations of SP that go beyond "social sectors" (such as health and education) and "social assistance" (e.g. welfare benefits for the elderly, sick or disabled). These see social protection both as a "trampoline" capable of helping those who might (for whatever reason) temporarily drop out of productive activity to "bounce back", and as a means of support to the critically vulnerable' (pp. 2).

LH argues that the WB's notion of SP and SRM are distinct concepts based on bullet point one and two below. RSW argues that in practical terms and in reference to the SRM framework presented in the WB paper, the two are not distinct. On this basis she would delete the first bullet point, or at least include a footnote.

Note that:

- SP is more than SRM in that it includes measures to support those who cannot provide for themselves even if employment opportunities did exist. (footnote: While this is stated within the H and J paper, it is not clear how the SRM framework excludes measures to support those who cannot provide for themselves even if employment opportunities did exist;
- SRM is more than SP in that it includes economic policy that reduces macroeconomic shocks or agriculture projects that reduce the effects of drought;
- SP is that part of SRM that focuses on <u>public</u> provision for risk management and <u>public actions</u> that improve market-based and informal instruments of risk management. In other words, in figure 2 according to the WB, social protection comprises sections B + C + D. Other organizations would include private provision as part of SP also, not just government facilitation of private actions).

Many of the frameworks in the Holzmann and Jorgensen document are useful, particularly the tables that show sources of risk by covariate, meso and idiosyncratic levels (Box 2 of Holzmann and Jorgensen 2000) and the informal, market-based and public actions by risk reduction (prevention) , Table 2.2, SP Sector Strategy.

DfID

We do not have the final DfID SP paper to hand and so rely on papers given to us that include: Shepherd 2004, ODI; Cromwell and Slater 2004; Farrington 2004 and 2005.

The Shepherd et. al (2004) paper states that "Social protection is both an approach and a set of policies". As an approach it focuses on reducing risk and vulnerability. As a set of actions it "includes all interventions from public, private and voluntary organizations and informal networks to support communities, households and individuals in their efforts to prevent, manage and overcome risks and vulnerabilities" (from Barrientos 2004, cited in Shepherd et. al. paper). The paper makes the case for the growth-enhancing potential of SP. It has the potential to positively affect poor people, has positive spillover externalities for growth and can be affordable.

Shepherd et. al. conclude that the contributions of SRM include: (a) a focus on prevention, and (b) a focus on private The limitations of SRM, they argue, include: (a) that it does not address chronically poor, (b) it assumes successful risk management, mitigation and coping will enable full recovery from shock.

The criticisms are a little harsh. While the SRM framework does not deal with chronic poverty directly (and this is an important critique of SRM), it does focus on asset accumulation and acknowledges the potential tradeoffs between income diversification and mean income level. Moreover, the assumption that successful management of risk is defined by a state as if the shock had never happened, is not to be found in the SRM documents.

The paper goes on to state that the purpose of SP is to:

- "prevent, mitigate and enhance ability to cope with and recover from major hazards faced particularly by all poor people
- to contribute to chronically poor people's ability to emerge from poverty, deprivation and insecurity and to challenge the oppressive socioeconomic relationships which could be keeping them poor, by increasing livelihood security and linking such increases to promoting enhanced livelihoods and
- to enable the less active poor to live a dignified life with an adequate standard of living such that poverty is not passed from one generation to the next"

These 3 bullet-points extend the dimension of SP that is additional to SRM: a focus on those who are unable to seize economic, political or social opportunities for advancement--typically because structural inequalities and vulnerabilities.

This paper views the purpose of social protection in broad and far-reaching terms (page 11), including recovery and management of shocks, protection of rights and promotive-springboard effects for poor. The majority of SP instruments discussed in the paper are limited to public or government based initiatives centering on traditional understandings of social security (e.g. section 4 reviews public safety nets, cash and food transfers, pensions, and various insurance mechanisms). A few promotive measures are also discussed. These include microfinance, childcare and school feeding programmes. Limited attention is given to ways 'to challenge the oppressive socio-economic relations which could be keeping them [people] poor' (pp 11) (e.g. better monitoring and enforcement of legislation; introduction of codes of conduct/patient's charters in the certain sectors (health)) or measures 'to enable the less active poor to live a dignified life' (pp11) (programs with an empowerment focus). This is unfortunate as both of these points are integral to their definition of SP.

