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Social Protection in an Era of Increasing Uncertainty and Disruption: Social Risk Management 2.0

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Abstract

This paper updates the Social Risk Management (SRM) conceptual framework; the foundation of the World Bank's first Social Protection Sector Strategy. SRM 2.0 addresses the increasingly risky and uncertain world; with opportunities and outcomes driven by possible disruptions from technology, markets, climate change, etc. SRM 2.0 is a spatial assets and livelihoods approach to household well-being featuring a risk chain covering all households across the lifecycle and for both positive and negative events. Key findings: Location and context are critical for household choices; assets are key to sustainable resilience to poverty, new assets and livelihoods need to be considered for the 21st century, and resilience and vulnerability to poverty are two sides of the same coin. Operationally, SRM 2.0 points to the need for a greater focus on asset and livelihood building programs in addition to traditional poverty alleviation and risk sharing programs, better integration between rights-based and risk-based approaches, more inclusive targeting, and consideration of global social protection.

JEL Codes:

I3 Welfare, Well-Being, and Poverty, J03 Labor Economics Policies, K38 Human Rights Law Gender Law, O15 Human Resources Human Development Income Distribution Migration

Keywords:

Disruption, social risk management, social protection, social contract, social guarantee, asset-based approach, risk chain, no-regrets approach, livelihoods framework, resilience framework, vulnerability to poverty, resilience to poverty, human vulnerability, development resilience, risk sharing, planned coping, safety nets, Graduation Model, productive economic inclusion, adaptive social protection, productive safety nets, cash and caring, human rights, social justice, global risk pool, global finance and insurance, global risk management, global social contract, global social justice.

by

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Contents

List of Boxes, Figures, and Tables

Boxes

Figures

TABLES

Foreword

Washington D.C., May 1, 2019

As I (Steen) finish this paper and get ready to retire from the World Bank, please allow me some personal reflections and a historical perspective on social protection (SP).

When I was offered the chance to return to the Social Protection and Jobs (SP&J) Global Practice at the World Bank as Director in 2016, I jumped at the chance to return "home". I had the opportunity about two decades earlier to help lead the setting up of SP as a sector at the World Bank. Together with Robert Holzmann, and with the sage advice of many people inside and outside the World Bank, we developed a conceptual framework to pull together the many strands that made up SP; from social funds, to labor policies, to cash transfers, and to pensions. We came up with the social risk management (SRM) conceptual framework, which focuses attention on how society manages income risk and variability as the unifying framework. The framework resonated, not just in the Bank but globally. However, it was also clear that only worrying about income variability, consumption smoothing, and transient poverty neglected a difficult discussion about the chronic poor who were likely to remain poor unless major support was provided. So, the idea of moving from safety nets to springboards was born and became the theme for the World Bank's 1st SP sector strategy paper.

The original framework, which was very much based on finance theory needed to be extended to truly provide a Theory of Change for how poor people manage risk and exit poverty. For this, I turned to my friend and colleague Dr. Paul Siegel and brought him back from academia to the World Bank to apply his asset-based approach to SP. Together, we also developed a risk-chain to help explain risk management options. After I moved to the Social Development Department in late 2000, Paul continued the work to refine and apply the SRM framework to SP as well as applying this approach to other sectors. When I was working on social dimensions of climate change in 2008, it became clear that the SRM conceptual framework was useful to frame our thinking

about how to address the social aspects and costs of climate change, so once again I turned to Paul and together we applied SRM to climate change and introduced a "no regrets" approach to human vulnerability that highlights the importance of investments in basic needs that are robust under various scenarios of climate variability and change. Later, as I moved to work in the Middle East and North Africa Region, I saw that the development community (and governments) could not just address risk, vulnerability, and poverty through an economic lens; instead there was a need to integrate risk, vulnerability, and poverty reduction along with human rights and social justice approaches, so Paul and I expanded our "no regrets" approach to promoting investments in basic needs as the foundation for a global response to climate change. We showed how the seemingly competing camps of risk-based, human rights-based and development-based approaches all converged to promote a social guarantee for all based on a basic needs package.

When I returned to SP at the end of 2016, I saw a completely different sector, from being a sector largely targeting middle-income countries to a sector with over half of our investments in Sub-Saharan Africa. Safety nets have expanded across the world, and SP systems are now the backbone of delivering many services, etc. All in all, it has been an astounding operational success for a sector that didn't even exist in 1996, at least not at the World Bank. At the same time, it was clear that the world had been moving from the known risky events with known probabilities to more uncertain events (known events with unknown probabilities) to potential disruptions with unknown events, probabilities, and trajectories. So, once again, I turned to Paul to revisit and update the SRM conceptual framework for our more uncertain and potentially disruptive world. This paper is the result of that journey.

Updating SRM is important because, with all the success of delivering more and better SP for the poor and vulnerable to poverty, SP will only really be sustainable if we keep asking questions like Why do we do what we do? What is our objective? For whom do we work?

So, this is my good-bye gift to the SP community, a gift nobody wished for, a gift that cannot be exchanged.

I hope you enjoy the paper and if it just ignites a little bit of thinking and discussion, this veteran development worker will be very happy.

Sincerely,

Steen Lau Jorgensen
Director
Social Protection and Jobs (SP&J) Global Practice
The World Bank

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The Authors wish to thank Margaret Grosh, Senior Advisor SP&J and Michal Rutkowski, Senior Director SP&J for their guidance and feedback. We are also thankful to the participants in our study circles held in October 2018, and the peer reviewers (Aleksandra Posarac, Cristobal Ridao-Cano, Gustavo Demarco, Thomas Vaughan Bowen, and Ugo Gentilini) whose feedback all helped shape our thinking and sharpen our messages. Truman Packard helped us coordinate our messages with the SP&J White Paper (forthcoming). The authors also acknowledge the assistance provided by Saida Gall provided overall administrative assistance, ably organized the two study circles and prepared the PowerPoint presentations. Maria Amparo Gamboa and Saïda Gall patiently edited and typeset the report.

Paul wants to acknowledge the memory and inspiration of Juan Luis Vives. During the Middle Ages, poor relief was usually the responsibility of the Church and individuals through charity. As society became more advanced, these efforts became inadequate. In 1525, the city of Bruges requested Vives to propose a means to address the issue of relief for the poor. He set out his views in an essay *On Assistance to The Poor*. **Vives argued that the state had a responsibility to provide some level of financial relief for the poor, as well as craft training for the unskilled poor.** Vives also argued that: "*Even those who have dissipated their fortunes in dissolute living – through gaming, harlots, excessive luxury, gluttony and gambling – should be given food, for no one should die of hunger*." The city of Bruges implemented his proposals that also influenced social relief legislation enacted in England and some German states. Vives' tract was the first systematic expression of the need for government-organized schemes directed at the poor. based on practical and pragmatic considerations.

For more information about Juan Luis Vives: Basic Income Europe Network: https://basicincome.org/basic-income/history/; Stanford Encyclopedia of Philosophy: https://plato.stanford.edu/entries/vives/; UNESCO: http://www.ibe.unesco.org/sites/default/files/vivese.pdf; Wikipedia: https://en.wikipedia.org/wiki/Juan_Luis_Vives

Acronyms and Abbreviations

ASP:	Adaptive Social Protection
BRAC:	Building Resources Across Communities (formerly Bangladesh Rehabilitation Assistance Committee)
C:	Poverty Line
C*:	Risk-Adjusted Poverty Line
CCA:	Climate Change Adaptation
CCT:	Conditional Cash Transfer
CDA	Child Development Account
COV:	Covariance
DFID:	United Kingdom Department for International Development
DRM:	Disaster Risk Management
E(I):	Expected Income
FAO:	Food and Agriculture Organization
FS:	Food Security
FSIN:	Food Security Information Network
GIZ:	German Technical Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
HH:	Household
I:	Income
ICT:	Information and Communications Technology
ID:	Identification
IDS:	Institute for Development Studies
IFPRI:	International Food Policy Research Institute
ILO:	International Labor Organization
IMF:	International Monetary Fund

MENA:	Middle East and North Africa
OECD:	Organization for Economic Cooperation
PEI:	Productive Economic Inclusion
PPP:	Purchasing Power Parity
RASF:	Risk-Adjusted Social Floor
RA	BNP: Risk-Adjusted Basic Needs Package
RCT:	Randomized Controlled Trials
SDGs:	Social Development Goals 2030
SEWA	Self Employed Women's Association
SP:	Social Protection
SP&J:	Social Protection and Jobs Global Practice, World Bank
SRM:	Social Risk Management
SSN:	Social Safety Net
UBI:	Universal Basic Income
UCT:	Unconditional Cash Transfer
UNDP:	United Nations Development Program
UNICEF:	United Nations International Children's Emergency Fund
USAID:	United States Agency for International Development
V(I):	Variance of Income
WDR:	World Development Report
WFP:	World Food Program
3-F's crisis:	Food, Finance, and Fuel Crisis

Executive Summary

Moving to the year 2020, global concerns about multiple *risks and uncertainties* regarding market volatility, natural disasters, climate change, conflicts, forced displacement, etc. are compounded by fears of potential *disruptions*, especially in the world of work resulting from technological change; notably innovations in information and communication technologies, artificial intelligence and robotics. Moving from concerns about: "risk" (i.e., known events/outcomes with known probabilities) to "uncertainty" (i.e., known events/outcomes with unknown probabilities) to potential "disruptions" (i.e., unknown events/outcomes with unknown probabilities and trajectories) points to the critical role of social protection (SP) to help manage risk and uncertainty - in addition to its core mandate of poverty reduction - to maintain social stability and cohesion.

For many people, the 21st century is perceived to be less promising, and there are increasing fears about a future with fewer opportunities for upward social and economic mobility. Thus, there are concerns about a future with fewer opportunities and promise on the one hand, and rising expectations of youth on the other. Expectations that have been transmitted via innovations in global connectivity such as social media. With growing income and wealth inequality around the world, the promise of "equal opportunities" – a basic tenet to achieving social cohesion – is increasingly viewed as a hollow slogan. Higher expectations combined with a less promising future and unequal opportunities are drivers of social conflict.

Societies have responded to the increasingly uncertain world by significantly increasing funding for SP overall, and by increasing the diversity of SP interventions. In addition to the traditional cash for poverty relief, many programs now also support:

- asset-building,
- improving risk management capacity, and
- "caring" or "coaching" to assist with behavioral changes.

With increasing anxieties about the future, there have also been mounting calls around the world for new "social contracts" and "universal SP" that can guarantee some social minimum of opportunities and outcomes for all.

Among different international institutions/agencies and national/local governments there is no consensus definition of SP, although there is increasing consensus about its the key elements:

- Need to pro-actively protect individuals/HHs from present and future poverty and destitution,
- The main target group is individuals and households (HHs) that are poor and/or vulnerable to poverty.
- Increased attention is being devoted to changing risks and risk exposure over the lifecycle,
- Need to address the "fairness" of outcomes, and also make opportunities more equal; especially through investments in human assets, and
- Importance of access and inclusion.

The Social Risk Management (SRM) conceptual framework was used to help guide the World Bank's 1st SP Sector Strategy in 2001. Over the years, the SRM conceptual framework has been revised and applied to different issues. The paper presents an updated version of the framework (SRM 2.0) to reflect the changes in the world in general, and in SP specifically. For SRM 2.0, social risk management is defined as how society helps individuals and HHs:

- manage income/consumption variability,
- manage the risks of poverty and vulnerability to poverty, and
- build resilience to poverty over the lifecycle.

This definition of SRM takes a society-wide perspective toward the management of income risks and risks of poverty of individuals/HHs over their lifecycle. The focus of

SRM 2.0 is the relationship between risk and asset poverty, and how to move from vulnerability to resilience to poverty.

SRM 2.0 presents a spatial assets and livelihoods approach to HH well-being and a risk chain as the conceptual framework. The spatial assets and livelihoods approach highlights the importance of the location-context and updates the HH assets to make them more relevant for the 21st century. The approach addresses tangible and intangible assets, and explicitly includes work and non-work livelihood activities. For SRM 2.0 attention is focused on how HHs manage their assets and livelihoods portfolio ex-ante to reduce risks, reduce exposure to risks, and maximize returns.

The SRM 2.0 conceptual framework addresses the entire distribution of events: negative, positive and neutral, not just negative events as in the original framework. Vulnerability and resilience to poverty are viewed as two-sides-of-the-same-coin, because of their conceptual, analytical, and operational similarities. Considering all events and outcomes and addressing vulnerability/resilience to poverty together provides a more holistic *Theory of Change* and highlights the fact that variability of income includes all parts of the distribution of events and outcomes, and that all individuals/HHs should be included. SRM 2.0 advocates a lifecycle approach to risk management, because risks, risk exposure, and assets and livelihoods portfolio change over the lifecycle of individuals/HHs.

SRM 2.0 divides society into four HH groups, making it possible to distinguish between concepts such as *SP for All* or *SP for All in Need*.

- HH Group #1: the asset and income poor (i.e., "chronic poor") whose current and expected income are both below the minimum acceptable standard of living (i.e., the poverty line),
- HH Group #2: the income poor but asset non-poor (i.e., "transient poor" this period) likely to exit poverty, since they are poor this period but have an expected future income above the poverty line,

- HH Group #3: the income non-poor and asset poor (i.e., “transient non-poor” this period) likely to enter poverty, since they are non-poor this period, but their expected future income is below the poverty line, and
- HH Group #4: the income and asset non-poor (i.e., “resilient to poverty”) whose current and expected incomes are both above the poverty line.

SP for SRM 2.0 should have coverage for all HH groups and focus benefits mainly for the poor and vulnerable to poverty (HH Groups #1, #2, #3). For HH Group #4, SP benefits should include protection against shocks with impoverishing losses as well as facilitating access to private insurance and savings. The participation by HH Group #4 in risk pools and risk sharing is critical. HH Group #1 would be beneficiaries of both traditional poverty relief (i.e., safety nets) as well as asset-building (i.e., “springboard”) interventions that build resilience to poverty; including productive economic inclusion programs. HH Groups #2 and #3 would benefit from risk sharing and resilience-building interventions that try moving these HHs into HH Group #4.

The risk chain divides risk management options into:

Ex-ante risk management:

- Reducing the probability of and/or severity of a negative event;
- Optimizing the asset/livelihood portfolio to:
    - Minimize exposure to negative events (lowering the size of negative income variability);
    - Maximizing returns (increasing expected income); and
- Risk sharing – setting up planned arrangements to provide compensation in case of a loss (insuring against negative income variability). This includes: self-insurance, investing in social networks, commercial or social insurance and planned coping (e.g., responsive social safety nets).

Ex-post risk management:

- Ad-hoc coping if risk sharing compensation is not enough to cover negative changes in income and maintain a minimal level of consumption, including drawing down assets, for example, disinvesting in human capital such as pulling children out of school and reducing quantity or quality of meals.

SP and broader public social policy need to address all parts of the risk chain. For ex-ante risk management, SRM 2.0 distinguishes between assets and livelihoods portfolio optimization and risk sharing for two reasons. One, the instruments to support each often differ; and second, considering both positive and negative events means it is useful to distinguish between protecting against negative events (risk sharing) and preparing for both good and bad events (optimizing the assets and livelihoods portfolio). SRM 2.0 explicitly includes "planned coping" (e.g. investing in social assets, saving for a "rainy day" or signing up for a social safety net) under risk sharing. For the SRM 2.0 risk chain, it is important to also consider other actors than the individual/HH. Although the individual/HH is the center of interest, for a social perspective on risk management it is critical to consider how individuals/HHs interact with their local community as well as local and national governments. In addition, in our increasingly integrated world, global perspectives and global actors should also be considered, especially for risk pooling,

Operationally, SP in an SRM 2.0 world would expand targeting systems to include both income and asset poverty (i.e., those in poverty and those vulnerable to poverty). Given the increasing uncertainty and thus the greater risk of more people being vulnerable to poverty, the emphasis should be on avoiding errors of exclusion rather than avoiding errors of inclusion. Targeting by age for the very young (from the womb to age 3) and the very old could be preferable compared to poverty targeting. For example, for the very young, the cost of not investing in human capital development combined with the lack of empowerment and agency could justify making support universal.

Instead of the traditional classification into social assistance, social insurance, and labor programs, SP programs in an SRM 2.0 world can be divided into three broad categories based on their objectives:

- Asset and livelihood building programs that increase expected income and minimize the negative variance of income,
    - For example, productive safety nets, adaptive social protection, and productive economic inclusion.
- Risk sharing programs that insure against negative variance of income,
    - For example, contributory social insurance, plus other programs that directly provide formal private insurance; or help improve the functioning of informal insurance mechanisms.
- Poverty alleviation programs that bring actual income closer to the poverty line,
    - For example, traditional social assistance programs that address the gap between actual income and the poverty line.

Given the focus on assets and livelihoods and understanding the context/location, SP in an SRM world would put more emphasis on asset and livelihood building programs, especially for HH Group #1. This would continue the growth of adaptive SP, productive economic inclusion and other "cash++++" programs. These programs are more expensive than cash transfers that only cover income/consumption gaps, but with the overall global reduction in poverty more resources should be available to help the chronic poor move out of poverty. Programs should follow a "no-regrets" approach to SP that focuses on basic income/consumption needs and on basic asset accumulation which will help HHs both better manage negative events and benefit more from positive events. Asset building programs should provide an integrated package of services. For example, an integrated package of basic services for early childhood development has proven to be very effective in combatting malnutrition in several countries.

SP programs with insurance objectives would continue to have a big role to play. In expanding SP risk sharing programs, there are several promising avenues to explore,

such as linking community groups with private insurance, linking life insurance to participation in microfinance programs and linking catastrophic bond payments directly to financing SP programs for those affected. The key will be to expand the risk pool to ensure that more risks can be covered, and more funds can be available, ultimately the aim should be to have a global risk pool.

Programs that alleviate poverty should be designed to explicitly de-incentivize negative coping behaviors, in addition to providing poverty relief. This could take the form of soft or hard conditionality such as only providing social assistance to HHs who keep their children in school, or by providing cash plus caring (e.g., cash plus information about the need for early childhood development to ensure a better future for their children). It could also mean incentivizing private savings, by placing a share of the social assistance in a savings pool.

An SRM inspired SP system would unite human rights and social justice approaches to poverty reduction into a unified system, drawing upon principles of universal coverage and benefits for all in need. To make this a truly global approach to promoting resilience to poverty, the ultimate objective is to have a global social contract with a globally guaranteed, nationally managed, and locally implemented basic needs package that is risk and lifecycle adjusted – for all.

Chapter I: A CHANGING WORLD

The conceptual framework of Social Risk Management (SRM) was first presented in the World Bank's 1st SP Sector Strategy (*World Bank, 2001a*). The strategy was prepared at a time of heightened concerns around the world with respect to economic instability driven by a global financial crisis that began in 1998; along with concerns about the increased frequency and severity (and spread) of natural disasters.[1] The World Bank's 2nd SP Sector Strategy (*World Bank, 2012*) was prepared after the global "food, finance, and fuel (3-F's) crisis" that began in 2008; and it reflects concerns about the risks and uncertainties associated with global commodity and financial markets, increasing impacts from climate change, and rising migration flows (including conflict-driven displacements).

Since the introduction of the SRM framework two decades ago, the world has become riskier and more uncertain with the possibility of disruptions due to factors such as changing technologies and climate change. Globalization has meant that crises spread more quickly and affect more people more rapidly. Meanwhile, there are fewer poor people, today, except in Sub-Saharan Africa. While there are fewer poor people around the world, there are still many people moving in and out of poverty (i.e., transient poverty).

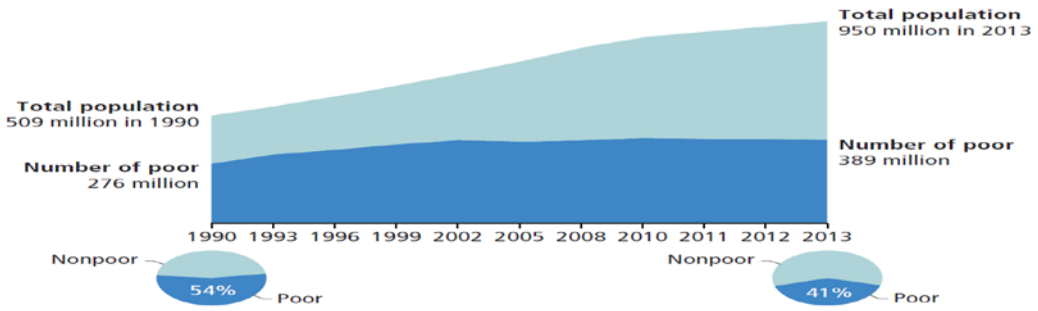
I.A Global Trends in Poverty

Globally there has been significant progress in reducing poverty from about 36% in 1990, to about 28% in 2000, to about 10% in 2015; based on $1.90/day in 2011 PPP *(World Bank, 2018d p.2)*. Most of the progress the past quarter century has been in Asia (driven in part by significant declines of poverty in China and India).

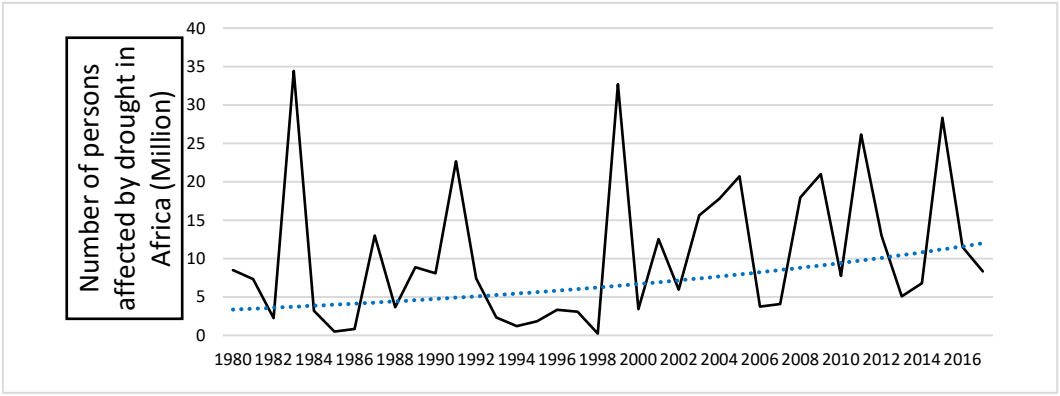
[1] The 1990s were declared the International Decade for Natural Disaster Reduction by the United Nations (UNISDR, 1999).