This paper synthesizes a number of papers commissioned by DfID to inform its SP agenda. We feel that some confusion may emerge from the fact that it draws on a host of other papers, all containing nuanced definitions of risk, vulnerability and social protection.

The food security paper by Cromwell and Slater (2004) does not really add much to the SP debate and in fact misses the main point: that the definition of food insecurity includes the risk of losing access, thus food insecurity is an important entry point—conceptually, politically and policy-wise to inject risk and vulnerability into the agricultural and income growth arena.

The paper entitled "Social Protection and Growth" (no author cited) reads as if it is a DfID paper and is included here. The paper makes the argument that SP can be a growth-promoting investment—as opposed to simply a targeted poverty reducing set of transfers. They argue that SP is central to growth, not residual to it. The arguments here are useful, but they need empirical substantiation. Such evidence exists and it needs to be marshaled in a credible and accessible manner—SP is a difficult concept for many to understand and the more solid vignettes to latch on to, the better.

The paper on rights-based approaches to SP by Piron (2004) argues that "there is a strong congruence between the two agendas (rights-based approaches and SP)" because rights based approaches “offer normative standards and principles, analytical tools and operational guidance which are relevant in both justifying SP measures and informing their design”. States have responsibilities to respect, protect, facilitate and fulfill rights and citizens have claims on the state in these regards. Rights based approaches provide useful normative guidance in many areas of policy and also shine a bright light on the capacity to make claims (citizenship) and the capacity of the state to respond (governance). But the rights based approach does not seem to offer a particular insight into the conceptualization or design of SP.

Farrington (2005) makes the point that the frequently made distinction between social protection (working through transfers) and livelihood promotion (working through markets) is in many ways an artificial one as there are substantial complementarities between the two. For instance, missing and imperfect markets intimately determine poor people’s strategies for risk management. In this sense, the document aspires to a broader notion of social protection and risk management in that economic development and growth are essential to successful risk management, as are the usual programs of social security. In this document Farrington is concerned with addressing asset depletion coping strategies of the poor and the risk-related constraints to entry into productive economic activity that face poor people in agriculture. He attempts to bring together actions, programs and policies for livelihood promotion and traditional social protection under a modified SRM framework for the agricultural sector.

His modification of the SRM framework centers on:

- drawing a distinction between the domestic and the productive spheres of activity
- location-specific conditions
- a criticism of the SRM for assuming a win-win situation. He points out the possible trade-offs between growth and risk (e.g. Food transfers are costly to administer and may suppress demand in local food markets).

Farrington defines SP as public interventions which (i) to assist individuals, households and communities to manage risk better, and/or (ii) which provide support to the critically vulnerable[14]. This definition of social protection is different to that provided in the other ‘DfID documents’ and in this regard it is difficult to make any statement regarding a DfID-specific stance on social protection, or risk and vulnerability. With respect to DfID we would stress that clarity is desperately needed. The ***boundaries*** of social protection need to be clearly defined. Each DfID-related document represents various authors' views on risk and vulnerability and so it is almost impossible to know how DfID positions itself with regard to the definition and the purposes of social protection.

GTZ

The GTZ documents focus very specifically on social health insurance (papers) as a form of social security and social protection. A forthcoming book on SP in health care is mentioned (European Assets and contributions), however we have not seen this book.