Figure 1.1: Poverty, Risks, and Vulnerability to Poverty Remain Pervasive in Africa

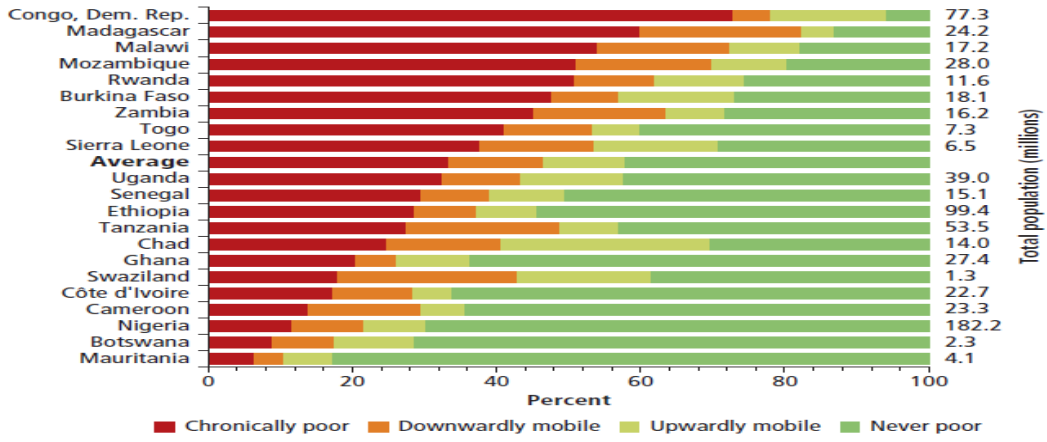
Poverty:



Number of persons affected by drought:



Vulnerability to Poverty:



Sources: World Bank Data, EM-DAT database, Dang and Dabalen 2017

In Sub-Saharan Africa, the pace of poverty reduction has been slower. Poverty rates are declining from a high level, but the number of poor people is increasing because of high population growth rates (Figure 1.1[2]). Whereas the poverty rate of other regions of the world averages about 13%, in Sub-Saharan Africa it is about 40% *(World Bank, 2018d, p.3).* In addition, there is an increase in climatic disasters and other shocks. As a result, there are high numbers of people that are either poor, falling back into poverty, and/or in danger of falling into poverty (i.e., vulnerable to poverty). WDR 2019 notes that in the Africa Region, about one third of the population is poor and another one third moves in and out of poverty *(World Bank, 2018b, p.107*)[3]. To help improve design and targeting of programs, four HH groups are presented in Chapter III, differentiating between HHs either in or out of poverty, and HHs moving into/out of poverty (similar to the bottom graph of Figure 1.1).

As chronic poverty has declined globally, two issues have gained more attention. First, how to deal with the shrinking - but difficult to address - pockets of chronic ultra-poor HHs (who tend to suffer from inter-generational poverty). Second, how to achieve sustainable resilience to poverty to address those vulnerable to poverty (i.e., transcient poverty).

I.B. Moving from Risk to Uncertainty to Potential Disruptions

There are many difficult-to-predict factors such as the price of oil and other commodities, labor demand and wages, weather, geopolitical shifts, etc. Known events with known probabilities ("risky events") are the foundation for actuarially-based insurance based on principles of risk sharing via risk pooling and risk transfer. Uncertain (yet known) events with unknown probabilities present a challenge to the actuarial insurance model, but they can usually be accommodated with extra costs and/or by

[2] Figure 1.1 is drawn from a presentation made by the World Bank's Africa Region SP&J team as part of a strategic review in October 2018, "Why is Social Protection and Jobs a Priority in Africa".
[3] There are also countries in the Middle East and North Africa (MENA) Region (Silva, et. al., 2013) and the Latin America and Caribbean (LAC) Region (de la Fuente, et. al., 2014) that have high proportions of their population classified as either poor or vulnerable to poverty like the Africa region (Dang and Dabalan, 2017).

applying innovative insurance instruments and contingency contracts. Disruptions are "unknown-unknown" with new events with unknown probabilities and/or new trajectories requires new approaches to risk management. Disruptions are "game-changers" whereby new factors (i.e., structural changes) need to be considered; an example is the impact of information and communications technology (ICT), artificial intelligence and robotics on the workplace and transport. The challenge is knowing how risks, uncertainties, or disruption might impact different individuals/HHs, firms, and governments (*Berkman, 2017*). Discussing risk, uncertainty, and potential disruption is not a doomsday forecast that assumes negative impacts for all. However, it is clear that the increasing unpredictability of the future is driving concerns, fears, and anxieties about future well-being around the world. As always, there will be both winners and losers depending on location, sector, and individual/HH characteristics. The global challenge is how to compensate the "losers" and achieve global progress, prosperity, and peace. This will require global approaches to reducing poverty and increasing resilience to poverty.

One of the reasons that the world is seemingly becoming more unpredictable is the increasing globalization of the transmission of events[4] and their direct/indirect impacts (positive or negative) as witnessed in the global 3-F's crisis that began in 2008. "*Global health pandemics, illegal immigration, armed conflicts, drug smuggling, radical politicization, religious fundamentalism, ecological degradation -- all have been connected to global poverty (Gupta, 2015).*" The globalization of the transmission of risk and uncertainty combined with potential disruption requires global approaches to risk management (Box 1.1).

[4] In this paper the term "event" is used to describe exogenous factors that potentially impact HH well-being; such as market prices, weather, etc. Individuals and HHs are assumed to respond to events ex-ante and ex-post.

Box 1.1: Tackling Global Imbalances

In the Introduction to the IMF Annual Report 2018 (IMF, 2018), the Managing Director, Christine Lagarde notes the need to address: "the lingering effects of the global financial crisis, a perception that the rewards of economic growth are not being shared fairly, anxiety about the future of jobs and economic opportunity … Population aging, and poor funding of pension schemes are also holding back momentum, and income disparities are widening. And, if unaddressed, climate change is likely to severely disrupt economic well-being in the decades ahead." Despite these challenges, Ms. Lagarde points out that the in the face of these challenges there is a window of opportunity, however she emphasizes that: "the time to fix the roof is when the sun is shining."

Innovations in global connectivity like international television programming, mobile phones, and social media have led to rising expectations about what is achievable in terms of material well-being; especially for younger people. At the same time, for many people around the world, the 21st century is perceived to be less promising, and there are increasing fears/anxieties about of a future with fewer opportunities for upward social and economic mobility. With growing - real and/or perceived - income and wealth inequality around the world, the promises of "equal opportunities" and "hope for a better future" – basic tenets to achieve and maintain social cohesion – are increasingly viewed as hollow slogans.

Globally there have been advances in reducing absolute poverty. However: "*While the world has become more equal between countries, there have been different effects on income distribution within countries. The middle class in emerging markets and the richer 1 percent globally have benefited enormously, while the middle class in advanced countries has suffered. And parents in many countries worry about their children's prospects in the face the high costs of education and housing, alongside low-quality jobs (Shafik, 2018, p.4)."* A recent study in OECD countries indicates that a significant majority of parents believe that their children will not be better off than themselves (*OECD, 2017*). A recent report by the World Bank on social/economic mobility in developing countries also indicates that "*generations of poor people in developing countries are trapped in a cycle of poverty determined by their circumstance at birth and unable to ascend the economic ladders due to inequality of opportunity (Narayan, et al., 2018)."* The report finds that social-economic mobility has stalled in recent years in many parts of the world, with the prospects of many people around the world still

closely tied to their parents' social/economic status. Bottom line, addressing poverty and scarcity is often a reinforcing cycle that is extremely difficult to break (*Mullainathan and Shafir, 2013*)

I.C The Future of Work

The future of jobs and work – and the relationship between jobs/work and SP - are a particular concern with respect to opportunities and well-being outcomes for the future. Jobs and work are critical for reducing poverty and vulnerability to poverty. However, "*all countries, regardless of income, face challenges creating and sustaining adequate job opportunities for their citizens*." (*World Bank, 2018b*). See Box 1.2 for some excerpts from the World Development Report (WDR) 2013 on *Moving Jobs to Center Stage* and from the WDR 2019 on *The Changing Nature of Work* that highlight the underlying concerns that have motivated special attention to the future of jobs and work.

Box 1.2: Changing Nature of Jobs & Work: World Development Reports 2013 and 2019

The WDR 2013 (World Bank, 2013) was on Moving Jobs to Center Stage because: "Recent world developments have put jobs at the center of the policy debate. The global financial crisis has resulted in massive job losses in both emerging and industrial countries. These developments create a sense of urgency, but they remind us that jobs are the cornerstone of economic and social development. Confronted with massive demographic shifts, a global migration of jobs and deep changes in the very nature of work, policy makers [must] ask difficult questions. We are in an inexorably integrated world, and what happens to jobs in one part of the world has implications for others. Technological innovations may now result in a global migration of jobs in service sectors. Gaps between labor market conditions in different parts of the world open new avenues for international migration."

The WDR 2019 (World Bank, 2018b) is on The Changing Nature of Work because: "changes reshaping work are driven by technological progress, globalization, shifting demographics, urbanization, and climate change. There is a need to identify jobs that are likely to disappear due to these forces of change, as well as new jobs that may emerge. How will individuals, firms, society and governments be able to capture the opportunities this new world of work can offer? Individuals, firms, governments, and society more broadly, need to adjust to the changing nature of work. Firms must confront the challenge of fast-paced technological change and highly concentrated markets. Governments and societies also seek appropriate policies that guard against rising inequality. As technology facilitates more non-traditional forms of employment, SP becomes even more important. While facing different challenges, all countries are considering how to ensure a basic level of protection for their workers and populations."

WDR 2013 and WDR 2019 highlight the concerns about jobs/work that might disappear and others that might emerge, and the urgency for actions; including the need to strengthen SP. This is especially true with the relative decline in the importance of

workplace-based social insurance. WDR 2019 has three key conclusions: a) invest more in human capital (including intangibles such as cognitive skills and socio-emotional skills), b) invest more in SP and consider innovative approaches to SP including a universal basic income (UBI), and c) increase funding for human capital and SP. The "SP&J White Paper" on "*Protecting All: Risk-sharing for a Diverse and Diversifying World of Work. A White Paper by the Social Protection and Jobs Global Practice"* (*Packard, et. al., 2019*), a background paper to the WDR 2019, provides some insights on how to operationalize the conclusions concerning SP. Among other things, the SP&J White Paper discusses both the coverage and benefits of SP as well as how benefits are and should be funded.

I.D Rediscovering the Social Contract

With the increasing speed of change and with unknown future events with unknown probabilities, the concept of a social contract has garnered increased prominence. All this uncertainty is equivalent to everyone being behind a Rawlsian "*veil of ignorance*", where nobody knows what the future will bring.[5] As in Rawls' thought experiment for people facing an uncertain future in life, people tend to want to be assured that there is a social contract that protects them from being vulnerable to poverty. WDR 2019 has a chapter dedicated to social contracts defined as *"a policy package that aims to contribute to a fairer society" (World Bank, 2018b, p.122*). WDR 2019 proposes a global "*New Deal*" based on the principles of inclusion and equal opportunities highlighted by larger investments in human capital and progressively universal SP. Box 1.3 presents another example of how the discussion of social contracts is gaining prominence, in this case for Eastern Europe and Central Asia.

[5] Siegel and Jorgensen, 2013, discuss the Rawlsian "veil of ignorance" and other social justice approaches. They note how with increasing risks and uncertainties related to global climate change, everyone on planet Earth is living behind a "veil of ignorance" about the future.

Box 1.3: Towards a New Social Contract in Eastern Europe

In a recent World Bank report, the social contract is defined as: "*the shared principles used to regulate markets, define responsibilities and benefits, and redistribute income.*" This definition of social contract highlights: a) the need for society to agree on the "*rules-of-the-game*" including the regulation of markets, b) the need to define both benefits and responsibilities (not just benefits), and c) there is an explicit need to redistribute income. The Foreword of the report highlights the problems and possible solutions: "*This report demonstrates that it is persistent unfairness and growing inequality between groups—rather than individuals—that are insidiously corroding social cohesion. Tensions between workers, between generations, and between regions have been increasing. Insecurity, unfairness, and growing tensions among groups have also led to perceptions of increases in overall inequality and influence demands for corrective actions. Fissures in the social contract are becoming more evident. Losers from the distributional tensions—young cohorts, routine task-intensive and low-wage workers, inhabitants of lagging regions—choose to voice their discontent by supporting extreme political movements and parties or choose to exit the social and political dialogue altogether. In terms of rethinking the social contract, rather than prescribing or even identifying a specific set of policies, the report proposes a set of three policy principles that, considered jointly, could help level the playing field and redesign a stable social contract. The principles consist of (1) moving toward equal protection of all workers, no matter their type of employment, while promoting labor markets' flexibility; (2) seeking universality in the provision of social assistance, social insurance, and basic quality services; and (3) supporting progressivity in a broad tax base that complements labor income taxation with the taxation of capital (Bussolo, et. al., 2018)."*

The theme of the December 2018 issue of the IMF publication *Finance and Development* was *Age of Insecurity: Rethinking the Social Contract"*[6]. In it, Nemat Shafik (Director of the London School of Economics), notes that *the globe is facing "an age of insecurity"* and that: *"Many blame globalization and technology, but I would focus more on the failure of our social contract to manage properly the consequences of both" (Shafik, 2018, p.4)*. The article concludes that: "*every society will have to think of who benefits from its social safety nets, which is the mechanism through which we pool risk and offset, to some extent, the impact of luck on life's chances. Every society will also have to make choices about the division of responsibilities between the family, the voluntary sector, the market, and the state (ibid, p.6)*." Likewise, in the same issue, Michal Rutkowski (Senior Director, SP&J Global Practice, The World Bank), notes that: "*New systems are needed that serve the needs of people, regardless of how they engage in the market to make a living. These new policies must be more adaptable and resilient*

[6] See: https://www.imf.org/external/pubs/ft/fandd/2018/12/pdf/fd1218.pdf

to dynamic economic, social, and demographic forces. In other words, a new social contract is needed" (Rutkowski, 2018, p.11).

The bottom line is that due to increased perceptions of insecurity and anxiety around the world, there is increasing interest in the role of SP and calls for a "new social contract" to address risks, uncertainties, and potential disruptions.[7]

[7] A decade ago, at the time of the 3-F's Crisis, there was a flurry of interest at the World Bank with respect to social guarantees, which are a type of social contract that guarantees basic needs for citizens. See Gacitúa-Marió, Norton and Georgieva, 2009, and Ribe, et. al. 2012, for more about social guarantees.

Chapter II: SOCIAL PROTECTION IS CHANGING

This chapter presents the evolution of SP over the past two decades by highlighting the expansion of SP and the increasing diversity of SP instruments, especially in poorer countries. Next, the Chapter shows how the expansion and diversification are reflected in the different definitions of SP over time in different international agencies, including the World Bank. The Chapter ends by returning to the social contract theme discussed in Chapter I and by discussing SP as part of broader social policy.

Traditionally, SP interventions are classified as social assistance (or safety nets), social insurance, and labor market interventions. Social assistance includes non-contributory (i.e., tax-financed) transfers targeted to low-income persons, social insurance includes contributory programs targeted to paying members (usually linked to formal employment), and labor market interventions help facilitate access to jobs and/or improve working conditions. See Box 2.1 for a more detailed breakdown of SP interventions.

II.A Growth of SP Interventions

Since the beginning of the 21st century, there has been a significant increase in the number and diversity of SP programs throughout the world with major increases in international and national funds dedicated to SP; notably in low and lower-middle income countries.[8] Social safety nets (SSNs) - non-contributory income transfers targeted to poor families - have particularly taken off. The significant increase in SP has been referred to as a "silent revolution" of poverty reduction and redistributive justice because it has reached so many poor and near-poor individuals and HHs around the world *(Barrientos, 2012).*

According to a joint summary of progress in SP by the World Bank and ILO *(World Bank and ILO, 2017),* SP programs have provided higher income security for poor and near-

[8] Most of the largest SP projects in the world receive significant external funding; from other development partners.

Box 2.1: Types of SP Interventions

Below is a summary of different types of interventions usually classified as SP (Browne, 2015).

Social assistance includes direct, regular and predictable cash or in-kind resources transfers to poor and vulnerable individuals or HHs. Transfers are non-contributory (i.e. there is no co-pay by the beneficiary) and are mainly targeted to low-income groups. Often referred to as social safety nets (SSNs).

- Cash transfers: are direct, regular and predictable transfers that increase and smooth incomes to reduce poverty and vulnerability to poverty.
- Unconditional cash transfers (UCTs) are for the beneficiary to decide how to spend.
- Conditional cash transfers (CCTs) are given with the requirement that the beneficiary meets certain conditions – such as visiting a health clinic or ensuring children go to school.
- Social pensions: are cash transfer targeted by age.
- In-kind transfers: are transfers of food or other non-monetized transfers
- School feeding programs are in kind transfers provided to students
- Public works programs require work on mainly infrastructure projects in return for cash or in-kind payments. They are sometimes classified as labor market interventions

Social Insurance are contributory programs where participants make regular payments to a scheme that will cover costs related to life-cycle events and include:

- contributory pensions
- health insurance
- unemployment insurance

Labor Market Interventions target people who are able to work and aim to promote employment and ensure basic standards and rights.

- Active labor market policies: aim to help the unemployed find jobs, through interventions such as job centers, training, and policies to promote small and medium sized enterprises.
- Passive labor market interventions: include maternity benefits, injury compensation, and sickness benefits for those already in work. Passive interventions also include changes to legislation, like setting a minimum wage or safe working conditions.
- Training, and policies to promote small and medium sized enterprises.

poor HHs. The report also notes that SP has helped reduce poverty and inequality, increase consumption and aggregate demand, improve access to more nutritious food, increase access and utilization of health services, increase school attendance and reduce child labor, and encourage job searches and riskier decision-making for asset accumulation and livelihood strategies; all of which contribute to increasing human development and productivity; and social stability and economic growth. As the demand for, and supply of, SP have increased, there is increasing attention to the fiscal constraints and challenges to finance SP; especially in countries with many poor people.

The *State of Social Safety Nets 2018 (World Bank, 2018a)* reports that most countries in developing and transition countries have some SP programs; and that they are applying

a diverse set of interventions. About 70% used unconditional cash transfers (UCTs) and 43% used conditional cash transfers (CCTs). Also, 67% of countries have public works, 56% have various fee waivers, and more than 80% provide school feeding programs. In addition, the number of countries with old-age (non-contributory) social pensions has also grown rapidly since 2000. Many countries have increased spending on SP programs over time; both in absolute and relative terms. A major change taking place in SP is the increased importance of (non-contributory publicly financed) social assistance relative to (contributory private/public) social insurance. Globally, developing and transitioning countries spend an average of 1.5% of GDP on SSN programs. It should be noted that many countries spend more fiscal resources subsidizing contributory social insurance schemes (often for non-poor HHs) than they do for SSNs.

In many cases, SSN transfers are reducing the poverty gap more than reducing the poverty headcount. Thus, although SSN transfers might not be lifting the poor and near-poor above the poverty line, they are reducing the poverty gap. This points to the fact that much remains to be done to reduce poverty and vulnerability to poverty through the expansion of resilience building SP programs.

As an example of how the emphasis of SP has shifted towards poorer countries, Figure 2.1 provides data on SP funding commitments by the World Bank since 2000. In the aggregate, there has been a steady increase in funding commitments, especially in the poorer IDA countries. For middle-income (IBRD) countries there were peaks of financing for SP immediately following the 3-Fs Crisis that began in 2008.

II.B Increasingly Diverse SP Programs

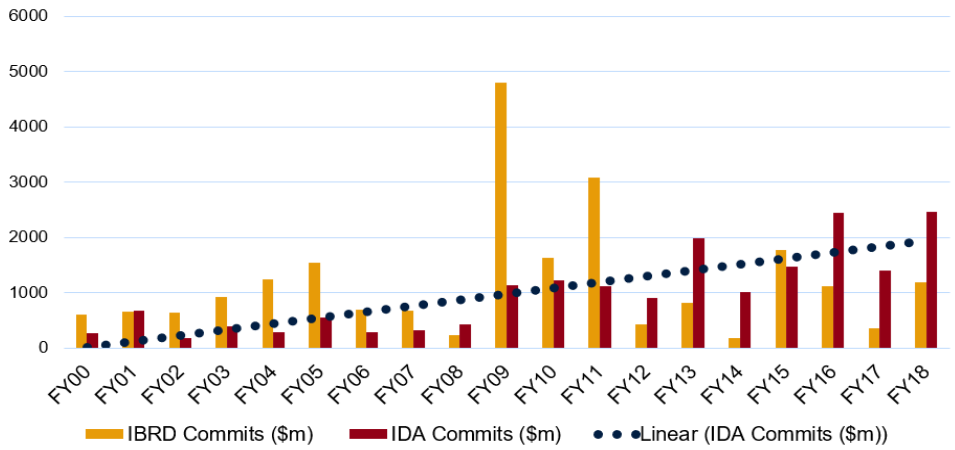
As the expenditures on SP programs have increased, so has the diversity of programs. Part of the evolution is related to:

- the comparative efficiency of providing cash versus in-kind support (e.g., monetizing food aid),
- the improved efficiency/equity of targeted support versus universal in-kind subsidies (e.g., phasing out of food and fuel subsidies for the general population

and replacing them with cash transfers for the poor or differential pricing for the poor),

- recognizing the need to build HH's human and social and productive assets as well as their risk management capacity[9], and
- recognizing the need to link benefits to behavior change, and to increase resilience to poverty.

Figure 2.1: Social Protection Commitments 2000-2018, World Bank



Source: World Bank data.

In the late 1990s and early 2000s, a major type of SP intervention was community-based social funds. According to *de Silva and Sum, 2008,* the original focus of social funds was on providing socio-economic infrastructure (e.g. building or rehabilitating schools, health centers, water supply systems, feeder roads). Once the basic community socio-economic infrastructures were in place, some social funds started to provide support for productive investments (e.g. micro-finance and income generating projects), social services (e.g. supporting nutrition campaigns, literacy programs, youth training, support

[9]Programs are thus moving from being a safety net to also being a springboard (as per the title of the 1st SP Sector Strategy *From Safety Net to Springboard*, World Bank, 2001a).

to the elderly and disabled), and capacity building programs (e.g., training for community-based organizations, NGOs and local governments).

In general, SP interventions targeted to individuals/HHs began as cash and in-kind transfers to help HHs maintain minimal levels of consumption for basic needs in a risky world (e.g., income support for consumption smoothing). These interventions evolved towards CCTs. CCTs assist individuals/HHs with short-term consumption needs PLUS also help them invest in the human capital of children to reap longer-term benefits and prevent inter-generational poverty. CCTs have explicit conditionalities - required behaviors - to receive program benefits. UCTs are cash transfers without explicit conditionalities; although they might be targeted to try and promote specific behaviors and outcomes. For example, with many UCTs, there are communication campaigns to promote specific behaviors.

More recently, SP interventions have evolved towards productive safety net projects that provide assistance for short-term consumption needs using CCTs/UCTs PLUS they also provide assistance to HHs to build, accumulate, and maintain human assets and productive assets and possibly exit poverty. Another expanding type of intervention is adaptive SP (ASP) projects that are productive safety net projects PLUS interventions to improve risk management capacity by linking to early warning and rapid response systems that help manage multiple hazards/risks associated with weather and market variability, natural disasters, climate change, conflict, etc.[10] Most recently there are productive economic inclusion (PEI) projects that combine aspects of productive safety nets PLUS ASP by providing a holistic package that builds assets PLUS improves risk management capacity, PLUS provides personalized training and coaching over a set time period. For an example of PEI, see Box 2.2 on the Graduation Model.

[10] With links to national (and in some cases international) efforts in disaster risk management, climate change adaptation), and food security.

Box 2.2: The Graduation Model

The Graduation Model is designed for an 18-month cycle and includes five building blocks: a) targeting, b) consumption support, c) savings, d) life and business skills training and regular coaching, and e) asset transfer. The Graduation Model assumes there is a need for a "big push" for extremely poor HHs, including meaningful changes in health/nutrition status, water/sanitation/hygiene, and attitudes. Graduation refers to the process whereby SP helps move very poor individuals/HHs out of poverty and to sustainably remain out of poverty without ongoing receipts of transfers. According to Devereux and Sabates-Wheeler (2015, p.2) the "training in income-generating activities plus coaching is the 'X-factor' of graduation model programs. The intensive personal attention given to each participant aims to ensure that they make the best possible use of resources and opportunities they receive. A new paper by Roelen and Devereux (2018) find that in Burundi, training and coaching were important complements to cash and material support in achieving positive change. See more information on the Graduation Model in the review of literature in Annex 2.

As can be observed from the **PLUSes** highlighted above, in some cases, SP interventions are evolving to be more personalized and holistic; especially for the chronic poor. Productive safety nets, ASP projects, and productive economic inclusion (PEI) projects all explicitly try to go beyond "reducing vulnerability to poverty" (i.e., reducing the probability to be poor) to "building resilience" (i.e., increasing the probability to be non-poor) by helping HHs improve their income-earning potential by investing in productive HH assets and community assets (e.g., with public works); and helping them better manage multiple hazards/risks. These projects also tend to provide life skills training and coaching for a more holistic and personalized approach to SP; with beneficiaries identified using poverty targeting to identify individuals and HHs that are poor and vulnerable to poverty.

Thus, SP has been evolving from a focus on community socio-economic infrastructure to a focus on assisting individuals/HHs by providing cash for consumption smoothing to providing a package of cash, assets, risk management instruments, training, and coaching. This personalized approach is sometimes referred to as a "Case Management Approach". See Box 2.3 on "cash and caring".

Box 2.3: "Cash and Caring"

This paper refers to the evolving personalized approach to SP as "cash and caring". Many SP programs that seemingly provide very small cash transfers benefits are providing a lot of "caring benefits"; which empowers the beneficiary and helps incentivize behavior change and strengthen human assets and returns from HH asset-livelihood combinations. The "caring" costs of SP programs can be relatively high, but the benefits of "cash and caring" can be significant and life changing and have very high value for recipients. One of the valuable aspects of the "caring" is providing individuals with HHs human, social and political assets that improve access (i.e., "inclusion") to other social programs that provide additional benefits and support. A challenge for SP researchers is to measure the impacts of programs/projects and differentiate between the costs and benefits from integrated "cash and caring" compared to just cash or caring (Banjerlee, et. al., 2018). There are attempts to try substitute for some of the personalized SP caring with more impersonal and cheaper delivery methods using innovations in ICT and social media (e.g., instructional and motivational text messages and videos), and to evolve to "cash only" approaches in order to lower transactions costs.

SP is increasingly following the proverb: "You give a poor man/woman a fish and you feed them for a day. You teach him/her to fish and you give them an occupation that will feed them for a lifetime[11]." For this holistic and personal approach to SP the costs per beneficiary are higher, but there are also higher potential benefits (*Devereux, 2014; Kim and Sumberg, 2014; 2015; J-PAL and IPA Policy Bulletin, 2015; Banjerlee, et. al., 2018; Roelen and Devereux, 2018, Phadera, et. al, 2019*). *Devereux and Sabates-Wheeler, 2015, p.4,* conclude: *"If it is well designed and sensitively implemented, SP can support income generation as well as empowerment, while simultaneously delivering on its core functions of social assistance and social insurance*."[12]

At the same time that SP programs and projects have shifted toward targeted, personalized, holistic "cash and caring" approaches, there is also increasing interest by some to promote a Universal Basic Income (UBI) approach. A UBI is a UCT for all that is based on the principles of a) universality, b) predictability of payments, and c) no conditionalities. To its proponents, the attractiveness of a UBI is that it avoids asking the question: "Who needs social assistance?" because it provides the same cash

[11] From this proverb an "occupation" is more than "knowing how to fish". This has important implications for holistic approaches to SP in the future that include "cash, training and caring" versus just "cash" or "training" or "caring".
[12] Devereux and Sabates-Wheeler, 2015, refer to income generation as "promotion", empowerment as "transformation", social assistance as "protection" and social insurance as "prevention".

payment to everyone. The UBI is heralded for its low administrative costs because it is universal and not targeted, but the low administrative costs need to be compared to the high leakage costs *(World Bank, 2018b; Packard et. al., 2019).* Since there is no targeting of beneficiaries and benefits, the UBI is considered to be a human-rights approach to poverty because everyone is treated equally. Like all cash assistance programs, a UBI might address some of the symptoms associated with poverty (notably the lack of income), but it does not explicitly address the underlying causes of poverty, such as poor location, lack of assets, low-income livelihoods, limited risk management choices, or social/economic exclusion. It is assumed that individuals/HHs can make better life choices because they are less worried about "making ends meet" in a risky world.

The evolution in SP thinking and projects has also been driven by advances in early warning and rapid response systems and ICT; that have helped identify and target the poor (and vulnerable to poverty) and improve SP delivery systems. This includes the proliferation of mobile phones and mobile money, and innovations like the use of parametric indicators (i.e., objective indices) as "triggers" for activating responsive safety nets and weather-based insurance for agriculture *(Siegel, 2011a; Siegel, Gatzinsi, Kettlewell, 2011a, b; Kuriokose, et. al, 2012; Siegel, 2013; Hallegate, et.al., 2017).*

With this evolution of SP from poverty relief to investing in resilience, the political economy has also shifted. There has been a change in perceptions - by many policymakers and citizens - from viewing SP as charity and a cost to society, to being viewed as an investment that provides broader social benefits by promoting more efficient and equitable (i.e., inclusive) economic development; and decreases some of the social costs related to poverty. This, in turn, is supposed to contribute to greater social cohesion and stability (Box 2.4).[13]

[13] SP as a social investment is not a new concept. Bonilla-Garcia and Gruat, 2003, in an ILO publication, claim: "Effective access to SP is not a luxury and should be perceived as an investment in people, social justice and social cohesion, with a high rate of return, not only in economic terms but also in social and environmental terms, and as constituting an indispensable and solid foundation for sustainable and peaceful development for all." They also advocate for adopting a lifecycle approach to SP.

Box 2.4: SP as an Investment

"The EU position on SP is that SP is not only a right but also an investment critical to the success of the wider development approach. Tackling vulnerability and inequality directly impacts building resilience and achieving inclusive growth. SP is viewed as a strategic instrument to achieve Millennium Development Goals (MDGs) targets linked to education, health, gender and poverty outcomes and improve sustainability in many other sectors. It can also be a forward-looking tool to address current and future needs linked to demographic trends, migration, climate change, and global instability. In addition, it can be an essential means to reinforce social cohesion and the social contract, thus enhancing political accountability and social stability."
Cited in 2nd SP Sector Strategy (World Bank, 2012, p.99).

It should be noted that although some policymakers view SP as an investment, there are still significant holdouts that view SP as expenditures that divert resources from economic development. They either still see SP as hand-outs that generate a dependency in recipients, or they are myopic in their views. As noted in the WDR 2017 on Governance and Law: "*Even when they agree on an acceptable level and allocation of risk, politicians may be reluctant to devote financial and political capital to risk management efforts because the costs tend to be immediate, concentrated, and observable, whereas the benefits are longer term, distributed more broadly, and often less visible"* (*World Bank, 2017a, p.81*). On the other hand, there are human rights and social justice approaches to SP that view the need for SP as a "given"; thereby framing the debate in terms of how to best provide SP in a comprehensive, efficient, and equitable manner.

In addition to the rapid expansion and diversification of SP investments that directly help reduce poverty and build resilience to poverty, SP programs have become platforms for programs from other sectors to deliver services to the poor and marginalized. SP is increasingly taking a systems approach and, in many cases, is attempting to aggregate the diverse set of interventions targeted to the poor and vulnerable to poverty; be they SP interventions or interventions from other sectors. SP is increasingly serving as an intermediary for other sectors trying to target and deliver assistance to individuals/HHs that are poor or vulnerable to poverty by setting up platforms such as social registries, identification systems, and payment systems. Thus, in addition to diversifying and expanding its activities, SP is also serving as a platform

and aggregator for other sectors' programs; thereby guaranteeing a more multi-sectoral and holistic approach to addressing poverty and vulnerability to poverty. Figure 2.2[14] illustrates how SP directly delivers services and also serves as a targeting and delivery platform for others.

Figure 2.2: Diversity of SP Interventions: Africa Region

II.C Global Initiatives for SP

The growing importance of SP in a changing world characterized by the global transmissions of hazards/risks and impacts has been reflected in several global initiatives. The UN Social Protection Floor Initiative started in 2009 as a direct response to the 3-Fs Global Crisis; and the inability of national SP systems to respond in a timely, efficient, and effective manner *(ILO, 2011)*. The SP Floor Initiative has been led by the ILO and WHO; with many partners including the World Bank and IMF *(ILO, 2011)*. SP Floors are nationally defined sets of basic social security guarantees that should ensure, as a minimum, that over the life cycle, all in need have access to essential health care and to basic income security together with access to goods and services defined as necessary (i.e., "basic needs") at the national level. Although the UN SP Floor Initiative is a global initiative, it focuses efforts on the design and management – and funding - of national SP systems.

[14] Figure 2.2 draws upon a presentation made by the World Bank's SP&J team working on Sub-Saharan Africa as part of a strategic review in October 2018, entitled: "Why is Social Protection and Jobs a Priority in Africa".

The importance of SP was confirmed in the UN's Sustainable Development Goals (SDGs) for 2015-2030. In contrast to the Millennium Development Goals (MDGs) for 2000-2015, SP is explicitly mentioned in several of the SDGs for 2015-2030; and the role of SP is implicit in others.[15] The most direct roles for SP in achieving the SDGs are with respect to eliminating extreme poverty (SDG1) and reducing inequality and promoting greater equity of opportunities and outcomes (SDG10); with a special focus on achieving gender equality (SDG5). SDG10 points to the critical linkages between SP, labor/wage policy, and fiscal policy in creating more equal opportunities and outcomes. (Box 2.5).

Box 2.5: Sustainable Development Goals (SDGs) 2030 and SP

In contrast to the MDGs for 2015, SP is explicitly mentioned in the SDGs for 2030. Also, most of the SDGs are implicitly related to SP. Below are the specific mentions of SP in the SDGs for 2030:
SDG 1.3: Implement nationally appropriate SP systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.
SDG 5.4: Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies, and the promotion of shared responsibility within the HH and the family as nationally appropriate.
SDG 10.4: Adopt policies especially fiscal, wage, and social protection policies and progressively achieve greater equality.

In addition to SDGs 1, 5, and 10, there is a critical role for SP in achieving universal access to food security for all (SDG2), health care (SDG3), education (SDG4), water and sanitation (SDG6), energy (SDG7), and decent jobs (SDG8). SP is also relevant for inclusive and resilient infrastructure (SDG9), inclusive and resilient cities and rural areas (SDG11) and inclusive and resilient societies (SDG16), and sustainable production and consumption (SDG12).

In 2016, the World Bank and the ILO initiated a Global Partnership for Universal SP to join forces to support countries achieve the SDGs.[16] This partnership was noteworthy given the longstanding debates between the two institutions about the right way forward with respect to SP (and labor). Historically, the World Bank (unlike the ILO) has not advocated an explicitly rights-based approach to SP; preferring to focus on a social

[15] See UNDP, 2018 for details on the SDGs.
[16] See World Bank, 2016d, for details.

justice approach to "helping those most in need" while advocating for social and economic inclusion for all. The ongoing debate about human rights versus social justice approaches to SP and whether SP should be "for all" or "for all in need" continues. The overlap or convergence of human rights and social justice approaches could be "Universal SP Coverage for All", and "SP Benefits for All in Need" (Box 2.6). Social justice (i.e., poverty reduction) and human rights approaches to SP are discussed in Chapter V, and compared to an SRM 2.0 approach to SP.

Box 2.6: What Does Universal SP Mean?

In preparation for the international conference on Universal Social Protection by 2030, taking place in February 2019, Gentilini, Grosh, and Rutkowski, 2019, from the World Bank's Global Practice for SP&J, have addressed the "everyone aspect" behind the call for "universal" SP. Using health insurance as an example, they point out that a healthy person might be covered although not directly draw upon the benefits paid to cover an illness. Thus, they differentiate between SP as a social guarantee for all to provide a benefit to individuals/HHs under certain conditions, versus all individuals/HHs actually receiving a benefit payout. Gentilini, Grosh, and Rutkowski, 2019, conclude that: "People at the bottom of the welfare distribution require special and urgent support, and the overall benefit structure of universal SP systems should account for that (ibid)."

II.D Definitions of SP

There is no single definition of SP, and different international development and humanitarian agencies use different definitions; based on their ideology and/or their focus on specific instruments and interventions *(Norton, Conway, Foster, 2001; Brunori and O'Reilly, 2010; Hinds, 2014; Browne, 2015).*

In a policy note prepared for DFID, in 2001, by the Overseas Development Institute (ODI), SP is defined as *(Norton, Conway, and Foster, 2001, p.7): "the public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society*." According to this definition, "*Social Protection thus deals with both the absolute deprivation and vulnerabilities of the poorest, and also with the need of the currently non-poor for security in the face of shocks and life-cycle events. The 'public' character of this response may be*

governmental or non-governmental or may involve a combination of institutions from both sectors" (ibid, p.7).

Other definitions of SP from outside the World Bank include:

- **ILO:** "*Social Protection is the set of public measures that a society provides for its members to protect them against economic and social distress that would be caused by the absence or a substantial reduction of income from work as a result of various contingencies (sickness, maternity, employment injury, unemployment, invalidity, old age, and death of the breadwinner); the provision of health care; and, the provision of benefits for families with children*."(*Bonilla-Garcia and Gruat, 2003*, p. 13-14)
- **UNICEF:** "*Social Protection is the set of public and private policies and program aimed at preventing, reducing and eliminating economic and social vulnerabilities to poverty and deprivation."* (*UNICEF, 2013* p.2)
- **UNDP and GIZ: "***Social Protection is the set of policies and programs aimed at: a) supporting individuals and families, helping them deal with vulnerabilities throughout their lifecycle; b) helping poor and vulnerable groups become more resilient against crises and shocks, c) favoring social inclusion and the building of human and social capital through income and consumption-smoothing, ensuring access to basic goods and services; and d) stimulating productive inclusion through the development of capacities, skills, rights and opportunities." (Socialprotection.org, 2016)*
- **Institute for Development Studies** (IDS): *"Social Protection includes formal and informal initiatives that provide income or in-kind transfers in combination of other forms of support to poor and vulnerable HHs to: i) act as a safety net for extremely poor people, ii) protect people against risks and consequences of livelihood shocks. iii) promote people out of poverty, and iv) support social justice for equitable outcomes for all."* (*Roelen and Devereaux, 2013*, p.1)

All the definitions above reflect a concern to help poor and near-poor individuals/HHs deal with "bad" events and situations. The ILO's definition of SP focuses on social

insurance and reflects ILO's focus on the workplace and formal labor markets. As such, SP for the ILO is viewed as public interventions to protect against employment-related economic and social distress and to provide minimum benefits over the lifecycle; ostensibly for all.[17] The UNICEF definition of SP specifically focuses attention on preventing, reducing, and eliminating vulnerability to poverty or "deprivation"; either economically or socially. The UNICEF definition has a focus target group for SP (those who might be poor or deprived) and addresses both chronic and transient poverty.[18] The definition of SP prepared by Socialprotection.org for UNDP and GIZ is very wide-ranging. It highlights public policies/programs targeted to poor and vulnerable groups who need to be both more resilient to crises and shocks, and able to better address different lifecycle events. In addition to addressing downside risks, the UNDP-GIZ definition of SP includes a focus on social inclusion and access to basic goods and services, the need for consumption-smoothing and asset-building to stimulate productive inclusion and improve rights and opportunities.

The IDS definition (also used by DFID) includes all types (public, private, formal, informal) of interventions by society to assist poor and vulnerable HHs. According to the IDS definition, SP has four key roles to support poor and vulnerable HHs: a) safety net for the poor, b) manager of risks (i.e., variability of income/consumption), c) springboard (i.e., exit path) out of poverty, d) advocate for social justice based on the principles of *equitable outcomes for all.*

Within the World Bank, the definitions of SP have changed over the years:

- **2000:** "*Social Protection encompasses all public interventions that help individuals, households, and communities to manage risk or that provide support to the critically poor*." (1st SP Sector Strategy, World Bank, 2001a)[19]

[17] The ILO adopts a human rights approach to SP, so it tends to have an explicit universal perspective that everyone should be covered by SP. On the other hand, there is an implicit focus on guaranteeing SP to those in need.
[18] UNICEF has an explicit focus on children and poverty, and the need for SP interventions early in the lifecycle.
[19] This is the definition of Social Risk Management (SRM) in Holzmann and Jorgensen, 2000.

- **2012**: "*SP and labor policies and programs help individuals and societies manage risk and volatility and protect them from poverty and destitution – through instruments that improve resilience, equity and opportunity*." (2nd SP Sector Strategy, *World Bank, 2012)*.

- **2019:** "*SP systems help the poor and vulnerable cope with crises and shocks, find jobs, invest in the health and education of their children, and protect the aging population."* (World Bank website April 2019, *www.worldbank.org/sp*).

The definition of SP from the 1st SP Sector Strategy emphasizes the management of income risk. Addressing chronic poverty was almost an afterthought that required different interventions and an expanded conceptual framework.[20] The 2nd SP Sector Strategy (*World Bank, 2012*) specifically focuses attention on SP *protecting individuals and societies from poverty and destitution by better managing risk and volatility*. SP and labor policies and programs pursue interventions that improve resilience, equity, and opportunity. Since the 2nd SP Sector Strategy there has increasingly been a "systems approach" to SP at the World Bank, and SP has increasingly been defined as a system of interventions rather than having a specific objective and/or target group. According to the most recent definition of SP from the World Bank website, the poor and vulnerable are the main target group of SP, and management of crises and shocks is an important objective. This definition of SP also includes providing help to find jobs and improving productivity; which is critical to productive inclusion and sustainable exit from poverty. There is also an explicit lifecycle perspective to SP with explicit links to investing in child health and education and the need for special attention to the elderly.

Devereux and Sabates-Wheeler (2015, p.3) agree that there is no consensus definition of SP, explaining that: "*One position is that SP is essentially about safety nets and risk management ('protecting people against shocks and risks'), while another perspective is that SP should support poor people's efforts to escape deprivation and contribute to*

[20] As highlighted in Annex 2, SRM 1.0 focuses attention on variance of expected income, whereas SRM 1.1 also considers the expected level of income, and the importance of assets.

economic growth ('promoting people out of poverty')." More recently Devereux, et. al., 2018, p.9) claim that: "*There is no consensus on the definition of SP, and many organizing frameworks exist, most of which are complementary than contradictory*."

Although there is no consensus definition/role of SP, there is increasing consensus about the key elements of SP:

- Need to pro-actively protect individuals/HHs from present and future poverty and destitution,
- The main (but not only) target group is poor and/or vulnerable to poverty,
- Increased attention is being devoted to the lifecycle of an individual/HH,
- Need to address both the "fairness" of outcomes and making opportunities less unequal, and
- Importance of access and inclusion.

In many ways, the evolving consensus reflects the observations by Norton, Conway, and Foster (2001, p.7) almost 20 years ago about the role of SP to facilitate: *"… the pursuit of social justice and equity, the obligation to provide all citizens with a minimum acceptable livelihood and protection against risk; and the promotion of social cohesion, solidarity and stability. Drawing on these, it can be proposed that the overall rationale for pursuing SP is to promote dynamic, cohesive and stable societies through increased equity and security*".

II.E Social Policy and SP

SP is a part of broader social policy. The success of SP and increasing roles/expectations from SP (as reflected inter alia in the SDGs) can, at times, lead some people to consider SP as "the" social policy; especially for institutions/individuals focused on the reduction of poverty and/or in countries that have very high share of poor and vulnerable to poverty. But, as the original SRM papers highlighted, SP is a subset of broader social policy and there is a need for more investments in public infrastructure and in public goods/services for all members of society.

"*Social policy includes the public institutions, regulations, infrastructures, etc. used by societies meet human needs for security, education, work, health and wellbeing*" (London School of Economics website).[21] Inclusive SP is not a substitute for inclusive social policy. Inclusive social policy and SP need to also consider criminal justice systems and other aspects of social justice and the social contract (including how and by whom SP is funded) regarding what is considered "fair" opportunities and outcomes over the lifecycle of individuals/HHs.

For SP, it is important to consider an individual's entire lifecycle because of the changing asset base, livelihoods opportunities, risk profile, and risk management capacity from birth to death (*Bonilla-Garcia and Gruat, 2003*). For SRM 2.0 it is assumed that an individual's lifecycle goes from pre-natal (i.e., pre-birth) to the graveside (i.e., after death). That is, the life-cycle approach really begins with potential mothers receiving prenatal education and training in reproductive health issues and ends after a person dies and receives a respectful burial, cremation, etc.

[21] See LSE website: http://www.lse.ac.uk/social-policy/about-us/What-is-social-policy

Chapter III: INTRODUCTION TO SRM

This chapter introduces the SRM conceptual framework, discusses its evolution, and presents some key definitions. This Chapter is the basis for the presentation of an updated conceptual framework (i.e., SRM 2.0) in the next chapter.

III.A Background and Definitions

SRM was conceived by the World Bank in 1999-2000 to provide a conceptual framework for the World Bank's 1st SP Sector Strategy (World Bank, 2001a).[22] SRM is about "how society manages risk" and not about the management of "social risks". This is an important distinction that is sometimes misunderstood.[23] The original SRM papers point out that SRM is related to how society manages income risks; where "income" is assumed to be a measurable proxy for tangible and non-tangible dimensions of HH well-being and includes cash, along with in-kind and imputed income. For SRM: "*As a policy variable we are concerned with income, its level and variance, because both determine the consumption possibilities (Holzmann and Jorgensen, 1999, p.4).*" Although income risks are considered to be borne by individuals and HHs, risk management instruments tend to be cooperative or social hence the term "social risk management" was coined *(Holzmann and Jorgensen, 1999, p.5)*. The SRM conceptual framework served as the basis for Risk and Vulnerability Assessments carried out by the World Bank from 2000 to 2007 *(Heitzmann, Canagarajah, Siegel, 2002; Kozel, Fallavier, Badiani, 2008),* and has also guided the preparation and evaluation of projects. See Annex I for more information on the history and applications of SRM.

[22] The initial papers on the SRM conceptual framework (e.g., Holzmann and Jorgensen, 1999, 2000; Siegel and Alwang, 1999,) were used as background papers for WDR 2000/1 (especially the sections on security).

[23] With respect to "social risks' such as illness, labor violations, social exclusion, crime, etc. SRM focuses attention on how these threats impact HH well-being through the probability to be poor or non-poor (i.e., vulnerable or resilient to poverty) in the future.

Over time the definition of SRM has evolved:

- **2000:** "*SRM includes public interventions to assist individuals, households, and communities better manage risk, and to provide support to the critically poor*." (*Holzmann and Jorgensen, 2000*).

- **2001:** "*SRM is a collection of public measures intended to assist individuals, households and communities in managing risks in order to reduce vulnerability, improve consumption smoothing and enhance equity while contributing to economic development.*" (1st SP Sector Strategy, *World Bank, 2001a*).