The GTZ perspective on risk and vulnerability is not explicit but emerges through its position paper on social protection (2002) and from its very specific focus on social health insurance as a form of social security and social protection. In the position paper GTZ distinguishes between social policy and social protection. ‘The aim of state social policy should be not only to ensure the survival of poor people but to help them become integrated into society’ (pp. 2). Social protection is subsumed under social policy in that certain social policy measures, such as child

[14] Adapted from World Bank (2001). The difference is in the ‘and/or’ condition and a focus on the ‘critically vulnerable’ rather than the ‘critically poor.’

protection programmes, welfare transfers to needy groups, micro-finance and insurance initiatives are defined as social protection. Social protection is presented in an instrumentalist way, whereas social policy is the broader conceptual agenda based on notions of social justice and economic empowerment. In a similar way to DfID, GTZ focuses explicitly on the poor and extreme poor as the population of interest for social protection. Social protection systems are support systems that can be put in place to help the poor deal with specific risks through prevention and protection.

GTZ builds on the principle of provision and financing of social services through insurance based on principles of solidarity. Their vision of social health insurance is grounded in an understanding of SP as a human right in accordance with the Universal Declaration of human rights. These basic rights are seen as basic pre-requisites for the world's poorest groups to become prosperous. Poverty reduction rather than social service provision is the overriding concern. Thus, social services provision is conceptualised as instrumental to poverty reduction. There is discussion of externalities and multiplier effects of health investment on human capital, livelihood enhancement and poverty reduction encapsulated in phrases such as: 'health means wealth' and; 'health as the engine for economic development.' We perceive the GTZ line on risk and vulnerability to be about promotive development.[15]

In a similar way to the ILO, GTZ is concerned with provision of programs for vulnerable and disadvantaged groups rather than with pushing or promoting any conceptual agenda. Attention is also given to informal sectors in both rural and urban areas. GTZ moves their understanding of SP away from simply public provision. They view it very much as public/private partnership (pp 8) with Governments, citizens and service providers all sharing the burden of SP. Included within their range of social protection instruments are codes of conduct and mechanisms for corporate social responsibility. This reflects a more progressive understanding of the functions of social protection which is more in line with a transformative social protection and a rights-based agenda. According to GTZ, a wider spin-off from social health insurance schemes is that they promote social justice and stability within a society.

The GTZ documents indicate a clear understanding of the importance of non-state systems of social protection and social service provisioning and the fact that these systems are being overstretched in many countries. In Zambia they are attempting 'a complementary blend of traditional and modern forms of social protection' (pp19). In this sense, GTZ is looking for innovative ways to combat risk and vulnerability given the prohibitive costs of government provision of health services in lower-income countries.

Many of the successful schemes require a substantial financial, sustained contribution from one or more of the following: the government; donors; private contributors. Whether these models work in situations of low-growth economies, or in situations where states are weak, is not clear. Like the extension models in the ILO documents, financing appears to be tied to growth and continued donor commitment.

The 'Nordics'

The following is based on a synthesis (by Ron Wiman and Timo Voipio) of a great number of government position papers and academic reports from the Nordic countries (Denmark, Finland, Norway and Sweden), some of which are in English and some in the Nordic languages:

[15] While GTZ does not define SP explicitly they do set out four priority themes for the German Development Cooperation in SP. These are: social health insurance, basic social protection, PSIA and microinsurance)

There is often some confusion with the concepts related to the social dimension of development in the field of development policy and development cooperation. It is characteristic of the Nordic point of view to focus attention to the *different policies* that the various concepts (related to poverty reduction, pro-poor growth, risk, vulnerability, SRM, social protection and social policy) reflect and require.

The approach the Nordic governments tend to support is very comprehensive and could be coined *"Social Policy Approach" (SPA),* or *"Society for All Approach" (SfAA).* This approach may, at first sight, appear even confusingly broad, especially from the point of view of agencies (e.g. the World Bank) which are so large that they can afford to regard social risk management as a “sector” or a specialized area of professional expertise rather than an essential principle and building block of an entire national socio-economic policy framework, as has been the case in Finland and the other Nordic societies, and to different extents in other industrialized countries, as well.