- **2008**: "*SRM aims to provide instruments to the society to allow the poor – and also the non-poor – to minimize the impact of exposure to risk and change their behavior in a way that helps them exit poverty and lower their vulnerability*." (*Grosh, del Ninno, Tesliuc, Ouerghi, 2008*).

The original paper on SRM (*Holzmann and Jorgensen, 1999*) defined SRM as public interventions to better manage risk, and a follow-up paper (*Holzmann and Jorgensen 2000*) added that SRM should also provide support for the critically poor. The *Holzmann and Jorgensen (2000)* definition of SRM was, in turn, used as the definition of SP in the 1st SP Sector Strategy.

The World Bank definitions of SRM focus on public, formal SP interventions. On the other hand, the SRM literature also recognizes (and even highlights) the importance of public-private partnerships and informal assistance via social networks.[24] The definition of SRM from 2008 points to the need for a society-wide perspective that examines the diverse set of interventions available to help poor and near-poor HHs manage risks so that they can change behaviors and exit poverty and/or lower vulnerability to poverty.

[24] In reality, many individuals/HHs survive by pooling benefits from different formal SP programs and complementing them with assistance from informal social networks, NGOs, and the private sector.

III.B SRM Instruments and HH Decision Making

SRM highlights the existence of multiple finance and insurance instruments and markets (formal/informal, public/private sector/NGOs) provided at the micro (individual/HH) level, meso (community/local) level, and macro (national/international) level to help improve HH risk management capacity. SRM also recognizes the lack of availability and access by many poor and near-poor HHs to such finance/insurance instruments and markets and the need for pro-active financial inclusion; including micro-finance and micro-insurance - especially for workers in the informal sector.

By taking a forward-looking approach to poverty, SRM implies that individuals/HHs can make decisions and take actions in the present that can lower their probability to be poor in the future. Thus, SRM assumes that individuals/HHs and society can (to some extent) anticipate hazard/risky events and take proactive actions to prevent them from happening and/or lessen the negative impacts if they are realized (*Heitzman, Canagarajah, Siegel, 2002*).

This key behavioral assumption about risk management is not always valid; because HHs who are poor or vulnerable to poverty tend to have a myopic and fatalistic world view reinforced by religious, cultural and social norms that are hard to change. SRM acknowledges that there are many cognitive failures by HHs to accurately assess the hazards/risks and make the rational decisions and choices on how to manage their asset portfolios and lessen (potential) negative impacts on HH well-being. SRM highlights the lack of information and decision-making skills at the individual and HH levels, and the existence of asymmetric information whereby poor HHs might not receive information, or misunderstand the information, and/or not know what to do with the information after it is provided by governments (or by the private sector, civil society and NGOs). For SRM, the cognitive failures by HHs, the asymmetry of information, along with the lack of access to risk management instruments by many HHs that are poor and/or vulnerable to poverty, is evidence of market-failures and the existence of externalities; which is justification for a public sector (i.e., “social”) role for SP.

In addition to being forward-looking, SRM also provides a basis for backward-looking (i.e., historical) insights into poverty and vulnerability to poverty. At any point in time, a given HH's assets and livelihoods portfolio is a function of many past generations of decisions and actions regarding production, consumption, savings, investments, migration, and responses to external events and social/economic inclusion/exclusion. For many HHs lacking the assets and livelihoods to cover their basic needs, there have been historical factors and "bad luck"[25] from the past that have resulted in the current HH assets and livelihoods portfolios and levels of HH well-being; be it through exclusion and/or bad luck. The same is true for historical "good luck" positioning someone for future "good luck"; at least having more opportunities for better outcomes. By taking both forward- and backward-looking approaches to poverty and vulnerability to poverty, SRM points to the need for a proactive redistributive approach to both income (to address fairer outcomes) and assets (to address fairer opportunities) in the name of social justice. Well-targeted and progressively funded SP can help provide more equitable (i.e., fairer) opportunities and outcomes for all.

III.C Critiques of SRM and Definition of SRM 2.0

Critiques of SRM usually assert that it is overly growth and development oriented, not sufficiently people-centered, and it does not explicitly follow a human rights approach. *Devereux and Sabates-Wheeler,2007 and Devereux and Solorzano,2016* divide the landscape of SP into two opposing camps, the "instrumentalists" (i.e., "neo-liberals") who view SP as a means to achieve economic development in an equitable manner (i.e., according to "need"), and the "activists" (i.e., rights-based approach) who view SP as a means to achieve social justice for all while economic development takes place. *Devereux and Solorzano (2016)* critique SRM as being the conceptual framework of choice for the SP "instrumentalists", who tend to support targeted SP interventions rather than universal and untargeted social assistance. Another critique of SRM is that it

[25] Globally, many (if not most) of the chronic poor have experienced social/economic and/or political exclusion for generations.

focuses attention on management of downside risk and transient poverty; thereby ignoring the chronic poor. As such, SRM is sometimes referred to as a "risk-based approach" versus a "poverty-based approach" *(Mestrum, 2013)*. However, in reality, there has been considerable convergence in the SP interventions applied by "instrumentalists", "risk managers", and "activists".

Holzmann and Grosh,2008, p.6, and *Holzmann and Spanos,2008, p.8,* point out that SRM is "broadly consistent with human rights approaches that advocate for minimum provisions. Whether this should happen through universal access, means-tested provisions, or selectively also through conditionality is open for discussion and should be evidence-based." There is increasingly more in common than different amongst human rights and social justice perspectives to SP; especially with respect to needed interventions to reduce poverty and vulnerability to poverty and build resilience to poverty. In Chapter V of this paper, there is a follow-up discussion comparing social justice, human rights, and SRM 2.0 approaches to SP.

Given the changing world, the evolution of SP, the experience in using the original SRM approach, and responding to its critics; this paper proposes the following definition for "SRM 2.0":

Social Risk Management (SRM) is how society:

(i) manages income/consumption variability,
(ii) manages the risks of poverty and vulnerability to poverty, and
(iii) builds resilience to poverty over the lifecycle.

This definition of SRM takes a society-wide perspective toward the management of income risks of individuals/HHs over their lifecycle. Income variability is an important dimension of HH well-being, but not the focus in and of itself. The focus of SRM 2.0 is the relationship between risk and income/asset poverty, and how to move from vulnerability to resilience to poverty. SRM 2.0 includes the three elements of SP: income

and consumption smoothing, safety net (manage risks of poverty), and springboard (build resilience to poverty).

III.D Basic Definitions: Poverty, Vulnerability and Resilience to Poverty

SRM provides insights into how society manages the risks associated with HH poverty and vulnerability/resilience to poverty. Given that these terms mean different things depending on the author or the topic, this section defines income poverty, asset poverty, vulnerability to poverty, and resilience to poverty.

SRM assumes there is a poverty line, **C**, that reflects a socially acceptable minimum level of HH consumption (i.e., the monetary value of a basic needs package). For SRM we are interested in the expected level of HH income: $E(I_1)$[26] and the variance of expected income $V(I_1)$. It is assumed that for any given HH, $E(I_1)$ and $V(I_1)$[27] are a function of their location-context, the hazards/risks they face, their assets and livelihoods portfolio, and their risk management capacity.

Below are some basic definitions for considering SRM:

I_0 = current income => "**income outcome**" this period

C = "poverty line" (or other benchmark of HH well-being, "basic needs package")[28]

$I_0 <$ **C** = poor this period

$I_0 >$ **C** = non-poor this period

$E(I_1)$ = expected income in future => "**opportunity for income**" for next period (i.e., returns to assets)

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[26] For a given HH, the expected income E(I) in period 1 is the sum of expected incomes from "i" livelihood activities $\sum E(I_1 i)$. For simplicity, subscripts for time periods and livelihood activities are not used unless needed to make a point.

[27] The variance of income $\sum V(I_i)$ is a probability distribution for all "i" livelihood activities that includes downside risk ("bad luck") which we denote as -V(I), and upside risk ("good luck"), denoted as +V (I). HHs can use +V(I) for savings or additional consumption. The covariance of income for a HH's different livelihood activities is $COV(I_{ij}) = \sum V(I_{ij})$. Both the variance and covariance of HH income from different asset-livelihood portfolios are also important for risk management (Siegel and Alwang, 1999; Barret and Costas, 2014, Phadera, et. al., 2019).

[28] The poverty line is assumed to be **C**, which means that it is consumption-based. In this simple notation, it is assumed that **C** does not change from year-to-year, although it can be updated periodically.

$E(I_1) <$ **C** = expected to be poor next period

$E(I_1) >$ **C** = expected to be non-poor next period

$V(I_1)$ = variance of expected income: $-V(I_1)$ = downside risk ("bad luck"), $+V(I_1)$ = upside risk ("good luck") if $V(I_1) = 0$, then $I_1 = E(I_1)$ and no risk ("neutral luck")

$I_1 = E(I_1) + V(I_1) \Rightarrow$ actual income

$C^* =$ **C** $+ [-V(I_1)]$: "risk-adjusted" poverty line"

"Vulnerability to Poverty": the expectation of being poor in the future

$E(I_1) < C^* =$ **C** $+ [-V(I_1)]$

"Resilience to Poverty": the expectation of being non-poor in the future

$E(I_1) > C^* =$ **C** $+ [-V(I_1)]$

III.E Typology of 4 Household Groups and Income/Asset Poverty

Using the notation presented above it is possible to divide all of society into 4 groups of HHs that are either poor/non-poor and vulnerable/resilient to poverty at a given point in time *(Grosh, del Ninno, Tesliuc, Ouerghi, 2008, p.457; Yemstov, 2013; de la Fuente, Ortiz-Juarez, Rodriguez-Castelan, 2014).* See Table 3.1.

If a HH's current income is below the poverty line ($I_0 < C$) the HH is income poor, and if expected income is less than the poverty line ($E(I_1) < C$), the HH is considered asset poor. Income poverty is an outcome. Asset poverty is forward-looking and shows a lack of opportunity to be non-poor. Increasing HH wealth through asset accumulation (and improved risk management) is critical to moving from vulnerability to poverty to resilience to poverty.[29]

Table 3.1: Poor/Non-Poor HHs Grouped as Vulnerable or Resistant to Poverty

HH Poor Today: $I_0 < C$	**HH Non-Poor Today: $I_0 > C$**

[29] HH Wealth = Accumulated HH Assets/Savings – Accumulated HH Liabilities/Debt. For any given period, when $I_1 > C_1 >$ **C** there is a possibility to have more consumption and/or save, and when $I_1 <$ C there is a possibility for dis-savings (i.e., drawn-down or dis-accumulation of assets) to smooth consumption.

Expected to be poor in future $E(I_1) < \mathbf{C}$	Not expected to be poor in future $E(I_1) > \mathbf{C}$, depends on V(I)	Expected to be poor in the future $E(I_1) < \mathbf{C}$, depends on V(I)	Not expected to be poor in future $E(I_1) > \mathbf{C}$
Chronic Poor **Vulnerable to Poverty**	Transient Poor, (exit poverty?) **Vulnerable/Resilient to Poverty?** (outcome depends on bad/good luck)	Transient Poor (enter poverty?) **Vulnerable/Resilient to Poverty?** (outcome depends on bad/good luck)	Sustainably Non-Poor **Resilient to Poverty**
HH Group #1 *Income and Asset Poor*	***HH Group #2*** *Income Poor,* *Asset Non-Poor*	***HH Group #3*** *Asset Poor,* *Income Non-Poor*	***HH Group #4*** *Income and Asset Non-Poor*

HH Group #1: Poor, High Vulnerability to Poverty (chronic poverty over time): these HHs are poor today and their expected income for the next period also is less than the poverty line (poor today, expected poor tomorrow). Even with periodic "good-luck", these HHs are not able to accumulate assets and exit poverty. Chronic poverty and extreme poverty (i.e., destitution") are often related to historical social/economic and/or political exclusion or conflict. There is a need for a "big push" of major interventions to help these HHs build/accumulate assets and improve their risk management capacity.

HH Group #2: Poor, Not Vulnerable to Poverty this period (transient poverty, exit from poverty next period?): these HHs are poor in this period but expected to be non-poor in the next period because of their assets and livelihoods portfolio. These HHs have expected income above the poverty line, and they need improved risk management capacity to address the variance of income. These are HHs that are income poor but not asset poor, and they are expected to be non-poor in future. In the past, they had the location-context and assets to generate levels of income to be non-poor, but something changed. They do not usually need training and coaching on basic life skills (e.g. basic nutrition and hygiene), but they might need some "caring" with respect to stress, diet and nutrition issues, relationship problems, retraining, etc. Depending on the size of the losses/damages, HHs in this group have some capacity to smooth consumption in a "bad luck" year. These HHs need insurance products and other risk-sharing activities to provide compensation for downside risks and make sure that the losses are not

repeated and that a downward spiral does not ensue. This group of HHs is the traditional focus of risk management approaches to SP.

HH Group #3: Non-Poor, Vulnerable to Poverty this period (transient poverty, entry into poverty next period?): these HHs are non-poor today but expected to be poor next period. Seemingly they experienced some "good luck" during the previous period that temporarily pushed them above the poverty line. These HHs straddle the poverty line and possibly includes some recent graduates from poverty. HHs in Group #3 have a temporary surplus over the poverty line level of consumption expenditures, so this group can potentially save and convert savings into assets. Ex-ante actions by the individual/HH and society can possibly help prevent them falling into poverty in the future, but they need to accumulate more assets to increase future expected incomes $E(I_1)$ to have a chance to be sustainably resilient to poverty. Thus, SP programs for these HHs should support better risk management and incentivize the accumulation of assets and that can strengthen the HH's assets and livelihoods portfolio; leading to sustainable exit from poverty (i.e., resilience to poverty).

HH Group #4: Non-Poor, Resilient to Poverty (sustainably non-poor over time): being income and asset non-poor, these HHs are non-poor this period and expected to be non-poor next period. These HHs have a persistent history of saving and accumulating assets and improving their assets and livelihoods portfolios. Expected income is greater than the poverty line plus a risk factor to cover downside risk, $E(I) > C^* = C + [-V(I)]$. Thus, even some "bad luck" in one period should not cause poverty. They are resilient to poverty from "normal" hazards/risks, and only vulnerable to poverty from a "large-scale shock" and repeated stresses and small shocks. Although vulnerable to losses, these HHs tend to have access to finance (credit, savings) and insurance products; and thus, are not vulnerable to poverty. On the other hand, these HHs are important for political support and funding SP and for risk pools and risk sharing. Policies for these HHs can include mandatory insurance, incentives for savings (self-insurance), and commercial insurance.

Using the 4 HH Groups as the basis for their analysis of poverty in Mexico, *de la Fuente, Ortiz-Juarez, and Rodriguez-Castelan,2014,* found that despite a reduction of poverty and expansion of the middle class from 2000 to 2012, about two-thirds of the population remained in a situation of "economic insecurity"; 22% in poverty and 43% vulnerable to poverty (with the sum of poverty and vulnerability to poverty in some states greater than 80%). In fact, many of the individuals/HHs categorized as vulnerable to poverty were people who exited poverty but were not yet securely resilient to poverty. The authors emphasize that it is critical to differentiate between longer-term (i.e., structural) and shorter-term (i.e., stochastic) sources of vulnerability to poverty, and to provide differentiated SP interventions.

The differences in HH characteristics and possible entry points for interventions for the different HH Groups point to the need for differentiated and personalized SP programs and benefits packages that are tailored to the beneficiaries' actual needs. There is no easy "one-size-fits-all", homogeneous, universal solution to poverty and vulnerability to poverty; characterized as it is by the heterogeneity of conditions facing individuals and HHs.

III.F Vulnerability and Resilience to Poverty

A major conceptual contribution of SRM has been to go beyond a static view of poverty (i.e., a focus on those who are poor today) to a dynamic view of poverty in a "risky world" that considers the future well-being of both poor and non-poor HHs who have a high probability to fall into poverty (i.e., those who have a high probability to be poor in the future). The key underlying concept of SRM is the concept of vulnerability to poverty. A HH is defined as vulnerable to poverty if there is a high probability that their future well-being will fall below a socially accepted norm or benchmark. This definition identifies "at-risk" individuals/HHs as being "at risk of falling into poverty". A HH can be vulnerable to poverty because a specific hazard/risk and/or because of multiple hazards/risks, and vulnerability to poverty can be for one or more periods into the future (Box 3.1).

In a critical survey of economic literature that uses the term "*vulnerability to poverty"*, *Gallardo (2017)* refers to the above definition of vulnerability (as well as the one by Calvo and Dearcon in Box 3.1) to poverty as "*vulnerability as expected poverty"* (i.e., the probability to be poor in the future). *Gallardo (2017, p.20)* claims that *"this approach makes a fundamental contribution to the literature on the subject because vulnerability is not only limited to the risk of variability in wellbeing outcomes but also includes those for whom poverty is an expected outcome*."[30]

Box 3.1: Defining and Measuring Individual and HH Vulnerability to Poverty

"We are referring to vulnerability to poverty. We follow the mainstream by envisaging poverty as the failure to reach some minimum socially acceptable standard of living (as measured by overall consumption, or nutritional levels, or any other dimension of human well-being). We call this minimum standard the 'poverty line'. We refer to individual vulnerability, as opposed to 'aggregate' vulnerability. Our unit of analysis is the individual agent, or the HH. Individuals [and HHs] face several threats such as illness, or crime, or loneliness. Yet we focus on the threat of poverty in particular [Thus] 'vulnerability to an epidemic' is shortcut to 'vulnerability to poverty due to an epidemic' ." (Calvo and Dercon, 2005).

In addition to the likelihood of experiencing poverty, the vulnerability to poverty also encompasses the sense of insecurity that results from being exposed to downside risks and being (or perceiving oneself to be) unable to defend against it. (de la Fuente, Ortiz-Juarez, Rodriguez-Castelan, 2014).

Using an SRM approach, all HHs are vulnerable (i.e., "susceptible") *to losses* in a risky world, but not all HHs are vulnerable *to poverty*. A major focus of SRM is to assist poor and near-poor (i.e., transient poor) HHs prevent/mitigate short-term, ad-hoc coping activities with negative longer-term implications for their HH assets and livelihoods portfolio and future HH well-being; specifically, ad-hoc coping that degrades assets. For many individuals/HHs, a transitory period of income poverty and "belt-tightening" (i.e., consumption smoothing and drawing down some assets) is just "a fact of life".

Over the past decade, there has been a semantic shift from a focus on "reducing vulnerability" to "increasing resilience" in both the development and humanitarian communities of practice *(Siegel, 2011a)*. The shift in focus to resilience has been led, to

[30] See Hoddinott and Quisumbing, 2008, for a previous review of definitions and measures of vulnerability. Like Gallardo, 2017, Hoddinott and Quisumbing, 2008 refer to the definition of vulnerability to poverty used in SRM as vulnerability as expected poverty.

a large degree, by the same institutions and researchers that popularized the concept of vulnerability.[31] Similarly, in the SRM literature, there is an implied symmetry between reducing HH vulnerability to poverty and increasing HH resilience to poverty because similar factors and processes affect HH vulnerability and/or resilience to poverty.

Vulnerability to poverty is related to the exposure and susceptibility of HHs to hazards/risks and the potential negative impacts. Resilience to poverty is related to the ability of HHs to prevent/resist hazards/risks and/or recover from their negative impacts over time. Both vulnerability and resilience to poverty have important temporal dimensions that need to be addressed. For example, being poor (non-poor) repeatedly and/or negatively (positively) impacted by downside risks (upside gains) repeatedly is different than an outlier experience of "bad luck" ("good luck").

Recent papers by Barrett and Costas (2017) and Phadera, et. al., (2019) have coined the term "development resilience" as: "*the capacity over time of a person, household or other aggregate unit to avoid poverty in the face of various stressors and in the wake of a myriad of shocks. If and only if that capacity is and remains high over time, then the unit is resilient*." These authors highlight the close conceptual, analytical, and operational links between their definition of "development resilience" and "vulnerability to poverty", arguing that the difference between resilience and vulnerability to poverty is that vulnerability to poverty takes a more short-term perspective and resilience to poverty takes a more long-term perspective to movements around the poverty line. In fact, similar to the SRM definition of vulnerability, Phadera, et. al. (2019) claim that "*development resilience is a probabilistic and forward-looking concept that takes into account both the first* (i.e., E(I)) *and second moments* {(i.e., V(I)) *of the HH welfare distribution and quantifies the capacity of HHs to escape poverty or remain non-poor over time. We measure HH resilience as a probability of accumulating and retaining a*

[31] For example, Chris Barrett (Cornell University, and the USAID-funded BASIS Project), John Hoddinott (and others at IFPRI), and researchers at IDS (including Chris Bene who moved to CIAT) were leaders in the shift in focus from vulnerability to resilience.

minimum level of assets required to remain non-poor in the face of diverse shocks and stressors (ibid, p. 205)."

Going forward with SRM 2.0, it is assumed that vulnerability and resilience to poverty are two-sides-of-the-same-coin[32] and that all individuals and HHs can be categorized as either "vulnerable to poverty" or "resilient to poverty" at any point in time. That is, vulnerability to poverty is defined as having a high probability to be poor in the future, and resilience to poverty is defined as having a high probability to be non-poor in the future.[33]

Ex-ante resilience to poverty is defined as expected income greater than the income/consumption poverty line plus a risk adjustment factor based on the variance of expected income. Thus, ex-ante resilience to poverty is:

$E(I_1) > C^*$ where $C^* = C + [-V(I)]$ and **C^*** is the **"risk-adjusted poverty line".**

In a study of poverty in the MENA Region, a risk-adjusted poverty line was used to identify poor (and near-poor) HHs because of the high proportion of transient poverty (i.e., people moving in and out of poverty). It was felt that a risk-adjusted poverty line, C*, reflecting "vulnerability to poverty" better reflects the poverty problems that governments face (*Silva, Levin, Morgandi, 2013*). The risk-adjusted poverty line C* is conceptually similar to the "augmented poverty line" proposed by *Cafiero and Vakis, 2006,* and the "risk-adjusted SP Floor" proposed by *Siegel and Jorgensen, 2011; 2013,* and the "risk-adjusted basic needs package" proposed by *Siegel, 2014.*

Evaluating the impacts of an asset transfer program, *Phadera, et. al., 2019,* examine both expected returns to assets, E(I), and the variance of returns to assets, V(I), and they

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[32] Other researchers and institutions (e.g., Miller et al., 2010; Levine, et. al., 2012; Gall, 2013; UNDP, 2014) have pointed out that the similarities of underlying factors and processes to determine HH vulnerability and resilience to poverty justify viewing them as "two-sides-of-the-same-coin"; which in turn allows researchers, policymakers, and donors to draw on the considerable amount of experience devoting to conceptualizing, defining, and measuring vulnerability, rather than try and produce new concepts, definitions, and measures.

[33] Gallardo, 2017, suggests that HHs with 50% or more probability to be poor in the future should be classified as vulnerable to poverty. As such, it is easy to conceptualize resilience as a low probability to be poor in the future.

conclude that programs tend to focus too much attention on E(I). They find that there are many situations whereby E(I) > **C**, but E(I) + [-V(I)] < **C**, resulting in (seemingly) non-poor HHs being vulnerable to poverty.

The term "vulnerable group(s)" is often confused in the literature with individuals/HHs vulnerability to poverty. "Vulnerable groups" include orphans, widows, persons with disabilities, the young, the old and sometimes women[34]. "Vulnerable groups" is a categorical classification of individuals/HHs based on being identified with groups that traditionally have a higher probability of being poor; as opposed to actually being poor Hence, persons in vulnerable groups can be poor or non-poor and/or vulnerable or resilient to poverty based on their location and actual HH assets and livelihoods portfolios and risk management capacity. In other words, individuals/HHs from vulnerable groups can be found in HH Groups #1, #2, #3, and #4.

[34] In practice this is not a useful term as it includes the majority of the population in many countries, since the only ones not considered vulnerable are adult middle aged, able-bodied men.

Chapter IV: SRM CONCEPTUAL FRAMEWORK Spatial Assets & Livelihoods Approach to HH Well-Being, and the Risk Chain

The conceptual framework for SRM 2.0 is a spatial assets and livelihoods approach to HH well-being. The objective of the conceptual framework is to provide a unifying *Theory of Change* to better understand HH choices and decision-making to guide appropriate SP interventions. This chapter begins by highlighting the basics of an asset-based approach. Then, the spatial assets and livelihoods approach to well-being is presented; updating the livelihood assets and livelihood activities to better reflect assets and livelihoods of both rural and urban HHs in the 21st century. The chapter also introduces an updated risk chain that highlights a HH's sequential ex-ante and ex-post options and decision-making processes.

IV.A Introduction: Sustainable Livelihoods, Asset-Based, and Resilience Approaches

As noted by Michael Sherraden almost 30 years ago in his book *Assets for the Poor*, assets are key factors that influence if and how people might change the way they think and behave (see Box 4.1). Income protection (and consumption smoothing) is important, but only a *necessary condition* for addressing poverty reduction. It is the process of asset accumulation (i.e., asset building) that is the *sufficient condition* to sustainably exit poverty. Sherraden's focus on assets over the lifecycle led to policy proposals like child grants, education vouchers, and pensions for all to ensure a more "level playing field" and proactively try to guarantee more equitable opportunities and outcomes *(Sherraden, 1991; Sherraden, Huang, and Zou, 2019).*[35]

[35] Sherredan, 1991, and Sherraden, Huang, Zou, 2019, propose child development accounts (CDAs) as an application of an asset-based approach. They define CDAs as subsidized savings or investment accounts that enable (poor and non-poor) families to accumulate assets to invest in their children's development and life course goals, such as postsecondary education, home purchase, small business development and retirement security.

Box 4.1: Asset-Based vs. Income-Based Approach to Poverty

"Income only maintains consumption, but assets change the way people think and interact with the world. With assets, people begin to think in the long term and pursue long-term goals. In other words, while incomes feed people's stomachs, assets change their heads …. welfare policy has gone off track in becoming almost exclusively preoccupied with the income protection of the poor. Policy should seek to empower as well as to protect. Especially policy should take into account the critical role of asset accumulation in economic and social well-being." (Sherraden, 1991)

The spatial assets and livelihoods approach to HH well-being draws upon the sustainable livelihoods framework, the asset-based approach, and the resilience framework[36]; which are all really "asset-based approaches" that focus on the relationship:

Risks => Livelihood Assets => Livelihood Activities => Well-Being Outcomes

In all of these approaches, it is assumed that HH decisions about the allocation of their livelihood assets and livelihood activities are driven by the management of downside risks. There is also an implicit assumption that the focus of attention is on individuals/HHs that are poor and/or vulnerable to poverty**. Annex 2 reviews the literature on the sustainable livelihoods framework, asset-based approaches, and resilience framework**. In contrast to the Sustainable Livelihoods, Asset-Based Approach, and Resilience Frameworks, that all focus on negative events ("*downside risks*") and poor people, SRM 2.0 considers both downside and upside risks for all HHs (poor and non-poor, vulnerable and resilient to poverty). Thus, SRM 2.0 provides a conceptual framework that considers all events and all individuals/HHs in society.

IV.B Spatial Assets & Livelihoods Approach to HH Well-being

The **spatial assets and livelihoods approach to HH well-being** highlights the importance of the location and location-specific context in conditioning individual/HH opportunities and outcomes via their assets and livelihoods portfolio. The spatial assets and livelihoods approach assumes that the objective of all livelihood activities is to optimize

[36] The resilience framework draws on sustainable livelihoods and asset-based approaches. All these approaches have primarily been applied to understand the impacts of downside risks on poor HHs in drought-prone rural areas; and try to make them less vulnerable and more resilient (i.e., less susceptible) to various negative events. Vulnerability or resilience to a poverty line (as a benchmark of HH well-being) is not always explicit; it seems at times like the benchmark is a "survival line".

HH well-being. See Figure 4.1 for a schematic overview of the spatial assets and livelihoods approach to HH well-being.

Figure 4.1: Spatial Assets and Livelihoods Approach to HH Well-Being

Location-Context

Rural, urban or peri-urban
Proximity to transport and markets
Agglomeration economies, transactions costs
Population density and demographic profile
Agroecological and weather conditions
Institutional/policy context, governance capacity
Political regime, market liberalization, human and property rights
Access and quality of public/private infrastructure, goods and services
Extent of civil society participation
Prices for labor, goods and services (factor and product markets)

↓↓↓

Hazard-Risk Profile

↓↓↓

HH Assets and Livelihood Portfolio

Intangible Livelihood Assets		**Livelihood Activity Options**
Political Assets Formal networks	Social Assets Informal networks	Activities to strengthen social, political assets Wage labor and self-employment activities Unpaid HH work, shopping, meal preparation Unpaid volunteer work Seasonal migration Receipt of remittances Education, training Recreation, leisure, hobbies Social activities (friends, family, community) Community/public service Sleep Activities to enhance security Illicit Activities
Tangible Livelihood Assets		
Human Assets (HH composition, character) Homestead Assets (home, lot, utilities) HH Durables, Stocks (appliances, stocks) Connectivity Assets (ICT, transport) Financial Assets (savings, insurance, credit,) Physical Assets (equipment, inputs) Ecological Assets (flora, fauna) Natural Assets (land, air, water)		

↓↓↓

HH Well-Being Outcomes

Poor		**Non-Poor**	
Vulnerable to Poverty HH Group #1	Vulnerable to Poverty HH Group #2	Vulnerable to Poverty HH Group #3	Resilient to Poverty HH Group #4

Perceptions of security, Hopefulness for future (all HH Groups)

Location-Context

The location-context includes the exogenous factors that determine HHs' ability to manage risk and improve well-being. In the development community, there is increasing attention to the importance of geography. See Box 4.2. One of the biggest decisions an individual/ HH makes at any point in time over their lifecycle is their location; including permanent, temporary or seasonal migration. For SRM 2.0, once a person selects a location it is assumed the context for a specific planning period is given and exogenous to the individual/HH.

Box 4.2 Importance of Geography

The importance of geography for HH well-being was highlighted in WDR 2009 *Reshaping Economic Geography* (World Bank, 2009). A major spatial transformation underway globally is urbanization; including the concentration of populations in mega-cities. There are also spatial shifts in poverty whereby poverty rates in many rural areas continue to be high relative to urban poverty, but the absolute numbers of urban poor are increasing faster. International migration is also changing demographic profiles in receiving and sending regions and countries.

The location-context includes factors (see Figure 4.1) such as:

- proximity to markets and urban centers, agglomeration economies,
- agroecological potential,
- the hazards/risks profile,
- demographic profile,
- policy/institutional framework, and
- availability/quality of public infrastructure and public goods/services

The importance of location-context is highlighted by researchers who coined the phrase "*neighborhood effects*". The notion of neighborhood effects posits that a given location-context (i.e., neighborhood) has direct and indirect effects on individual/HH expectations, aspirations, and behaviors. As such, living in a poor neighborhood/location affects a wide range of individual/HH behaviors and perceived opportunities and expected/actual outcomes; with implications for perceptions of self-worth and expectations/aspirations, cognitive ability and decision-making, choices, actions, etc. The existence of distinct "*wealthy neighborhoods*" and "*poor*

neighborhoods" (and slums) and the differences in local funding for, and quality of, public infrastructure, and public goods and services by location are an example. As many studies indicate, individuals from HHs located in poor neighborhoods have a statistically higher probability to be poor in the future *(e.g., OECD, 2017* [37]). The opposite is true for individuals from wealthier areas. When possible, many people try to migrate away from their "*bad*" neighborhood to open new opportunities for better well-being outcomes. Recent studies in the United States indicate a high correlation between location and economic performance. All United States zip codes were mapped, and the poorest areas were identified as "*Opportunity Zones*"; and that will receive additional public funds and offer special incentives for private investors.[38]

Despite the proclamations of "*equal opportunity*" and potential for "*upward social/economic mobility*", the reality is that an individual/HH's neighborhood and family history are still the best predictors of expected poverty and vulnerability to poverty. This also true for an individual/HH from a family that has been resilient to poverty over generations. If poor individual/HHs have a higher probability to be poor in the future and the non-poor have a higher probability to be non-poor, inequality will increase over time. Globally, social/economic stagnation and downward mobility (rather than economic growth and upward social/economic mobility) are becoming the "*new normal*" in many parts of the world *(Narayan, et. al., 2018).*

Using the spatial assets and livelihoods approach it is possible to understand the trade-offs inherent in migration decisions. Individual/HH migration can be motivated by a hope to change their location-context in order to transform from social/economic and/or political exclusion in one location-context to inclusion (or less exclusion) in another location-context. Furthermore, it is possible to understand the trade-offs that individuals/HHs have between trying to change conditions in their own location-context

[37] A recent report highlights the importance of "neighborhood effects" in OECD countries. The report OECD, 2017, highlights the impacts of neighborhood effects (location, location, location) and an individual/HH's "family history" on the lack of equitable opportunities and subsequent unequal outcomes; and the need to pro-actively address these inequities/inequalities in opportunities and outcomes to protect social cohesion.
[38] See: https://eig.org/news/opportunity-zones-map-comes-focus.

versus moving to a different location-context with their mobile HH assets. Having social assets in the form of social networks in different locations has been a critical factor influencing migration decisions.[39]

For many people around the world, it is worth the high costs and risks to try to migrate to change the context; and increase the return to their assets and livelihoods portfolios. Migrants are literally dying to move from poorer to richer countries because even the poorest people in richer countries have (on average) more assets/income than many well-off persons in the poorest countries *(Pritchett, 2006; World Bank, 2018c)*.[40]

Hazard/Risk Profile

In any given location-context there are:

- probabilities of events occurring or not occurring (i.e., the frequency of risks),
- the "*direction*" of the events ("*good", "bad*" or "*neutral*"),
- the potential impacts from an event (i.e., the severity of risks), and
- the spread of risks among individuals/HHs and over space and time.

Around the world, for many downside hazards and risk, the frequency and the severity of negative impacts have increased, and the spatial spread of impacts have also increased due to increased global connectivity and transmission (*Hallegate, et., al., 2017*). In addition, there are increasing complexities in the linkages between individual hazards/risks and how different hazards/risk interact.

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[39] "Chain-migration", which refers to the social process by which migrants from an extended HH or town follow others from the same extended family or town to a particular destination, is an example of the importance of social assets and informal social networks. Members of the same "chain" also share (i.e., "pool") social assistance benefits; thereby extending benefits beyond the intended beneficiaries.

[40] A fundamental aspect of migration is that labor markets give signals via wage differentials that create push-and-pull forces leading to large scale demand for migrant labor in many sectors and regions. "The result is migration tides, entry of large numbers of undocumented migrants, distorted labor market outcomes, and eventual political conflicts and cultural clashes. Unsurprisingly, these are among the most prominent problems that currently dominate migration policy debate across the world (World Bank, 2018c, p.13)." The UN Global Compact for Migration, signed in December 2018, highlights the global challenges for ensuring safe and orderly migration of people displaced by conflict, war, economic necessity, and climate change.

As discussed in Chapter 1, moving from risk to uncertainty to potential disruption means that the frequency, direction, severity, and spread of some events are changing. Thus, the past might not be a good predictor of the future. Climate change is an example whereby expected values and variances and covariances of "*events*" such as the distribution of rainfall and temperature are changing; with a wide range of direct and indirect impacts on market prices, production processes, plant and animal pests and diseases, and human health outcomes around the world.[41]

For SRM, the focus has traditionally been on potential losses from downside risk (and "*bad luck*"), with less attention to potential gains from upside risk (and "*good luck*"). Following the WDR 2014 on *Risk and Opportunity (World Bank, 2014*), SRM 2.0 also considers how HHs respond when there are opportunities generated by upside gains associated with "*good luck*". Upside risk is an opportunity for HHs to allocate unexpected gains for additional consumption, savings, and/or investments in the HH assets and livelihood portfolio. How a HH manages their assets and livelihoods portfolio during periods of upside gains is critical for building and maintaining resilience to poverty, lowering HH vulnerability to poverty.

Risky events can be triggered by a wide range of economic, social, political, and environmental factors. Using some popularly used terms, *stresses* and *threats* mostly cause livelihood losses that impact present income and do not usually damage assets and negatively impact future income flows. On the other hand, *shocks* and *crises* cause income losses in the present as well as damages to assets and thereby negatively impact longer-term opportunities and incomes; if they are not managed. Shocks and crises that are not managed correctly can lead to non-reversible losses and damages. Risky events that impact a particular individual/HH are called *idiosyncratic risk* and when many individuals/HHs are impacted at the same time by a risky event it is called *covariate risk*.

[41] It is assumed that all events have some probability distribution. Probabilities can be known (i.e., risky events) and/or unknown (i.e., uncertain events). Subjective probabilities can be given to uncertain events with no known probabilities (i.e., "guesstimates"). Because of the numerous cognitive failures in risk management, most individual/HH decision making with respect to risk management can actually be considered to be based on subjective probabilities or "guesstimates".

A *disaster* is a covariate risk that causes significant damages to assets and/or lives and impacts both present and future well-being and opportunities. Most individuals/HHs face a combination of hazards/risks that range from stresses/threats to shocks/crises that can be idiosyncratic or covariate.

An individual/HH can try to manage idiosyncratic stresses and threats via social networks, self-insurance, and ad-hoc consumption smoothing. While some shocks and crises can be idiosyncratic (e.g., disability, job loss, major illness), many tend to be covariate (e.g., food price increases, inflation, drought). For covariate risks, risk pooling and risk transfer instruments are needed. Repeated losses and damages to assets and livelihoods prevent recovery and can lead to a downward spiral in well-being. Some idiosyncratic shocks/crises can be covered by insurance such as accident, disability, and life insurance; with compensation contingent on a given event/outcome.

Different risk management options might be selected depending on the frequency of events and the potential loss from an event (Table 4.1). For example, for low-frequency events with low expected losses, it might make more sense for individuals/HHs to self-insure using savings. On the other hand, for higher frequency and higher loss events different risk management options that include planned coping - such as flexible and responsive safety nets - might make more sense.

Table 4.1: Risk Management Options by Frequency of Event and by Potential Loss

	Low Frequency Event	High Frequency Event
Low Potential Loss	Self-Insurance Social Networks Ad-hoc coping	Risk prevention/reduction Lower risk exposure Risk pooling, Insurance Planned Coping
High Potential Loss	Risk prevention/reduction Lower risk exposure Risk pooling, insurance Planned Coping (flexible safety nets)	Risk prevention/reduction Lower risk exposure Risk pooling Catastrophic insurance Emergency assistance

Household Livelihood Assets

Assets (wealth minus liabilities) are the stocks of resources and claims on resources that are accumulated over time. They allow HHs to pursue different livelihood activities to achieve desired outcomes of HH well-being; both tangible outcomes like income/consumption and non-tangible outcomes like a sense of security and hopefulness for the future

HH assets and livelihoods are intricately linked as highlighted by the sustainable livelihoods framework referring to "*livelihood assets*". In practice, assets and livelihoods are sometimes difficult to disentangle. It is the assets and livelihoods interface (for a given location-context) that determines HH choices and decision-making. It is the HH's aggregation of asset-livelihood combinations (i.e., what this paper calls the "*assets and livelihoods*" portfolio) of the respective $E(I_i)$ and $V(I_i)$ for a HH's "i" asset-livelihood combinations. It is critical to consider the linkages and synergies of combinations of assets and livelihoods *(Siegel and Alwang, 1999; Siegel, 2005; Heltberg, Siegel, Jorgensen, 2009)*. It should be noted that some assets directly contribute to HH well-being because they bring status and/or a sense of security to the HH; like having legal title to a house and lot. Other assets perform multiple roles, for example, livestock and homestead have multiple livelihood functions and also contribute to HH well-being directly as a means of status and security

For SRM 2.0, a HH's assets include both intangible and tangible assets (Table 4.2) (*Siegel and Alwang, 1999; Heitzmann, Canagarajah, Siegel, 2002; Siegel, 2005; Heltberg, Siegel, Jorgensen, 2009*).

Table 4.2: Household Livelihood Assets

<table>
<tr><th colspan="2">Household Livelihood Assets</th></tr>
<tr><td colspan="2">Intangible Livelihood Assets</td></tr>
<tr><td>Political Assets
Formal networks</td><td>Social Assets
Informal Networks</td></tr>
<tr><td colspan="2">Tangible Livelihood Assets</td></tr>
<tr><td colspan="2">Human Assets (HH composition, character)
Homestead Assets (home, lot, utilities)
HH Durables, Stocks (appliances, stocks)
Connectivity Assets (ICT, transport)
Financial Assets (savings, insurance, debt)
Physical Assets (equipment, inputs)
Ecological Assets (flora, fauna)
Natural Assets (land, air, water)</td></tr>
</table>

Intangible Household Assets

Intangible HH assets include political and social assets. These assets are key to understanding interactions between the location-context and a HH's tangible assets and the potential returns from their assets and livelihoods portfolio.

Social Assets are the informal networks and associations, and often referred to as "*social capital*". Social assets are linked to informal (i.e., cultural, unwritten rules) inclusion/exclusion. For many poor people around the world, assistance from informal social networks is their main survival strategy. This includes HHs that might have one member receiving benefits from formal SP networks and then these benefits are shared among the HH members.

Political Assets are the formal social, economic, and political networks and associations; sometimes related to citizenship or legal resident status. Political assets

provide a claim or entitlement for individuals/HHs to legally access public goods and services; including SP. Political assets are linked to political inclusion, and to formal (i.e., legal and codified) economic/social inclusion.

Many SP interventions focus on strengthening the social and political assets of HHs to enhance inclusion, empowerment, and access to public and private goods and services. All in order to freely make decisions about their assets and livelihood portfolios. Political asset building sometimes starts by providing beneficiaries a unique identification (ID) that provides access to a range of social programs and benefits. The ID also enables access to financial services, and the ID is almost always required for political inclusion. In program design, the similarities and differences between political and social assets are critical, particularly when considering SP for all.[42] In SP, there has been a major shift in focus from social assets and informal networks to a focus on political assets and formal networks to address poverty and vulnerability to poverty. However, with the proliferation of formal SP programs, the importance of informal safety nets should not be ignored or downplayed.

Just like tangible assets, individuals/HHs try to accumulate and strengthen their political and social assets. We assume that social assets require an investment for continued membership and that they provide informal or formal mutual insurance for members. HHs devote significant time to maintaining and strengthening social and political networks as part of their livelihood activities through various forms of participation that solidify or strengthen these intangible assets.

Tangible Household Assets

For SRM 2.0 the categories of tangible assets are expanded to include: human, homestead, HH durables and stocks, connectivity, financial, physical, biological, and natural assets - instead of the traditional set of human, physical, financial, natural, social

[42] Individuals/HHs can make decisions that impact their social/economic inclusion/exclusion. And, there are potential trade-offs between inclusion/exclusion and HH well-being. For example, undocumented migrants with high education/skills might be excluded politically but feel included social/economically in the society.

assets - to help better understand HH behavior, and better consider potential SP interventions in the 21st century.[43]

Human Assets are often defined by "*objective*" factors such as demographics (age, sex), and educational achievement. Returns to human assets are also influenced by "*subjective*" factors related to personality traits and "*state of mind*" (including aspirations and entrepreneurial spirit), decision-making capacity and how people transform choices into actions; and intangibles such as having "*good luck*" *(Vakis, Rigolini, Lucchetti, 2015)*. The "*subjective*" aspects of human assets (i.e., personal traits and personality) are increasingly receiving attention in SP interventions; notably the increase in coaching and life skills training. HH labor availability and productivity are influenced by both objective and subjective dimensions of human assets. The World Bank's new Human Capital Project (and the Human Capital Index) highlight the importance of both objective and subjective dimensions of human assets[44].

A recent paper by *Gatzinsi, Hartwig, Rawlings (2019)* examines how HH characteristics and other HH assets affect access to benefits from SP programs and impact the process of asset accumulation. They emphasize the need to consider the entire HH composition and intra-HH relationships and capacities, notably differences and interactions between male/female and older/younger HH members; highlighting the fact that HH composition is more important than HH size.

Homestead Assets: SRM 2.0 separately considers homestead assets from the broad grouping "physical assets" because homestead assets are multi-functional and critical to

[43] Reflecting on the Sustainable Livelihoods Framework and the famous "5-capitals" (human, physical, financial, natural, social) first used in 1992, Moser and Dani, 2008, suggest revisiting the HH livelihood assets considered in the sustainable livelihoods and asset-based approaches to make them more relevant for urban populations and their asset-livelihood combinations and income generating activities (e.g., to highlight the importance of the homestead as a productive asset), and to consider additional HH personality and behavioral characteristics for understanding the livelihoods potential of human assets. Likewise, Devereux, et. al., 2018, propose focusing on a different set of assets that are relevant to urban HHs, notably the homestead including access to basic utilities, consumer durables, and connectivity assets. See Annex 2 for details about the HH assets used the past 25 years for the sustainable livelihoods framework, asset-based approaches, and resilience framework.

[44] World Bank, 2018b.

HH well-being; notably the perception of "security" *(Moser and Dani, 2008)*. A homestead (including the house, yard with possible space for some crops/livestock, storage areas, possibly space for a shop, with basic utilities) is not just a place to sleep and eat, but also a major determinant of the assets and livelihoods portfolio, opportunities to generate income, and manage risks. An important component of homestead assets is access to basic utilities for water, sanitation, and energy. In addition, it is important to know if the HH homestead assets are legally owned, mortgaged, rented, and the formal or an informal legal status of the homestead.[45] Having a legal address is often a prerequisite to be a beneficiary in SP (and other) programs.[46]

For purposes of SP, individuals/HHs lacking secure homestead assets usually tend to be poor and vulnerable to poverty requiring special attention; especially persons in disaster or conflict areas, and refugees (Box 4.3).

Box 4.3. Homestead Security

According to *Devereux, et. Al., 2018,* the UN's New Urban Agenda articulates a "*right to adequate housing*" and rights to access basic services; along with a "right to SP"; whereas proof of housing can be a precondition for accessing SP, health care, education and training, and other basic services. There has been a traditional focus on "*food security*" and "*water security*" in the development and humanitarian communities of practice, but "*homestead security*" is increasingly an issue in a world of increasing conflicts, refugees, and homelessness. There has been a traditional focus on *"food security*" and *"water security*" in the development and humanitarian communities of practice, but "*homestead security*" is increasingly a global issue.