In essence, this approach maintains that the most effective and sustainable way to achieve *'pro-poor growth'* is to create a balanced combination of economic and social policies that empower and enable *all* members of the society to sustain and grow their own economies and thereby to make their contribution towards the growth and poverty reduction process of the nation. As small nations, the Nordics have felt that in their search for national wealth they simply cannot afford not to make full use of the maximum efforts of every member of the society. The reduction of risks, vulnerabilities and inequalities is considered necessary to *'unlock the human potential'* of every citizen. In other words, the emphasis is on society-wide social risk management through explicit social and economic policies which exploit in a very pragmatic way various blends of individual, market-based, community-based and municipality-managed action as well as central government-driven interventions. The overall rights based framework is legislated and regulated by the central government but the social partners (employers’ organisations and labour unions) as well as municipalities play an active and influential role in the negotiations that lead to the comprehensive ‘consensus package’ of actions that reduce vulnerabilities and help citizens manage their livelihood risks over the whole life cycle.

The Nordic "Social Policy Approach" (SPA) can be characterized as follows:

- The main feature is that it is a rights based and universalistic model (basically everyone is covered and entitled, but various selection criteria and mechanisms are applied).
- It is "comprehensive" but can be implemented to various extent. It combines all the elements presented in the table 1.
- It differs from SRM as it adds to SRM measures "to support those who cannot help themselves" (B in the graph)
- It covers also those not critically poor (A) as does the BSS model. This is considered critically important for the sustainability of the system: A ‘middle-class buy-in’ ensures that the average voter (and taxpayer) has a stake and interest in contributing to and maintaining the quality of the system.
- It also includes the "social" contents (an equality dimension) in all public policies (E). A degree of private sector Corporate Social Responsibility has long history, as well.
- It provides guarantees i.e. a "social base/floor" *(income security*) to everyone through BSS (contributory) and social assistance (last resort in case or in kind, non-contributory), as well as contingent social security (CSS), but uses a little different terminology.
- Education for all, as well as social and health *services* are essential elements of society-wide social risk management (i.e. for prevention, mitigation, coping and recovering of risks c.f. DFID). Social and health services are regarded as empowering measures ("Trampoline"/ Wiman 1990) that complement and sometimes substitute for income security measures.
- It covers all dimensions of welfare (rather "well-being")

- It includes a conscious income distribution policy, a progressive tax regime, an active labour market policy, and proactively equalizing gender and regional policies.
- There are institutional measures to prevent discrimination and equal opportunity policies are an essential element of all sector policies

The position of the Finnish Government (and often of other Nordic governments, as well) on the intergovernmental negotiations arenas is reflected in the phrase "basic social services and social security for all". The Finnish position emphasizes the preventive and empowering aspects of social policies as well as the potential role of universal access to basic services (e.g. to education) in creating individual capacity to prevent, mitigate and cope from shock, as well as social capital (social responsibility, trust, stability and cohesion). The Finnish government does not see the sustainability of social "projects" or "programmes" that are not backed by cross-cutting national social policies. Private sector responsibility is however also essential in order to prevent/diminish the need for social protection measures (e.g. CSR-Corporate Social Responsibility). Social policies are not an issue of the social welfare sector, alone. Rather social policy is the means to promote pro-poor growth and sustainable economic and social development for all.

It should be noted that the essence of the universalistic model is not that the public sector produces and provides basic services and security but rather that the public sector shoulders its responsibility by guaranteeing or at least promoting non-discrimination and equity and creating an enabling environment for risk management. Needless to say, that all the above does not materialize up to 100%. The implementation takes very often place through various public private partnerships (PPP), e.g. various forms of purchaser-provider arrangements. The level of benefits is not a crucial issue – it can be adapted to the current ‘carrying capacity’ of the national economy. Remember, Finland was a very poor war-torn society when it started this type of a Social Policy Approach.

The model as described above is not "exportable", as such. This is an approach reflected in the Finnish Government positions in international cooperation arenas. (A very practical, context specific application of this approach is e.g. the "Green Paper on Developmental Social Welfare Policy of Namibia". MOHSS 1997, developed and implemented even today by the Namibians, themselves.