HH Durables and Stocks For poor HHs - besides their homestead – basic HH durables (e.g., kitchen equipment and appliances used for food preparation and storage) are multi-functional and essential for HH well-being. Stocks of basic food staples are a critical liquid asset for poor HHs; especially for consumption smoothing and/or to generate cash from sales. HH durables and stocks can also be used together with

[45] Many individuals/HHs around the world have live in a homestead that is not legally sanctioned, sometimes referred to as "informal settlements. See: https://www.who.int/ceh/indicators/informalsettlements.pdf

[46] Devereux, et. al.,2018, claim that there is a need for a "call to action" to focus more attention on slum and informal settlement dwellers, migrants, and refugee; because there are significant numbers of urban residents who are migrants and refuges at risk of being legally excluded from formal SP and basic services.

homestead assets for income generating livelihood activities (e.g., food processing to substitute for purchased foods and/or for sale). HH durables and stocks of staples are often sold when individuals/HHs resort to ad-hoc ex-post coping.

The condition of the homestead (e.g., the type of roof or floor, existence or absence of basic utilities), and the existence or absence of key HH durables and stocks and/or are often used as proxies/indicators of wealth to identify eligible beneficiaries for SP programs and projects. HH's with a minimum level of homestead and durable assets tend to be better situated to successfully accumulate additional assets *(Gatzinsi, Hartwig, Rawlings, 2019)*.

Connectivity Assets One of the key HH assets that are transforming livelihood opportunities for the poor and near-poor are related to improving "*connectivity*"; like improved communication devices and means of transport. Connectivity assets are changing the concept and reality of HH "access" to other tangible and intangible assets. Most notable is the widespread use of mobile phones; which have significantly improved people's access to information and helped lower transactions costs for doing business (*Sekabira and Qaim, 2017*). This has important impacts on the income generating potential (and value) of a HH's other assets and livelihoods and the costs of production and consumption activities.

Financial Assets include cash, loans/credit, savings, and insurance. There have been major advances in financial inclusion with the proliferation of microfinance and microinsurance instruments and financial literacy campaigns targeted to the poor and marginalized (notably for women).[47] Connectivity assets have made financial assets much more accessible to those living in remote areas and poor/near-poor HHs in rural and urban areas, including innovations such as e-banking. For many in developing countries, liquid assets (e.g., valuables such as jewelry) are still an important financial asset. There is also a need to consider financial liabilities (i.e., debts) along with financial

[47] The World Bank Group has a goal of universal financial inclusion by 2020 (Demirgüç-Kunt, et. al., 2017).

assets. Many poor and vulnerable individuals/HHs are caught in a perpetual debt-cycle that diverts income from both consumption and savings and can trap people into poverty. Debt-driven poverty/vulnerability traps require more attention in the context of an asset-based approach.

Physical Assets include equipment, machines, tools, physical inputs, and inventories used for livelihood activities. There has been a revolution in technologies and accessibility to physical assets in recent decades. Traditionally, homestead assets, consumer durable assets, and connectivity assets have been considered as part of physical assets. It is important to disaggregate physical assets into logical functional groupings.

Biological Assets include animals, livestock, poultry, fish, plants, and trees. Biological assets are primarily associated with agriculture (in rural, urban, and peri-urban settings). Biological assets can be renewable and sustainable if properly managed.

Natural Assets include land, water, air, underground resources, and overall landscape. It is important to consider the multi-dimensional characteristics of natural assets and the context which governs property rights; including land and natural resource use and pollution rights (*Childress, Siegel, Törhönen, 2014*). Property rights and other land use regulations are key determinants for the returns to natural assets and the variability of returns.

Biological and natural assets can be privately owned and managed, and/or publicly owned, managed, and regulated. There are also biological and natural assets that are "*commons*" that private individuals/HHs and communities can access and use. In fact, many of the poorest people of the world depend on the publicly regulated "*commons*" for their livelihoods. Landscapes and the atmosphere are common property assets (public natural and biological assets) that can be degraded by human actions. Climate change is a threat to the global commons and causing increasing economic, social and environmental costs. In the absence of sufficient global climate change mitigation,

individuals/HHs will need to adjust their spatial assets and livelihoods portfolios by changing their location and/or by adapting and adopting new technologies and behaviors.

Household Livelihood Activities

For all individuals and HHs, the options for different livelihood activities over their lifecycle are a function of their asset base in a given location-context. In SRM 2.0 it is assumed that livelihood activities are the way that individuals/HHs allocate time over their lifecycle. This definition of livelihood activities is more appropriate for a world where the nature of jobs and work are radically changing; where concepts of paid and unpaid work, education and retraining, work-leisure balance, and family and other social relationships are changing. As highlighted in Figure 4.1, for SRM 2.0, individuals/HHs are assumed to choose different assets and livelihoods portfolios with livelihood activities that allocate time to achieve well-being. There is a wide variety of livelihood activity options that contribute to HH well-being, and not all of them directly generate income.

This is a very traditional economic view of the world, that individuals/HHs try to maximize well-being (i.e., "*happiness*" or utility) over their lifetime.[48] In a world where the definition and nature of work and jobs are changing, livelihood activities should be considered in terms of time allocation. This allows us to better understand the real and opportunity costs (and benefits) of time use. In reality, time is the most pressing constraint facing all persons. This perspective will allow us to consider the real costs of SP interventions that require allocations of time (e.g. queuing, applying for social assistance) in addition to the potential benefits from the interventions. In fact, around the world, there are ample instances whereby SP programs are available, but eligible beneficiaries do not claim the benefits because of a lack of knowledge about the programs, the high opportunity costs to claim benefits, and/or because of the perceived stigma associated with receiving social assistance.

[48] See: https://www.thoughtco.com/introduction-to-utility-maximization-1146939

Time can be allocated to increasing political and social assets. This can be achieved via different means of participation (e.g. participating in meetings and other social activities, political campaigning and contributions, protesting, voting). For some, livelihood activities related to political and social assets have a critical role in reducing poverty and vulnerability to poverty via related "*entitlements or claims*" (formal and informal). For some individuals/HHs, it is the main (re)source for survival. The complementarities and trade-offs between investing in and obtaining/maintaining political and/or social assets are critical in a world of radically changing political and social/economic relationships and responsibilities.

A major issue to consider is the difference between paid and unpaid work, and formal and informal jobs. This is particularly relevant for women, who tend to devote many hours to work, yet that work is often unpaid work (e.g., HH maintenance activities) and/or informal wage labor or self-employment. With forecasts of mechanization and automation lessening the overall demand for labor opens up the possibility of a shorter formal work day/week and more time for family, recreation, leisure, and hobbies. The changing way that people allocate their time to achieve well-being will also impact their decisions about sleep and leisure.

IV.C Risk Chain for SRM 2.0

The risk chain is a stylized presentation of the continuous, forward-looking sequential decision-making processes that HHs undertake.[49] HHs make decisions with respect to their assets and livelihoods portfolios and risk management strategies to achieve improved well-being outcomes. The sequential decision-making process for individuals/HHs takes place explicitly/cognitively and/or implicitly/instinctively. That is, even a decision to do nothing with respect to risk management is a decision. SRM recognizes the challenges that individuals/HHs encounter because of limitations on

[49] The risk chain was first presented and applied for SRM in Alwang, Siegel, Jorgensen, 2001, and Heitzmnann, Canagarajah, Siegel, 2002. In a review of literature on definitions and measures of vulnerability, Hoddinott and Quisumbing, 2008, also apply an asset-based and "risk chain" approach, citing the SRM literature as the source of this conceptual approach.

having "*accurate*" information about a) the probabilities of hazards/risks occurring, b) the risk exposure of different assets and livelihoods portfolios, c) potential risk impacts; and d) benefits/costs of different risk management activities. One of the objectives of SRM is to help improve the information base and decision-making capacities of individuals/HHs related to risk management. For SRM 2.0 it is assumed that future uncertain events can be "*bad", "good*", or "*neutral*". The conceptual framework assumes that individuals/HHs are risk-averse and devotes special attention to preventing/reducing negative events and impacts.[50]

The risk chain differentiates between ex-ante and ex-post risk management. Within ex-ante proactive risk management, a distinction is made between:

- Reducing the probability and/or severity of a negative event (reduce the risk of negative V(I)),
- Optimizing the asset and livelihood portfolio to:
    - Minimize exposure to negative events (lower negative V(I)), and
    - Maximize returns (increase E(I)),
- Risk Sharing: Setting-up planned arrangements to provide compensation for potential losses (insure against negative V(I)) [51].

Ex-post (i.e., reactive to an event) risk management includes *ad-hoc coping*, or unplanned coping activities to compensate for risk-related losses that are not compensated via risk sharing arrangements. Ex-post ad-hoc coping is associated with activities that try to smooth consumption by drawing down assets (i.e., asset dis-accumulation). SRM has always been focused on preventing ad-hoc coping activities

[50] A traditional SRM concern is that individuals/HHs that are poor and vulnerable to poverty choose low-risk, low-return assets and livelihoods portfolios; thereby reaching sub-optimal (and socially inefficient) outcomes. This is a justification for pro-active SRM driven by the public sector.

[51] The SRM 2.0 definition of risk sharing is different from the definition of risk sharing used in the forthcoming SP&J White Paper (Packard, et. al., 2019). The SP&J White Paper considers all risk management activities across the risk chain as components of risk sharing. For SRM 2.0 risk sharing only includes activities that are based on risk pooling and risk transfer; be they be provided through formal/informal or public/private mechanisms.

that degrade assets and decrease future income-generating potential (i.e., actions that decrease future E(I)).

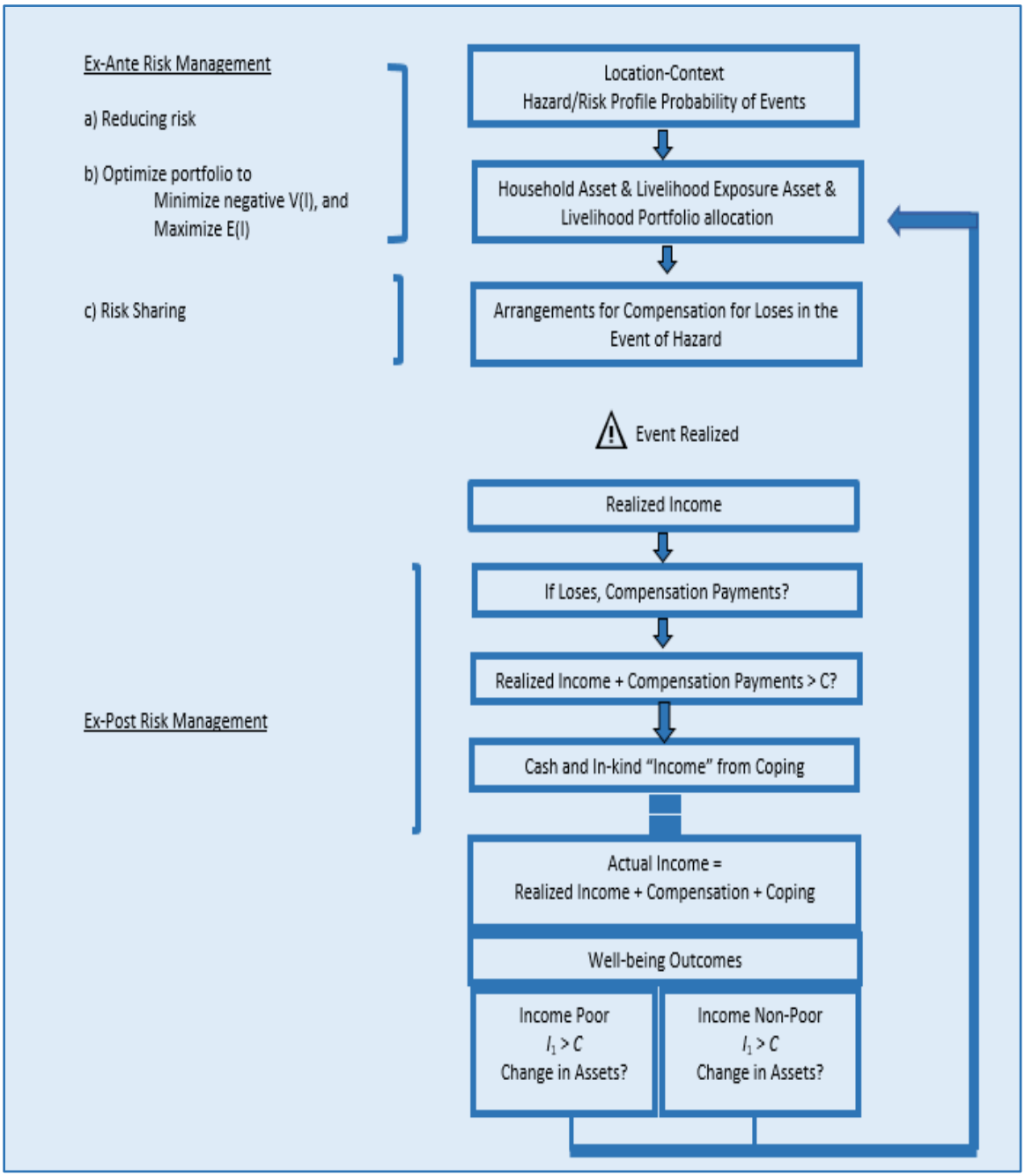
A graphic presentation of the spatial assets and livelihoods risk chain is presented in Figure 4.2. A continuous forward-looking decision process (with all the decision nodes and feedbacks) is difficult to present in a simple graphic. However, an attempt is made to highlight the major decision nodes and feedbacks. The major feedback is that the ending state of outcomes of one-time period - is the beginning state of opportunities for a new period. That is, the outcome at the end of a given period includes the individual/HH's income status as poor/non-poor and its assets and livelihoods portfolio.

It is possible that the hazard/risk profile of a given location-context has changed during the period. For example, there could have been large public investments in climate-proofing of infrastructure and/or new labor regulations that make it harder (easier) to fire workers and guarantee (or not to guarantee) them unemployment benefits *(Siegel, 2011b; Siegel, Gatzinsi, Kettlewell, 2011a).*

Ex-Ante Risk Management

Ex-ante risk management arrangements can be formal or informal, private or public, and local, national and global. All ex-ante risk management has both real and opportunity costs. It might be economically rational for individuals to depend on unplanned ad-hoc coping and not spend resources ex-ante to protect against something that might or might not happen. It is not always economically justified to act pro-actively and incur costs prior to assessing actual losses (if any). But, decisions need to be made with respect to ex-ante and ex-post strategies; notably with respect to insurance coverage.

Figure 4.2 Spatial Assets and Livelihoods Risk Chain



Reducing the probability of a negative event

Preventing a negative event from occurring and/or changing the probability that it will occur (i.e., changing the frequency) and/or its severity and spread can be very costly or impossible for an individual/HH. This is consistent with the assumption that the

hazard/risk profile of a given location-context is exogenous and given for the individual/HH decisionmaker. Hence there is a critical role for the public sector to try to prevent/reduce the hazard/risks from occurring (or to be less frequent, less severe, and have a more confined geographic spread). For example, while an individual/HH can decide to invest in skills to make it less likely that they will be unemployed, this does not change the overall risk of unemployment, but through asset building, the individual can improve their overall E(I). Alternatively, an individual can invest in unemployment insurance to protect themselves against reduced income, -V(I), which would be a form of risk sharing. Reducing the risk of unemployment requires good macroeconomic policies, etc.; which are generally beyond what would be considered SP. As discussed earlier, the one thing, an individual or HH can do, is to remove themselves from the place where risky events occur by migrating to another location-context.

There is sometimes confusion in the literature between what is meant by "*preventing/reducing risk*" (i.e., changing the probability of a risky event from occurring and its severity/spread) and "*reducing exposure to risk*" (i.e., changing the probability that a risky event will negatively impact the individual/HH via their assets and livelihoods portfolio once it occurs). Thus, the risk chain for SRM 2.0 differentiates between "*reducing risk*" (i.e., lowering the probability of a negative event occurring) and "*reducing risk exposure*" (i.e., reducing the potential negative impacts of an event once it occurs).

Optimizing Asset and Livelihood Portfolio

Optimizing the assets and livelihoods portfolio has two objectives:

- Minimize exposure to negative events (lower -V(I)), and
- Maximize returns (increase E(I))

Based on the probability distributions of different events, individuals/HHs can try to adjust their assets and livelihoods portfolio by considering their respective risk-return (i.e., V(I), E(I)) trade-offs. The process of a HH adjusting their assets and livelihoods

portfolio to achieve different risk-return trade-offs is often referred to as "*portfolio diversification*" *(Alwang and Siegel, 1999, p.23-26).*

For individuals/HHs there is a trade-off between maximizing E(I) and lowering V(I), especially for those in or close to destitution. Traditionally, many poor people choose lower risk but lower return asset/livelihoods combinations such as growing crops with low yields that are less prone to droughts or pulling children out of school to engage in low-income work today rather than invest in their human capital for a potential higher return in the future. To incentivize individuals/HH to move towards maximizing E(I), society should make available affordable and reliable risk sharing mechanisms that could compensate for negative V(I). For example, if an ASP program existed that would compensate poor and vulnerable rural HHs for income losses in the case of drought; and that could incentivize more risk taking and higher returns by investing in climate-proofing of infrastructure. Or, in the case of education, the existence of safety nets – possibly linked to keeping children in school - could ensure that families would make the decision to continue to invest in the human capital of their children as they are "*insured*" against short term income loss from the children not working. SP is increasingly devoting attention to increasing expected income E(I) and not just reducing downside risks -V(I); especially in ASP projects and PEI projects.

In short, even though the risk chain presents the decisions on the assets and livelihoods portfolio sequentially, the different risk management strategies need to be viewed in a holistic manner from the perspective of a policymaker. To enhance policy, it must be clear which of levels the policy is intended to address (as highlighted later in Table 4.3), but the interplay between policies at different stages of the risk chain is also important.

Risk Sharing

For the third segment of ex-ante risk-sharing, (often referred to as "*insurance*"), individuals and HHs can plan to receive compensation payments for potential losses (i.e., contingency-based payments) through various mechanisms (Box 4.4), depending on what is available to them and at what cost, including:

- Self-insurance using savings, credit, or liquid assets,
- Market-based insurance,
- Formal social insurance schemes,
- Informal insurance schemes via social networks, and
- Planned coping (i.e., public sector funded responsive SSNs).

Box 4.4: Risk Sharing: Risk Transfer and Risk Pooling

Risk transfer and risk pooling are fundamental concepts of all risk sharing, formal and informal. Risk transfer is the transfer of potential losses/gains from events experienced by a given individual/time/place to another individual/time/place. Risk pooling is the mechanism used to transfer risk from one individual/time/place to another, by aggregating the different hazards/risks and risk exposures. Risk transfer and risk pooling. Thus, the underlying reality is that *risk transfer and pooling recognize the heterogeneity and diversity of the hazard/risk profiles among individuals/HHs around the world*. Risk transfer and pooling allows for some of the higher costs associated with riskier situations for one person/place to be offset by the relatively lower costs of less risky situations facing other persons/places, and/or offset the timing of losses. In general, the larger the risk pool, the lower the costs for managing individual/HH risks. On the other hand, issue such as *moral hazard* (individuals/HHs sometimes adopt "unwise" risky (or less risk averse) behaviors when they have insurance (formal or informal). Also, there are problems with *adverse selection*, whereby individuals/HHs most at risk of losses seek insurance while those less at risk of losses or less at risk of poverty-inducing losses decide not to participate in the risk pool. Mandated insurance and/or government/firm provided insurance are strategies to avoid problems related to moral hazard and adverse selection. Large risk pools can counter the potential negative impacts of moral hazard and adverse selection on insurance costs. There is an increase in insurance and re-insurance products that try to draw upon multi-national and global risk pools when possible. It is important to note that informal insurances also include risk pooling and risk transfer, just that the risk pool and scope for risk transfer is very small and spatially limited. This is the reason that covariate risks tend to overwhelm informal risk pools and risk transfer mechanisms.

Self-insurance is the most common risk sharing strategy for many HHs and bridges the gap between asset allocation and accumulation, risk sharing, and risk coping. Deciding to keep some assets in liquid form to prepare for bad times usually means accepting a lower return in exchange for enhanced security. For many poor rural HHs there is often little access to formal savings, so assets are kept in small livestock, which are somewhat liquid, and whose value falls if a covariate shock occurs. Innovations in ICT should make mobile money and savings more widely available to the poor and vulnerable to poverty to help manage risks.

Market-based insurance is often unavailable to many of the poor and vulnerable to poverty. However, by pooling risk through cooperatives and associations, some groups

have managed to access the formal insurance market. Similarly, many microfinance initiatives include microinsurance or help pool risk across beneficiaries, at least for life insurance or other clearly identifiable events such as accident-related disability and childbirth. As with savings, innovative ICT should make pooling of risk considerably simpler. Social insurance schemes are most often linked to formal employment contracts (usually in the public sector and/or large private sector firms) and thus not available to the majority of HHs in the developing economies who participate in the informal economy.[52]

Informal risk sharing schemes are widespread among the poor and those vulnerable to poverty, but often costly and not effective. They range from investing in being a good neighbor or friend, so the social network will support you in case of a negative event, to more organized efforts such as burial societies or savings and loan groups.

Planned coping requires accessing public sector funded compensation schemes such as responsive SSNs to protect against a negative V(I). Establishing responsive and scalable SSNs with clear triggers for contingency-based payments that provide benefits require well-functioning early warning and rapid response systems. Such programs are increasingly common across the developing world but often suffer from low coverage and rather static registration systems that make it difficult to quickly scale up and access as an option for risk sharing.

For policymakers, it would be important to design scalable SSNs or other public interventions in a way that encourages pro-development risk management; possibly expanding use of parametric or index-based payments where compensation payments are driven by the occurrence of external events (e.g., weather-related events, price fluctuations) and not by the impacts per se *(Siegel, Gatzinsi, and Kettlewell, 2011a,b: Kuriokose, et. al., 2012; World Bank, 2016c; Hallegate, et. al., 2017)*.

[52] As noted in the WDR 2019 (World Bank, 2018b) and SP&J White Paper (Packard, et. al., 2019), even in richer economies formal labor contracts are under pressure and these models of risk management need to be rethought.

Ex-Post Risk Management (Hazard/Risk Event is Realized)

After an event is realized, a HH will know its actual income, I, that is equal to E(I) plus the sign and magnitude of V(I). The actual income is a function of the event and the risk management strategies undertaken. In addition, a HH may receive compensation in the case that they engaged in ex-ante risk sharing arrangements and meet the criteria for compensation. In the case of parametric insurance (formal or informal) compensation is paid based on the event irrespective of the impact (+/-V(I)). So, if payment is triggered by drought, for example, the compensation would be the same for everyone in a given area. Thus, HHs engaged in effective ex-ante risk management would receive the same payment as others even though the absolute value of their negative V(I) is smaller than others in the area, creating an incentive for good risk management. If compensation is based on impact (size of -V(I)) this can limit the positive incentive for risk management. Given that most risk sharing arrangements do not fully compensate for lost revenue or earnings, it is likely that the actual income including compensation is less than E(I). Thus, there might be a need for consumption smoothing and ad-hoc coping.

Ex-post risk management takes place after an event takes place; which is referred to as ex-post risk management or ad-hoc (unplanned) coping. If formal or informal risk management instruments are lacking or insufficient to raise HH consumption to the income/consumption poverty line, **C**, then HHs resort to:

Ad-hoc unplanned coping to try and smooth consumption including taking children out of school, skipping meals, eating cheap foods, selling off HH assets, reliance on charity, or other assistance.

Extremely poor HHs might aim to achieve consumption smoothing based on some "*survival line*" or "*destitution line*" below the official income/consumption poverty line. Near-poor transient poor HHs might try to maintain consumption by cutting back on "*normal consumption*" and by degrading some HH assets (that could hopefully be replaced in "*good luck*" years). Actual income is realized income plus compensation

from planned arrangements plus from ad-hoc coping. Thus, the real question is whether individuals/HHs are either:

a) non-poor $I_1 = (I^*_1 + Comp + Cope) > \mathbf{C}$ or

b) poor $I_1 = (I^*_1 + Comp + Cope) < \mathbf{C}$.

When looking at the entire distribution of events and the entire population, it is possible to consider savings and asset accumulation as an ex-post risk management strategy. That is, instead of focusing attention on activities that might degrade the assets and livelihoods portfolio and lower future expected incomes, non-poor HHs ($I > \mathbf{C}$) can save and accumulate assets to augment their assets and livelihoods portfolios in order to increase future expected incomes and/or lower future variability of income. The key to moving from vulnerability to resilience to poverty is the accumulation of assets and increasing returns to assets.

Risk Management at Different Levels

Risk management strategies by individuals/HHs are supported by policies and programs in the community, by local and national governments and by global or international organizations. The policies and programs supported can be SP or part of a broader public or social policy. As discussed above, there is little an individual or HH can do to change the probabilities of events, since they are largely fixed by the given location/context. As such, the location-specific hazard/risk profile is the responsibility of national or supra-national policies and programs. For instance, the risk of rising prices can be lowered by national monetary and fiscal policy or by trade agreements that lower tariffs. A HH can build up stocks of supplies (e.g., food staples) today to protect itself against rising prices, that is reducing the exposure to risk. However, they cannot reduce the risk itself and would, therefore, require an assets and livelihoods optimization approach (e.g., building assets).

Where the hazards or negative risks are generated globally, the local and national governments only have limited ability to help HHs manage risk. For instance,

globalization is often seen as threatening to the well-being of workers in non-competitive industries, or climate change generated by the large, richer economies and richer people in poorer countries disproportionally affects poor people in poor places. This would imply that funding for climate change mitigation and adaptation should be generated globally and allocated locally. Only by global action can the risk of weather- and climate-related hazards be reduced. In a world of multiple interconnected risks and uncertainties, including global climate change, there is a need for a global social contract. As such, to address global climate change – and its direct and indirect impact-, Siegel and Jorgensen, 2011; 2013, propose a globally funded, nationally managed, and locally implemented "risk-adjusted social floor". and Siegel, 2014, proposes guidelines for implementing a spatially determined "risk-adjusted basic needs package".[53]

Table 4.3 presents an example of the risk of low rainfall and illustrates how individual actions can be supported at different levels by Individuals/HHs, community actions, local and national governments, and international actors. It also illustrates how multiple sectoral policies can come together in a holistic manner to help manage the risk of poverty and vulnerability to poverty from low rainfall. Many of the policies and programs presented in Table 4.3 are not directly provided by SP, but SP can play an advocacy, organizing, and facilitating role, especially for risk sharing and both planned and ad-hoc coping. Table 4.3 highlights the critical linkages at all levels with respect to risk sharing, and the need to consider global risk pooling and a Global SP Fund (see also *Sepuveda and de Schutter, 2012*.)

[53] See Annex 1 for more details.

Table 4.3: Risk Management at Different Levels: Dealing with Low Rainfall

	Individual / HH	Community and Local Government	National	International
Ex-ante	Permanent Migration yes/no			
Prevent/Reduce Risk and Potential Loses				
Lower the Risk	Improve water storage Planned seasonal migration	Cloud seeding, tree planting Improve water storage Local early warning and awareness building	Climate change mitigation policy Cloud seeding, tree planting Water storage National early warning and Awareness building	Global climate change mitigation policies R&D to increase rainfall R&D to improve water use efficiency Global early warning
Optimize Portfolio	Good health, nutrition, sanitation Adjust/diversity asset & livelihood portfolio "climate-proofing" Drought-resistant inputs Planned seasonal migration	Health, nutrition, sanitation infrastructure Local land use planning, soil/land conservation, "climate-proofing" Local irrigation systems Local ag extension	Climate change irrigation policy Health, nutrition, sanitation policy National land use planning National irrigation systems National ag extension	Global climate change Adaptation policies Funds/expertise to support improved land use planning, soil and water conservation at national/local/HH levels
Risk Sharing	Savings Buy insurance Social networks (inside and outside local community), remittances Sign-up with social registry	Community savings and loans Mutual insurance Micro-finance insurance Maintain social registry	Support for micro finance/insurance Subsidize insurance for poor/vulnerable HHs Support national risk pools For risk transferring/sharing Responsive contingency based social safety nets ("planned coping") Create a social registry	Support for global insurance/reinsurance markets (including parametric insurance) Support global risk pools for risk transferring/sharing Responsive contingency based global safety nets ("planned coping") Global SP Fund
Ex-Post				
Ad-hoc coping	Skip meals Take children from school Set off assets Unplanned seasonal migration Receive transfers and charity	Unplanned community-based assistance Degrade community assets Advocate for emergency assistance	Unplanned social safety nets Emergency assistance	Global Emergency assistance

Chapter V: SOCIAL PROTECTION IN AN SRM 2.0 WORLD

This chapter summarizes key takeaway points to consider for SP thinking and practice. The world is getting more complex, moving from risk to uncertainty to potential disruption. As a result, around the world, there are increased perceptions of fear and insecurity about the future; and increasing expressions of a desire for a new social contract that includes more SP. Although most people around the world have greater expectations for the future, many also are less hopeful that they can meet those expectations. Overall, the increased anxieties about poverty and inequality are threats to social cohesion; locally, nationally, and globally.

The good news is that globally poverty rates are declining and there is less absolute poverty today than before, except for Sub-Saharan Africa where the number of poor people is increasing. The other good news is that SP has expanded and evolved and proven itself to be effective at addressing poverty gaps and reducing vulnerability to poverty; and in some cases, promoting and enhancing sustainable resilience to poverty. In practice, SP systems are increasingly serving as a multi-sector targeting and delivery platform, with movement toward income/cash +++ with a package of income support, plus asset building, plus, risk management; plus, personalized "*caring*" or "*coaching*". The same potentially disruptive forces related to ICT (notably digital technologies), that are driving some of the anxiety about the future, can also help better target and deliver SP programs.

This Chapter summarizes the key messages from SRM 2.0 and discusses how SRM 2.0 could change the thinking and practice of SP. The Chapter has four main sections:

- SRM 2.0 key messages,
- SP programs in an SRM 2.0 world,
- SRM 2.0 bridges justice-based poverty reduction approaches, and human rights approaches to SP, and
- SRM 2.0 points to a global approach to SP.

V.A Key messages of SRM 2.0

The key takeaways from the SRM 2.0 spatial assets and livelihoods approach to HH well-being are:

a) Location and the context are critical for HH options, choices, and outcomes,
b) Assets and asset accumulation are key to sustainable resilience to poverty,
c) Vulnerability and resilience to poverty are "*two-sides-of-same-coin*",
d) HHs face both good and bad events and outcomes, and
e) Where a HH is on the risk chain matters.

Location and the Context are Critical for HH Options and Choices

Where a person is born and lives has a preeminent impact on HH well-being. SRM 2.0 highlights the critical importance of location-context for considering individual/HH options and choices to achieve well-being. The most basic decision that an individual/HH makes throughout their lifecycle is related to their location; and whether to migrate temporarily or permanently. As is said, "*change in place, change in luck*".

Assets and Asset Accumulation are Key to Sustainable Resilience to Poverty

Building and diversifying the HH assets and livelihoods portfolio and asset accumulation are critical for sustainable resilience to poverty. This is a natural evolution for SP from the early focus on income and consumption smoothing with cash and in-kind transfers, to productive safety nets, ASP, and PEI programs that directly focus on building HH resilience through a combination of consumption support, asset building, and improved risk management capacity; to promote risk-taking and prevent back-sliding. Income - the return to assets - is obviously still important, but in today's more dynamic world SP programs need to shift from only focusing on current income to also focusing on future expected income, E(I) and the future variance of income, V(I). This means focusing more attention on the assets and livelihoods portfolio and devoting more attention to

asset poverty than income poverty. The recent paper by *Phadera, et. al.,2019*, highlights these points.

SRM 2.0 not only emphasizes the need to focus on assets but also redefines the traditional livelihood assets that were identified over 25 years ago for rural HHs as part of the Sustainable Livelihoods Framework. SRM 2.0 highlights the need to consider tangible assets and also intangible assets like political and social assets. Political assets are formal networks and associations that enable access to formal services and/or create entitlements. Having citizenship is one such asset. Social assets are the informal networks and associations that are related to relationships with the (extended) family and friends and membership in socio-cultural groupings.

SRM 2.0 proposes an updated set of tangible assets. Homestead assets and HH durables are separately presented (as opposed to being lumped together with physical assets like equipment, machinery, and tools). SRM 2.0 also includes connectivity assets (i.e., ICT devices like mobile phones and transport). Biological and natural assets are also differentiated, and attention devoted to the importance of biological/natural assets that are "*common property assets*"; including global environmental quality. The existence (or absence) of homestead assets, HH durables, connectivity assets, and biological/natural assets have major implications for HH livelihoods and well-being. This re-grouping of assets also highlights the potential to identify and quantify a "*minimum assets and livelihoods portfolio*" (or "*minimum asset portfolio index*") that is needed to achieve sustainable resilience to poverty.

For SRM 2.0 the definition of human assets goes beyond the tangible aspects (e.g. age, sex, education, work experience) to also include intangible dimensions of human assets that are related to "*personality*" (e.g., personal characteristics related to ambition, entrepreneurship, and perspectives on risk aversion/risk taking). This highlights the need for a more individualistic approach to trying to understand individual/HH decisions and choices in achieving well-being. In SRM 2.0 assets and livelihood activities are explicitly linked as they are in the real world, and livelihood activities are defined as all

activities (including recreation and sleep) that individuals/HHs undertake to achieve desired well-being outcomes. This is a new way to consider livelihood activities[54] as an individual/HH's time use allocation over their lifecycle. This is important in an era when the nature of (paid and unpaid) jobs and work and time use (for work and non-work activities) are changing.

Vulnerability and Resilience to Poverty are "*Two-Sides-of-Same-Coin*"

Traditionally, there has been an artificial and arbitrary differentiation between vulnerability and resilience to poverty. SRM 2.0 unites them for future SP thinking and practice, by explicitly addressing vulnerability and resilience to poverty as "*two-sides-of-the-same-coin"*. Broadening the perspective of SP to consider both reducing vulnerability and increasing resilience, focuses more attention on the causes and cures of poverty, including strategies to enhance resilience to poverty. One of the reasons for the semantic shift in the development and humanitarian communities of practice from reducing poverty to increasing resilience was to be more optimistic about the possibilities of helping individuals/HHs exit from poverty rather than just helping them be less poor.

SRM 2.0 presents a typology of 4 HH groups based on being poor/non-poor in the present and vulnerable/resilient to poverty looking into the future. This typology of HHs includes everyone in a society; the chronic poor, the transient poor (either entering or exiting poverty), and those who are always non-poor (i.e., resilient to poverty) except when facing a catastrophic loss. Considering all 4 HH groups is needed to consider issues like *"universal SP*" versus "*universal SP for all in need*", issues related to targeting, and for considering the political economy of financing SP.

[54] In reality, it is an old way of viewing economic activities by individuals/HHs. It is very much a "utility maximizing" approach where utility is related to well-being and "happiness".
See: https://www.thoughtco.com/introduction-to-utility-maximization-1146939

Both Good and Bad Events Happen

For SRM 2.0 the entire distribution of events and outcomes - negative, positive, and neutral – are considered. Traditionally, SP has tended to focus on addressing negative events ("*downside risk*"). By including the entire distribution of events, it is possible to also consider how positive events (i.e., *"upside risk*") impact HH decision-making and outcomes; including the generation of savings and options for asset accumulation. This allows for a more holistic *Theory of Change* for understanding vulnerability and resilience to poverty. SRM 2.0 defines downside risk as "bad luck" and upside risk as "good luck". Use of the term "luck" highlights the assumed exogeneity of the hazard/risk profile for a specific location-context. In reality, it is important to recognize the fact that some "luck" is indeed influenced by endogenous HH decision-making and choices; and an important role of SP is helping individuals/HHs who are poor or vulnerable to poverty to make better decisions and choices.

Where a HH is on the Risk Chain Matters

For policy design, it is important to know what stage of the risk chain a program is intended to help. The SRM 2.0 risk chain includes the following elements:

- ex-ante *prevention or reduction* of the probability or severity of hazards/risks,
- ex-ante *management of assets and livelihoods portfolio* to lower risk exposure and to maximize returns (e.g. invest in assets, diversify assets and livelihoods),
- ex-ante *risk sharing* arrangements to ensure compensation for possible future negative events (formal and informal insurance and planned coping); and
- ex-post ad-hoc unplanned coping.[55]

For SRM 2.0 the risk chain explicitly considers the reduction of hazard/risk exposure as different than reducing the probability or severity of the hazard/risk itself. To change the probabilities of events from occurring (i.e., the frequency, severity, spread of

[55] In the original thinking on SRM, a) was called risk reduction, c) was called risk mitigation, and d) was called risk coping. There was no explicit differentiation of b), which was implicitly included in c).

events) usually requires policies and investments beyond the individual/HH. To adjust the exposure to risk and maximize returns via the assets and livelihoods portfolio are more within the control of an individual/HH.

For ex-ante risk management, SRM 2.0 distinguishes between assets and livelihoods portfolio optimization and risk sharing for two reasons. One, the instruments to support each often differ; and second, considering both positive and negative events means it is useful to distinguish between protecting against negative events (risk sharing) and preparing for both good and bad events (optimizing the assets and livelihoods portfolio). SRM 2.0 explicitly includes "*planned coping*" (e.g. investing in social and political assets, saving for a "*rainy day*", social insurance, commercial insurance, or signing up for an SSN program or social registry) under risk sharing. In earlier iterations of SRM no distinction was made between ex-ante planned coping and ex-post ad-hoc coping; with both being considered as ex-post strategies. Responsive safety nets with contingency finding are an example of planned coping, whereas emergency humanitarian assistance is an example of unplanned coping.

For the SRM 2.0 risk chain, it is important to also consider other actors than the HH. Although the Individual/HH is the center of interest, for a social perspective on risk management it is critical to consider how individuals/HHs interact with their local community as well as local and national governments. In our increasingly integrated world, global perspectives and global actors should also be considered, especially for risk pooling and insurance.

V.B. SP in an SRM World, Key Takeaways

Based on the key takeaways from the SRM 2.0 framework this section discusses what the framework would mean for targeting SP and the types of SP programs to emphasize. The first point to highlight is that SP should be seen as only one part of the social policies and programs that support the SRM framework. Broader social policy such as universal health coverage, universal access to quality education, universal access to water and other basic infrastructure and services is essential for meeting the goals of

SRM 2.0. The extent to which SP can help "*level-the-playing-field*" for a given society and provide more equitable opportunities to poor and non-poor HHs (in addition to more equitable outcomes) needs to be considered in tandem with the social costs of poverty; including the costs of a society's criminal justice system. Part of a given society's social contract for SP is to protect Individuals/HHs from being poor, but SP also has a role to protect society from the cost of poverty such as social unrest and crime (see Box 5.1).

Box 5.1: Building Equality and Opportunity Through Social Guarantees

"Good social policy must promote horizontal or vertical integration so that everyone has a chance to 'make it'. If individuals of groups feel excluded and see little to gain from globalization and national growth, ownership is limited and there is a danger of losing social cohesion, which can result in social unrest." (Jorgensen and Serrano-Berthet, 2009, p.51) "These trends call for an expansion of the concept of social policy toward a comprehensive 'social contract' [i.e., social guarantee] moving away from the model of state or market provision of welfare services to beneficiaries, to a contract between the state and citizens with rights and responsibilities for both." (ibid p. 46) The debate is not targeting versus universalism but targeting that meets the citizenship test; "targeting within universalism". (*ibid, p.58*)

Targeting of SP Programs in an SRM 2.0 World

Many SP programs are targeted to reach those most in need, either through categorical targeting of vulnerable groups (e.g. based on age or disability status), geographic targeting (e.g. poorest or most disaster-prone areas) or individual/HH poverty targeting (either community-led or based on surveys). Increasingly, the tendency has been to target HHs by poverty, often using proxy means testing, where a HH's assets or livelihood options are used as a proxy for income-generating potential.

In an SRM 2.0 world, it would be important to include in the targeting database (i.e., social registry) both the income poor, $I < \mathbf{C}$, and the asset poor, $E(I) < \mathbf{C}$. Solely focusing on the currently income poor would lead to exclusion of people that are vulnerable to poverty (and asset-poor) and suffer from transient poverty. Traditionally, the emphasis has mainly been put on avoiding errors of inclusion ("*non-deserving*" beneficiaries), SRM 2.0 would argue for more emphasis on avoiding exclusion errors (excluding deserving

beneficiaries) to ensure that both the poor and those vulnerable to poverty are included.

If properly adjusted, proxy means testing could be used, not only as a proxy for income but as a measure of asset poverty (e.g., an asset portfolio index) using the expanded types of assets presented in Chapter IV. Similarly, for geographical targeting, it would be important to look at the different elements of the location/context and its hazard/risk profile for targeting, not simply looking at income levels or poverty rates and numbers in a geographical area. It is possible that a localized minimum assets and livelihoods portfolio could be determined using data on individual/HH income and assets.

SRM 2.0 would also lead to more targeting based on lifecycle events, notably targeting by age. An increased emphasis on building assets and preventing asset degradation will mean that categorical targeting by age will be more appropriate at both the beginning and end of the lifecycle.

Substantial evidence exists on the importance of early childhood development.[56] Nutrition and good health in the first 1,000 days (from conception to the second birthday) are critical for brain and body development and any damage is largely irreversible. The high cost and irreversibility of the damages from deficient early childhood development means that the social benefits of child grants that enable access to appropriate basic services are very high. This, combined with the lack of empowerment and agency of young children, would imply that some form of universal benefit would be appropriate. Many countries have child grants programs, but few are still truly universal according to a recent report by UNICEF and ILO.[57]

For older people, there is already a move to provide (non-contributory) social pensions, which are equivalent to social assistance (i.e., a type of UCT for older people). There is a

[56] See for instance Nadeau, Sophie; Hasan, Rifat, 2016.
[57] UNICEF and ILO, 2019.

strong argument in terms of fairness (e.g., service to society over lifetime) - as well as support for risk management - to aim towards universal provision of at least some minimum income guarantee for all people over a certain age. Once a person reaches old age in poorer societies, their care is likely to be a burden on the HH. To avoid negative coping strategies like pulling girls out of school to take care of an elderly person, it would be better to provide a grant to the HH. In other words, the social benefits exceed the social costs of a reasonable old-age grant. The cost of poverty targeting may not justify the benefits of fewer inclusion errors if the age limit is set high enough. The ongoing social pensions program in Uganda, which provides universal benefits based on age, is an example in a developing country setting.

For grants to children or older peoples, the operational question becomes one of how to achieve universal coverage and sufficient benefits over time. Should SP programs ensure progressive realization by starting with the poorest regions, poorest villages, poorest local government areas, or poorest HHs? In Myanmar, for example, the Government has decided to provide child grants of a certain size to all pregnant mothers and mothers of children under age two. However, given the budget constraint, they needed to restrict the program to the poorest districts of poorer states. In Uganda for the social pension, it has been agreed to expand the program, the ongoing debate is now how to do it. Possibly by expanding in the few areas where it is operating by lowering the age limit? Or by keeping the age limit and expanding to other poorer districts? Or by raising the age limit and making the program country-wide?

Traditionally, SP programs have supported risk management (especially consumption smoothing) for both poor and non-poor individuals/HHs. Given the high social cost of poverty and vulnerability to poverty, there is broad agreement that publicly financed programs should target the poor and those vulnerable to poverty; with both income and asset support, and improved risk management capacity.

There is an ongoing debate about the role of SP with respect to helping non-poor individuals/HHs who experience income shocks that are not large enough to be poverty-

threatening (i.e., "*non-impoverishing losses*"). *Barr, 2001,* states that it is important for SP to have two major functions: a) the "*Robin Hood*" function which is about the provision of poverty relief, the redistribution of income and wealth, and the reduction of social exclusion (i.e., for the poor and excluded); and b) the "*Piggy Bank*" function which ensures that there are mechanisms for insurance and for the redistribution of income over the life cycle (i.e., consumption smoothing for all). Barr's distinction reflects the situation at the end of the 20th century. It reflects how SP was focused on middle- and high-income countries as well as the prevalent set of SP instruments and objectives at that time. It also reflects the prevailing political economy of the time where "*Robin Hood*" type spending was generally not considered as productive investments. With the changes in political economy in the last decades, the spread of SP to poor countries and the emergence of SP interventions that explicitly invest in resilience to poverty – the balance between the *Piggy Bank* and *Robin Hood* roles of SP should be revisited. Given the need for a major global effort to deal with the remaining deep pockets of chronic poverty with a package of income support, asset building, improved risk management capacity, and caring/coaching on the one hand and prevailing budget constraints, on the other hand, an SRM 2.0-inspired approach to SP would tend to downplay the public sector role in consumption smoothing for non-impoverishing losses for HH Group #4, and focus on assisting HH Groups #1, #2, and #3.

Types of SP Programs in an SRM World

SP programs have traditionally been divided into social assistance (or safety nets), social insurance, and labor market programs (Chapter II, Box 2.1). This distinction is increasingly getting blurred in practice and is not based on a coherent conceptual framework. Programs that are called "*safety nets*" often provide not only safety nets against falling into poverty but also promote investments in assets or include programs to enhance livelihoods and increase incomes. Similarly, "*social insurance*" programs, although in theory contributory, are often financed, to a large extent, by general taxes and thus are more like social assistance; although not necessarily targeted to the poor

or vulnerable to poverty. On the other hand, many labor market programs, such as retraining, are often linked to conditionalities under safety net programs[58].

In contrast, in an SRM 2.0 world, SP programs can be divided into three broad categories based on their objectives:

- Asset and livelihood building programs: increase expected income E(I) and minimize the negative variance of income, -V(I),
    - For example, productive safety nets, ASP and productive economic inclusion,
- Risk sharing programs: insure against -V(I)
    - For example, contributory social insurance, and other programs that directly provide insurance; or help improve the functioning of informal insurance mechanisms
- Poverty alleviation programs: bring I closer to **C**,
    - programs that try to fill the poverty gap I < **C** and bring poor people up to the poverty line. These are the traditional social assistance programs.