WIDER (World Institute for Development Economics Research, UN-University, Helsinki)

WIDER argues its case for SP as going beyond humanitarian or equity considerations, to economic rationale and an instrumental role, wherein SP facilitates an increased growth process that will also deliver poverty reduction. Vulnerability is understood as the stress on the livelihoods and welfare of the poor arising from risk. Social protection refers to public actions taken to reduce levels of vulnerability that are deemed unacceptable within a society. The main actors for provision of SP, according to WIDER, go beyond the State, to include NGOs, local social institutions and the private sector. In this, SP is seen as broader than social security systems (identified by highly formalised and extensive systems).

SP is justified in terms of prevention of welfare losses to the poor in cases of shocks, which in turn prevent decline in long term income, increase ability to move out of poverty, help in preventing households to fall into poverty traps and may also lift them out of these traps. In other words, SP is considered as an effective way to reduce the large long-term consequences of risks, which condemns many to persistent poverty and excludes them from economic growth. This argument for SP is complemented by empirical evidence which points to the long term costs from lack of insurance and protection (examples in the paper include drought effects in Zimbabwe, slow recovery from shocks in rural China, and shift into low risk activities in Tanzania).

The key idea behind SP is to counteract vulnerability and increase the risk bearing capacity of the poor, failing which they cannot take advantage of opportunities, especially in the case of inequalities exacerbated by market failures and risks. This document discusses two forms of SP that public action can take, viz. ex-ante measures (that result in the poor and vulnerable taking out more insurance, and this provide incentives and means for the poor to protect themselves better against hardship), and ex-post measures (that provide transfers to the poor when they face bad shocks that remain uninsured, and hence provide safety nets). SP thus includes insurance, savings, safety nets, as well as the means to strengthen the poor people's asset base.

However, the limits to public action for social protection are also recognised in terms of its potential to reduce inequality. In addition, public action might displace informal systems, or undermine the efforts of other agents such as NGOs or community organizations. Hence, the paper argues for building on existing institutions, but also building partnerships with other agents and forms of SP, in order to ensure more broader and effective protection. Examples of good practice would be developing more widespread SP embedded in traditional risk-sharing institutions, at the same time recognising their inherent inequalities and issues around sustainability. The role of public action for developing and supporting appropriate regulatory and institutional framework for SP programs is also deemed as crucial in the sustainability and a continued support for the poverty reduction effect of such measures.

Annex 3: Locating DAC members with respect to social protection

While conceptually and definitionally social protection remain somewhat of a quagmire, the majority of papers reviewed for this report have usefully 'shifted thinking about livelihood security from a focus on post-crisis safety nets helping poor people to cope, to *ex ante* prevention and mitigation measures across a potentially wide range of public and private decisions and public policy instruments. (Shepherd, Marcus and Barrientos)' The SP agenda is a move away from the 'safety nets' discourse of the late 1980s and early 1990s, in the sense that it provides a developmental rather than humanitarian approach.

Concerning SP, the documents prioritise slightly different sets of problems – either "low" levels of income or living standards; or "downward fluctuations in incomes" and "declining living standards"; or vulnerability associated with 'being poor.' At the risk of over-simplification, this is how we see the differences between DAC members in terms of SP and according to the set of documents reviewed.

(The notation defining areas of social protection refer to the figure 2).

Traditional understanding of SP = government provision of social insurance + social assistance + social security legislation: B+C+D+G+H+ social security legislation

WB notion of SP = B+C+D+ government facilitation of (G+J+H)

ILO's notion of SP (although never referred to directly as SP) = traditional understanding of SP + BSS = A+B+C+D+G+H

DfID's notion of SP = modified SRM (al la Farrington) + inclusion of the social and political risks associated with a different conception of vulnerability.

'Nordic' Social Policy Approach: Government provision of risk-reducing macro-policies and enhancement of the risk-management capacity of individuals through education and health and social services, active labour market policies, tripartite social dialogue, etc. Public provision of BSS and public-private mix in employment related social insurance (CSS), social assistance in form of income maintenance and services.

Not included in this figure are actions related to empowerment and participation that deal with the transformative side of SP.

Annex 4: Definitions of R&V/SP terminology

Hazards are events which, if they materialize, can adversely affect welfare

Risk is the probability associated with the occurrence of a hazard

A **shock** refers to a state when a hazard materializes

Vulnerability is a measurement of exposure to shocks

Social insurance is financed by contributions and is based on the insurance principle. 'The essence of insurance is understood to be the elimination of the uncertain risk of loss for the individual or household, by combining a larger number of similarly exposed individuals or households into a common fund that makes good the loss caused to any one member' (van Ginneken, 1999, pp 6).

Social assistance encompasses all forms of public action (governmental or non-governmental) which are designed to transfer resources to groups deemed eligible due to deprivation. These are usually tax-financed benefits, in cash or kind, which are funded out of the state budget, without the requirement that the recipient has made a prior contribution. Largely overlapping with BSS.

'Safety nets are put in place to prevent individuals from falling below a certain standard of living, and are usually short-term measures' (Shepherd, Marcus and Barrientos 2004, pp 12).

'Basic Social Security refers to a social provision of a critical minimum to meet conditions of 'deficiency' in such basic wants as food, health, education and housing' (Kannan 2004, pp1)

Social Risk Management (SRM) refers to the specific framework developed and owned by the World Bank in relation to risk management.

Annex 5: How have African Governments used the WB Institute based training to produce national SRM plans

(The information in this annex is taken from the World Bank Website: http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:20264542~menuPK:535754~pagePK:146736~piPK:226340~theSitePK:258644,00.html If further information is required we would request that the TT provide references on this subject)

The World Bank undertook a three year program of technical assistance, training and capacity building for country-based social protection strategies. Twenty-two African countries were invited to join the process of mainstreaming SP in their respective PRSPs, and nine have progressed to a second phase of this effort, where they will produce a SP strategy and the accompanying action plan. Several of the countries are already designing follow up investment operations that will be a component of future PRSCs. This program was based on the understanding that good SP policies are an essential component of poverty reduction and development.

A data base search of World Bank reports and documents came up, amongst others, with the following examples of social protection projects. However, there is no mention of whether these plans were undertaken using or following the WB training:

a) Malawi's third social action fund, as a part of its PRSP (comprises of community development projects, social support projects, community savings and investment promotion, Development accountability program, and Institutional Development).
b) Ethiopia's Social Rehabilitation and development fund project (1996).
c) Madagascar Community development fund project.
d) Senegal Social Development fund project.
e) Nigeria community based poverty reduction project.
f) Angola Second social action fund project.
g) Tanzania Social action fund project.
h) Zambia Social investment fund project.
i) Zimbabwe enhanced social protection project.
j) Sierra Leone Community reintegration and rehabilitation project.
k) Togo social fund project.
l) Burundi second social action fund project.
m) Lesotho community development support project.
n) Namibia's social safety net.
o) Benin Social fund project.
p) Eritrea community development fund project.

Examples of how the SRM framework may have influenced national programmes and policy:

In Ethiopia, a risk and vulnerability assessment built support for a major safety net reform program, being supported by Bank lending.

In April 2003, the WB approved support for Sierra Leone's National Social Action Project (NSAP). This comprises of assistance to war-torn communities to restore infrastructure and services, and build local capacity for collective action.

Regina Bendokat and Maurizia Tovo (http://wbln0018.worldbank.org/HDNet/hddocs.nsf/View+to+Link+WebPages/13E5730967601B4B852567D10074CE94?OpenDocument) have written a paper on Social protection strategies in

Togo, with a view to use the conceptual framework of social protection to contribute to a national strategy in Togo, as well as identify ways in which the World Bank can support social protection in Togo, consistent with the Country assistance strategy.

According to the conclusion of responses for an e-discussion group moderated by Stephen Devereux, Malawi and Zambia's PRSPs give detailed and specific attention to SP in their PRSPs (http://www.odi.org.uk/Food-Security-Forum/Comments_Social.html), Lesotho's and Mozambique's PRSPs do not, and Zimbabwe has no poverty reduction strategy at all.

On the other hand, Shirley Robinson (2003) evaluated the PRSPs of 5 countries in Southern Africa from a child-rights perspective, and concluded that these PRSPs did not take a comprehensive view of child poverty, and did not consider the rights of children or the implications of child poverty for systematic poverty entrenchment. However, these do discuss a limited range of interventions and support for particularly vulnerable groups. The 5 national PRSPs included in this evaluation were: Malawi, Zambia, Mozambique, Botswana and Lesotho. (http://www.sarpn.org.za/documents/d0000303/index.php)

Annex 6: How do other POVNET Task Teams incorporate Risk and Vulnerability?

<u>The Agriculture Task Team</u>

Farrington (2004) defines risk as ‘the likelihood of occurrence of shocks and stresses plus their potential severity’. Vulnerability is the degree of exposure to risk, and the capacity of households to prevent, mitigate or cope with risk. Johnstone (2004, quoted in this Farrington), lays out three reasons for the increasing importance of risk and vulnerability in the agricultural sector:

- increased risks brought by globalization and liberalization;
- risk reduction will allow the poor to engage more fully in markets, so there are production as well as social protection dimensions involved; and
- new tools and concepts of risk reduction such as domestic and production related R & V suggest new scope for tackling poverty and getting R & V onto sector and wider agendas such as PRSPs.

The Agriculture Task Team’s case for risk and vulnerability sensitive agricultural policies is based on the recognition that poor people are often unable to participate in markets fully, which adversely affects their productive activity and investment potential. Accordingly, the modalities of such agricultural policies involve participatory and empowering approaches that elicit the requirements of the disadvantaged and get public services to respond accordingly. Cross-sectoral collaboration is also encouraged under these R and V sensitive policies.

The paper informing the TT’s agenda focuses more on risk rather than vulnerability, and assumes that ‘to some degree, vulnerability will also be reduced as risk reduction measures take effect’. Vulnerability reducing measures include personal and property insurance, savings promotion, easy access to credit and promotion of livelihood diversification out of traditional low-income farm or non farm strategies.

Risks within the agricultural sector are categorised into five different types (market performance, input and output market access, labour markets, environmental factors, and household capacity and status) in addition to laying out the responses of agricultural departments in different countries to these risks. However, he falls short of explaining whether these responses are adequate, whether all these come under the ambit of Social Protection, and what other types of risk-aversion/ mitigating efforts could be instituted. Another weak link is the relationship between these responses and social protection. The only place where this is made explicit is when he says that risk reduction measures are not just social protection, but also productivity enhancing. By this, it seems he is taking a welfarist approach in his understanding of social protection.

Farrington’s central focus is on public policy, thus making the state as the prime actor in steps towards R and V –reducing measures. He encourages vertical extension of his analysis, in terms of international trade policy and national policy such as PRSPs, as well as horizontally, to consider types of R & V reducing measures that can be taken in other sectors, which would complement agriculture based measures. These can include micro-savings, insurance, credit and transfers such as social pensions and allowances.

The dominance of the ‘go for growth’ paradigm in agriculture is blamed for the patchy implementation of measures which reduce R & V. His policy recommendations include increasing awareness of the value of reducing R & V for production and poverty reduction purposes, mainstreaming R & V into agricultural planning and other productive sectors, and insert R & V reducing measures into ‘new architecture of aid’ vehicles such as PRSPs and direct budgetary support. Broadening the range of financial products available and encouraging the civil society to make more demands on government to support and the private sector to provide a wide range of R & V reducing products are his other recommendations.

The Infrastructure Task Team[16]

This team focuses on infrastructure development and policies followed by different donors. The only page where 'risk' appears in any form is on pg 3 of the report, in terms of how poverty is defined by different donors. Otherwise, no mention is made of risk, vulnerability or social protection.

The document reviewed makes the point that infrastructure's main contribution is increasing the productivity of the poor, and hence is an important strategy for poverty reduction. The main types of infrastructure discussed are: transport, ICT, Energy, Water and sanitation, and Irrigation. The report first discusses what is meant by poverty reduction for different donors, how infrastructure contributes to poverty reduction and its links with MDGs. It then moves on to an intensive discussion about donor priorities, concerns (such as governance and participation) in each of these sectors, dealing separately with donors such as UK, USA, Japan, EU etc, before putting forth policy recommendations.

The Private Sector (PSD) Task Team[17]

This document presents an argument for pro-poor growth, which can come about through both growth and distributional effects. In this context, the authors view risk aversion and vulnerability to shocks (both man made and natural), as barriers to participation in and benefiting from growth processes. Vulnerability is seen to establish a 'poverty trap' through erosion of productive assets including human capital, and reduction in access to, and returns from, natural assets. Addressing vulnerability thus includes policies which provide economic opportunity and increase access to assets, as well as transfers for those who cannot participate in productive activities.

The TT believes that the 'ability of the poor to cope with shocks is affected by the level of development of markets for productive resources'. In the case of well developed and accessible markets such as that for credit, the poor do not have to resort to measures that undermine their ways out of poverty. An absence of these markets, on the other hand, builds up a strong case for helping the poor cope with disaster, for example through food for work, medical assistance and economic assistance to revive or diversify livelihoods. Risk-coping strategies adopted by the poor may not be efficient or allow them to maximise their incomes. One way towards risk mitigation would be to provide risk cover in the form of insurance for the economic activities in which the poor are involved.

Vulnerability in the form of sickness and old age is also recognised as reducing the ability to participate in and benefit from growth. Steps taken to counteract this vulnerability include effective health care and social safety nets. These steps are seen as coming under the ambit of 'social protection', which 'should take the form of transfers, where the poor are assisted as long as they help themselves'. Another element of social protection that is mentioned in relation to greater international trade and investment linkages, relates to safety nets for poor who stand to lose from trade liberalisation.

[16] This section was informed by: 'Poverty Relevance of Infrastructure Projects and Approaches of Donors Braithwaite et. al. (2004):

[17] This summary was informed by *'Accelerating Pro-Poor Growth through Support for Private Sector Development'*, Executive summary, plus p. 41-44, incl. Box 6:

Other policies that reduce risk and vulnerability include macro economic stability, which result in fewer or smaller man made shocks that hurt the poor disproportionately; savings and insurance instruments, which reduce the risk aversion of the poor thereby leading to higher incomes; and Investment in disadvantaged areas (through public expenditure on health, education and other infrastructure, area based programs to improve market access and functioning etc.), which stimulates economic activity in the region, offering greater opportunity for the poor.

The TT views risk and vulnerability as restricting poor people's access to markets, which in turn restricts pro-poor growth. Reducing risk and vulnerability is considered as one of five inter-linked factors which provide the conditions for the private sector to deliver more pro-poor growth. The actors involved in reducing vulnerability include not only the government, but also private actors in the market. It is believed that both policies and institutions play a role in reducing risk and vulnerability. These policies and institutions are shaped by the interaction of the state, private sector and civil society.

An overview of vulnerability analysis and mapping (vam). Contents: â€¢= What is Vulnerability? â€¢=Â 2. Vulnerability is an important concept in food security. It is defined as the probability of an acute decline in food access or consumption levels below minimum survival needs. It is a result of both exposure to risk factors - such as drought, conflict or extreme price fluctuations - and also of underlying socio-economic processes which reduce the capacity of peopleâ€™s ability to cope. Thus, vulnerability can be viewed as followsÂ 5. Vulnerability tends to be greater when: â€¢= the risk of natural or man-made disasters is high; â€¢= long-term resource management practices and adverse government policies suppress. productivity and consumption to chronically low levels; 2. 7 Managing risk and vulnerability. In the past two decades, international organizations (IOs) and donors have become increasingly aware of the uncertainty of the global environ-ment and the contingency of policy time.Â years about the increasing prevalence of the idea of risk and risk management in almost every area of modern life, from nance to security to the environment.6 It should therefore come as no surprise that the IFIs and donors have also begun to think about the risks of develop-ment nance.Â And although these policies aim to enrol very different actors in governing risk â€“ national governments or poor individ-uals â€“ they both seek to make those actors more active and self-responsible, drawing them more deeply into the process of global governance.