Asset and Livelihood Building Programs

SRM 2.0 inspired SP would prioritize programs that emphasize building assets and livelihoods and risk management capacity to ensure sustainable resilience to poverty. This would represent a continuation of the evolution of SP programs moving from cash or in-kind transfers, to asset transfers, to coaching and other personalized "caring" services ("cash ++++")[59]. A program that builds assets is often easier to support politically either because: (a) it only provides assistance when "good" behavior is observed (i.e., the condition in a CCT is met); or (b) it explicitly helps combat dependency by investing in increasing E(I). On the down-side - if only (higher) costs are considered and not the potential sustainable impacts on poverty reduction – it is clear

[58] See "SP&J White Paper" (Packard, et. al., 2019) for a discussion from a labor markets perspective. For instance, in Chapter 3 they note: "An immediately obvious observation is that to achieve the specific objectives of preventing poverty and covering potentially impoverishing losses, the de-jure distinction between "contributory social insurance" and "non-contributory social assistance" will have to be blurred and possibly, eventually abandoned entirely. Through the lens of public economics, the distinction is secondary and cosmetic, if not largely irrelevant to how benefits are de-facto financed. Indeed, the current distinction between "contributory" and "non-contributory" has little actual meaning in countries where the largest, most consistent and often growing source of financing for "contributory" benefits are transfers from governments' general budget and revenue. In the worst cases, maintaining the distinction can be a source of exclusion with regressive distributional outcome."

[59] See Chapter I.

that asset-building programs are more expensive per individual/HH than traditional income/consumption support programs. Fortunately, with the global decline in poverty, there should be more resources available for each poor individual/HH; wherever they might be located. While this argument in favor of higher per-capita cost SP programs might be challenging for poorer countries, it is valid at a global scale and an argument for global approaches to SP (more in Section V.D).

A challenge facing asset-building programs is that SP alone can't improve opportunities but depends on other sectors to provide the services (such as quality education). A multi-sectoral approach is required. In practice, SP platforms are already serving - and should continue to serve - to enable individuals/HHs that are poor and vulnerable to poverty to access other programs. For example, in education, SP could provide direct support such as: enforcing soft or hard conditionality of cash transfers for attending school, provision of cash for uniforms, or school lunch programs. SP platforms play a critical role by enabling education ministries to better target their assistance by identifying individuals/HHs that are poor and vulnerable to poverty; and by understanding their needs. SP platforms also help empower beneficiaries to demand better services. In Mexico for example, the Progresa programs trained beneficiaries to hold service providers accountable for the quality of services provided.

Asset and livelihood building programs should not only consider how negative events could be better managed but also enable HHs to be in the best possible situation to benefit from upside risks and opportunities for savings and asset accumulation. A "*no-regrets*" approach to SP (Box 5.2) that focuses on basic income/consumption needs and on the accumulation of basic assets will help HHs both better manage negative events and benefit more from positive events. For instance, strengthening of core skills – including socio-emotional skills - helps individuals/HHs be better prepared to manage both negative and positive impacts of events; including those associated with globalization. By assuring that everyone has access to basic services that are needed for improving human well-being no matter what the future state of the world, the negative

variance of income. -V(I), can be lowered and the positive variance of income, +V(I), can be increased and sustained increases in E(I) can be promoted over time.

Box 5.2: "No Regrets" Approach to Human Vulnerability

A "*no regrets*" approach focuses attention on investments and actions to lower human vulnerability and increase human resilience to multiple hazards/risks that would be robust under a wide range of future scenarios. In the context of global climate change, *Heltberg, Siegel and Jorgensen. 2009,* conclude that a "no regrets" approach addressing present climate variability and poverty – focusing on the poorest and most vulnerable to poverty - would be the best strategy to address uncertainties about future impacts of global climate change. As such, the "no regrets" approach points to the need to invest in improving human capital, basic health and nutrition, access to water and sanitation, early warning and rapid responses systems, etc. Some authors prefer the term "low regrets" rather than "no regrets" because there are always opportunity costs. *Kurkiose, et. al.* , 2012, (p.7) note that "*effective low regrets measures include early warning systems, land use planning, development and enforcement of building codes, improvements to health surveillance, and ecosystem management and restoration.*" *The idea behind a "no regrets" or "low regrets" approach is that decisions need to be made in the present about an increasingly risky and uncertain future; and that the potential social cost of omission (not making the investment) is greater than the social cost of making an unnecessary*" or "*wasteful"* investment. More details about the "*no regrets*" approach can be found in Annex I in the discussion of applications of SRM 1.1 to address the multiple risks and uncertainties associated with climate change.

Asset building programs should provide an integrated package of services. For example, an integrated package of services for early childhood development has proven to be very effective in improving malnutrition in Peru[60]. Such packages vary from country to country but often involves cash grants, early learning and stimulation, growth monitoring and health services.[61] As early as 2012 one study found generally very positive outcomes from SP on child health[62] and later studies have backed this up. A similar case for "packaging" of services could be made for older people. There is already a trend towards SP taking the lead on old age care in addition to taking the lead on pensions (a major traditional focus of SP&J), especially in East Asia's aging societies. Going forward, a "*longevity package*"[63] of interventions including cash, caring and lifelong learning for older people should be explored.

[60] World Bank, 2017. Young Lives, 2012.
[61] Similar programs also exist in Rwanda, Mozambique and Indonesia.
[62] Yale University, 2013.
[63] This term was coined by Ruslan Yemtsov, SP&J, World Bank.

Risk Sharing Programs

The category of risk sharing or insurance programs includes many traditional SP programs such as insurance against old age poverty through pensions. In an SRM world, programs with insurance objectives would continue to have a big role to play. In expanding SP insurance programs, there are several promising avenues to explore, such include linking community groups with private insurance as SEWA has done in India and linking life insurance to participation in microfinance programs as BRAC and others do. It is also promising to link catastrophic bond payments directly to financing of SP programs for those affected.

Social insurance programs have been a major focus of SP programs and are still core to the definition of SP for the ILO. Social insurance is traditionally defined to be contribution-based (from employers and employees) insurance against unemployment, sickness, and low income in old age. These arrangements depend largely on the standard formal employment contract that was never prevalent in poorer countries and is under pressure in the rest of the world. In many developing countries social insurance schemes are heavily subsidized by general tax revenues. As they generally cover only a relatively small share of the population with a HH member in the formal sector, this might lead to a regressive subsidy. In an SRM world, there is still scope for truly contributory systems to focus on income smoothing, while the other objectives are better pursued by tax-based systems. This is consistent with the SP&J White Paper *(Packard et. al., 2019*) which states in the introductory section. *"The key, departing principle proposed in this white paper is that the poverty-prevention and any other income redistribution objectives (i.e. "vertical redistribution") be explicitly and transparently pursued with instruments financed from broad-based taxes. Statutory employer and employee contributions should be reserved only to finance consumption-smoothing instruments with actuarially-fair parameters (i.e. "horizontal redistribution")."*

There have been important innovations in finance and insurance markets; in addition to the introduction of digital technology for improved connectivity which has transformed access to finance/insurance and markets. The innovations include the use of early warning systems along with new risk pooling and transfer mechanisms and the use of parametric insurance (i.e., index-based insurance) [64]. These innovations can improve access and lower the costs of finance and insurance for individuals/HHs and have made it possible to pay compensation based on the event occurring rather than on the actual impacts. With parametric (or index) insurance, a payment is made to a whole community (or to the poor in a community) affected by fall in rainfall below a specific "*trigger*", irrespective of the impacts on the individual/HH. This incentivizes good asset/livelihood and risk management and avoids moral hazard associated with traditional forms of insurance.

Poverty Alleviation Programs

While the asset building approach would naturally lead to a focus on asset and livelihood building programs, the pure social assistance objective of consumption support is still very valid especially for the chronic poor close to the survival threshold. For these individuals/HHs any assistance is essential to avoid ad-hoc coping strategies that would result in permanent damage and an ever-decreasing E(I) over time even without bad luck, V(I). SP programs need to prevent a shock from leading to *irreversible damage*. Examples of such negative ad-hoc coping mechanisms include a subsistence farmer eating seeds meant for planting or drawing down human assets by cutting back on the number of meals and/or quantity/quality of food consumed. The clearest example of such long-term, irreversible negative impacts is malnutrition resulting from skipping meals for children younger than three years old. In some societies, HHs are so destitute that they explicitly draw down on their human assets by selling children or committing suicide to get out of debt.

[64] See Siegel and Jorgensen, 2011, Chapter VII (pages 40-44) and Siegel, 2014, Chapter 3 Sections 3.3-3.5 and Chapter 4 (pages 31-44) for a review of these innovative finance and insurance instruments.

Programs that alleviate poverty should be designed to explicitly de-incentivize negative coping behaviors, in addition to providing poverty alleviation. This could take the form soft or hard conditionality such as only providing social assistance to HHs who keep their children in school, or by providing cash plus caring (e.g., cash plus information about the need for early childhood development to ensure a better future for their children). It could also mean incentivizing private savings, by placing a share of the social assistance in a savings pool, thus building assets while providing relief such as is done in the Tanzanian SP program whereby a portion of each (small) grant to the women of the poor HHs in the village is put into a mutual savings and loan fund that is administered by the women themselves using traditional revolving credit methods.

V.C SRM 2.0 Bridges Human Rights and Poverty Reduction Perspectives

While SRM 2.0 remains firmly a social justice approach to SP, it can help bridge the gap between more traditional social justice or poverty reduction perspectives on the one hand and human rights perspectives on the other. Table 5.1 sets up some stylized facts about poverty reduction and human rights perspectives and illustrates how SRM 2.0 helps bridge the differences. This could help facilitate the implementation of global partnerships that include organizations with different perspectives (for examples of such partnerships see Section II.C)

The World Bank and other agencies with a poverty reduction mandate have traditionally also regarded SP through a social justice lens, whereas many UN agencies follow a human rights approach. The poverty reduction approach[65] to SP points to societies' obligations to try and help the individuals/HHs that are the poorest and most vulnerable to poverty; those "most in need of help". On the other hand, most UN agencies use rights-based justifications for SP; which corresponds more to "Universal SP for All" *(*see *Gentilini, Grosh, and Rutkowski, 2019* for a discussion). The rights-based approach points to societies' global obligations to guarantee minimum levels of well-being for all.

[65] The poverty reduction approach can be viewed as a Rawlsian social justice perspective as argued in Siegel and Jorgensen, 2013.

The different definitions of SP by different institutions presented in Chapter II reflect some of the underlying tensions between human rights and social justice-based poverty reduction approaches to SP.

Basing SP entitlements on human rights arguments is not very realistic in a world that does not consistently enforce human rights at national or international levels. On the other hand, poverty reduction is often only directed at citizens of a society[66], and there are increasing amounts of non-citizen residents (documented and undocumented) in many countries.

The concerns that poverty targeting for SP can be inaccurate and/or demoralizing for beneficiaries needs to be revisited and innovative solutions found for targeting and delivery of SP as opposed to just giving similar cash grants to everyone (e.g., like an identical UBI for all). If poor people are identical to non-poor people than targeting and conditionality is not really needed. But, part of exiting poverty and becoming more resilient (less vulnerable) to poverty might entail a change in attitudes and behaviors. For many SP interventions, it is not only the "cash" but the "caring" (i.e., training, coaching, personized attention) that individuals/HHs really need and also value. In addition to recognizing the importance of intangible assets (e.g., social and political assets) and the intangible dimensions of HH well-being (e.g., sense of security, hopefulness for the future), it is also important to recognize the importance of an intangible such as "caring" (i.e., a "human touch") as highlighted in Box 2.3. However, human rights advocates often equate attempts to transform a person as being overly paternalistic/maternalistic; and possibly a source of shaming/stigmas because of the underlying assumption that "something is wrong and needs to be fixed"; as opposed to "the system is broken and needs to be fixed". For SRM 2.0 it is suggested to move beyond the ideological labels and consider poverty targeting and unconditional

[66] The program to promote unique basic IDs for all, in a group of West African countries, is a noteworthy exception that shows progress in a group of poor countries.

Table 5.1: SRM 2.0, Poverty Reduction and Human Rights Approaches to SP

Approach to SP	Poverty Reduction (Social Justice Based)	Human Rights Based	SRM 2.0
Justification	Reduce poverty defined as society-specific and subject to change over time	Meet universal human rights that are "fixed" and not specific to a given society or time	Based on concepts of global social justice and basic needs
Responsibility	Individual/HH responsibility to provide for self with assistance from greater society based on social welfare function Individual/HH responsibility for actions that are socially acceptable	Societal responsibility to provide for individual/HH No explicit demands on individual/HH responsibility for actions	Joint individual/HH and social responsibility through a social contract Social contract (including social guarantees) is part of comprehensive social policy
Eligibility for Benefits	Universal SP for all in need Poverty targeted	Universal SP for all Universal (possibly with some categorical targeting), for all	SP Coverage for All, and SP Benefits for All in Need Targeted and/or universal as appropriate.
Conditionality of Benefits	Benefits are conditional on behavior change (like CCT)	Benefits are unconditional (UCT)	CCTs and/or UCTs benefits depending on the "problem" and perceived need for behavior change
Addressing Exclusion	Promote inclusion by reaching unserved groups with SP	Promote universal human rights – ensure entitlements for all	Promote social and economic inclusion for all
Benefits Package, opportunities and/or outcomes	Personalized "holistic" approach to SP package of social services adjusted for individual/HH characteristics. Income poverty approach, with focus on outcomes through assistance and insurance.	Impersonal equal treatment approach. Same benefits package for all, with possible personalized adjustments for "vulnerable groups" and "excluded" Focus on outcomes as deviations from universal standards	Location-context specific, personalized approach to SP with package of income support, assets and livelihoods portfolio building, and risk sharing Asset poverty approach (focus on both opportunities and outcomes)
Coverage, impacts	Focus on impacts for beneficiaries to assess progress towards income poverty reduction Targeting with focus on errors of inclusion.	Focus on uniform grants, progressive realization towards 100% coverage. Impacts only important to compare with entitlements.	Simultaneously focus on the coverage, benefits provided, and impacts on HH well-being (both income and asset poverty) Focus on errors of exclusion

and “caring” or “coaching” when appropriate and universal unconditional benefits when appropriate, as discussed in section V.B.

In terms of accountability, traditional poverty reduction approaches place a great deal of importance on individual responsibility; with the state helping because it is a net social benefit (i.e., social benefits are greater than the social costs) to alleviate poverty and vulnerability to poverty. For human rights proponents, the individual is the rights holder and the state has an obligation to provide SP for all; no strings attached. For SRM 2.0, there is a need for a social contract that is a two-way street, with the state providing support in return for “good behavior” by individuals/HHs such as nutritional/educational goals for children and respect for the property rights and human rights of others.

V.D Global SP and a Global Social Contract

Both human rights and traditional social justice or poverty reduction perspectives assume a nation-state perspective in their recommendations for SP (Table 5.1). Similarly, this chapter has presented SRM 2.0’s key takeaways with respect to national programs, as they are the most prevalent today. Even the “global” agreements on SP and the SDGs (including the need for national SP Floors) take a national perspective while calling for global support for universalizing SP in each country. As discussed earlier, the social contract discussion has been revived around the world, however, the social contract is usually discussed only in national terms. Given the global spread of risks and uncertainty and potential disruptions, the global integration of economies, the global reach of expectations through social media, the global reach of terrorism, conflict and diseases – all by-products of poverty or exclusion -it may be time to consider a global social contract with a global risk pool and a global SP fund.

A global social contract could be one where the international community promises the residents of the Earth to guarantee a lifecycle and risk-adjusted basic needs assets and livelihoods package based on principles of “no-regrets”. The global community would guarantee the risk-adjusted basic needs package based on national/local definitions of

asset and income poverty. The risk-adjusted part of this guarantee could be based on a re-insurance model building on existing catastrophic bonds, with the international community paying the insurance premium, or by providing options for self-insurance depending. Innovative applications of parametric (i.e., index-based) insurance program could provide the best incentives for risk management. The basic needs package would need to be revenue-financed either through contributions from richer countries or through a global tax and risk pool. In return, the international community could have lower global costs associated with poverty and exclusion (including private and social costs associated with crime and conflicts, and migration driven by desperation).

Such a global program could be affordable. While there are no estimates of the global cost of guaranteeing the basic needs package, according to researchers at the Brookings Institution[67] the cost of transfers required to lift all poor people's income up to the global poverty line of $1.90 a day was approximately $80 billion in 2015. In comparison, global airline revenue in 2015 was estimated at 721[68] billion; so that a 12 percent tax on air travel could be enough to cover the poverty gap. As a thought experiment, a global UBI set at the poverty line of USD 1.90 a day - that is giving every person in the world USD 1.90 a day - would cost about 7 percent of global GDP.[69] It is not the intent of this paper to enter into the details of how much it would cost, but only to highlight the fact that the costs of proactive actions to address the costs of global poverty and vulnerability to poverty are manageable from a global perspective.

This risk-adjusted basic needs package could be implemented using national or sub-national programs, based on the experience with adaptive SP and productive SP programs that gradually could become universal basic needs programs like UBI, but with investments in the assets and livelihoods portfolio instead of just supplementing income with consumption support. Over time governments could decide to supplement (i.e., "top-up") the basic needs package based on local realities (e.g., based on median

[67] Brookings, 2016.
[68] Statista, 2016.
[69] 7.7 billion people times USD 1.90 per day times 365s divided unto USD 75.9 trillion global GDP.

incomes rather than a basic needs package). The risk-adjusted basic needs package should be location and lifecycle specific. For example, a HH with young children or older residents have greater needs, the cost of living in an urban setting is usually higher than a rural setting, or in a hazard-prone area there is a greater need for asset accumulation and risk management capacity and the costs would be higher.

The bottom line is that globally, nationally, and locally the technical, financial, and administrative capacities exist to implement a location-specific guaranteed risk and lifecycle adjusted basic needs package for all; if the political will – globally, nationally, and locally -- is forthcoming.

Annex I: BRIEF HISTORY OF SRM: HOW DID WE GET HERE?

This Annex presents a brief history of SRM 1.0 and SRM 1.1 and highlights some applications of SRM 1.1 that address the multiple risks and uncertainties of climate change; including the "no regrets" approach to human vulnerability, adaptive social protection (ASP), global climate change justice, and a risk-adjusted basic needs package (RA-BNP).

SRM 1.0 and SRM 1.1

There are two distinct - yet closely linked - approaches to SRM which we refer to as SRM 1.0 and SRM 1.1. SRM 2.0 draws upon both SRM 1.0 and 1.1.

SRM 1.0 follows the "original" SRM conceptual framework that was proposed by Holzmann and Jorgensen,1999, 2000; which focused attention on the need for ex-ante/proactive interventions to help (poor and non-poor) HHs that are vulnerable to poverty.[70] A great deal of attention was devoted to the types of financial and insurance instruments and markets that could help HHs (and society) better manage multiple hazards/risks; be they economic, social, political, or environmental.

SRM 1.0 presents a typology of risks, risk management strategies, instruments, and institutions:

1) Types of Income Risks:
   a) Catastrophic vs. non-catastrophic shocks => frequency and severity of shocks,
   b) Idiosyncratic vs. covariant shocks => spread of shocks (individual/HH or community), and
   c) Single vs. repeated shocks => susceptibility to follow-up shocks after an initial shock.

[70] SRM 1.0 is associated with the following publications:
Holzmann and Jorgensen, 1999, 2000: Basic Concepts of SRM.
World Bank, 2001: SP Sector Strategy, From Safety Net to Springboard.
Holzmann, Sherburne-Benz, Tesliuc, 2003: SP Sector Strategy Update.
Holzmann and Kozel, 2007a; b,: Review/Defense of SRM.
Kozel, V., Fallavier, Badiani, 2008, Review of Risk and Vulnerability Analyses by World Bank, 2000-2007.
Holzmann and Grosh, 2008,: Position of World Bank on SP/SRM.
Grosh, del Ninno, Tesliuc, Ouerghi, 2008: Review of Basic Concepts of SRM.

2) Types of Strategies to Address Income Shocks:
   a) Ex-ante Risk Prevention/Reduction Strategies: to increase expected income and/or reduce the variance of income (e.g., strengthen existing assets, migration),
   b) Ex-ante Risk Mitigating Strategies: reduce the variance of income and/or compensate for costs/losses associated with a shock (e.g., adjust asset-risk portfolio, insurance), and
   c) Ex-post Coping Strategies: after risk reduction and mitigation strategies reduce residual income losses (e.g., cut back on asset maintenance, sell assets, charity, social safety nets).
3) Types of Instruments by Formality:
   a) Informal/personal arrangements (e.g., marriage, social networks, holding of liquid assets like livestock and jewelry),
   b) Formal/market-based arrangements (e.g., financial and insurance instruments), and
   c) Formal/public mandated or provided arrangements (e.g., labor laws and regulations, social insurance, transfers, public works).
4) Types of Institutions/Actors in SRM:
   a) Individuals/HHs,
   b) Communities,
   c) NGOs,
   d) Market Institutions (e.g., banks and insurance companies), and
   e) Governments.

SRM 1.1 began parallel to SRM 1.0 and draws on DFID's Sustainable Livelihoods Framework and the asset-based approach; along with a "risk chain" that highlights the sequential options/decisions for HHs for ex-ante and ex-post risk management; and links to other levels for risk management *(Siegel and Alwang, 1999; Alwang, Siegel, and Jorgensen, 2001; Heitzmann, Canagarajah, Siegel, 2002; Siegel, Alwang, Canagarajah, 2002).* The asset-based approach and risk chain were proposed to provide a "Theory of Change" and simple conceptual framework for understanding HH decision-making to reduce vulnerability (and increase resilience) to poverty in the context of SRM.

Toward SRM 2.0: Some Applications of SRM 1.1

In this section, we briefly highlight some of the findings from applications of the SRM 1.1 asset-based approach and risk chain to multiple hazards/risks and widespread uncertainties.

Most of the papers discussed below have the term "no regrets" in the title, to highlight a forward-looking approach in a risky/uncertain world that focuses on carrying out SP investments and actions that would be robust for a wide range of future circumstances.

a) No Regrets Approach to Human Vulnerability

The World Bank's Social Development Department organized and hosted an international conference on the "Social Dimensions of Climate Change" in March 2008. A background paper was prepared for the conference using the SRM 1.1 asset-based approach and risk-chain *(Heltberg, Jorgensen, Siegel, 2008)* and follow-up publications were also prepared *(Heltberg, Siegel, Jorgensen, 2009; 2010).* The motivation for the "no regrets" approach to human vulnerability is described in Box 5.2. The authors conclude: *"There is much uncertainty about the socioeconomic implications of climate change and how best to design adaptation. Risks associated with climate change could greatly increase vulnerability unless adaptation is stepped up."* Accordingly, *"Developing countries and donor agencies should, therefore, do more to prepare for ongoing and future climate changes focusing on actions that are no-regrets, multi-sectoral and multi-level, and that improve the management of current climate variability. In planning and financing, adaptation should be integrated with general development. Social scientists and development practitioners need to step up to this challenge with the aim to promote adaptation that is pro-poor and on a scale to commensurate with the challenges (Heltberg, Siegel, Jorgensen, 2009, p.98)."*

b) Adaptive Social Protection (ASP)

Researchers at the Institute for Development Studies (IDS) coined the term adaptive social protection (ASP) as a means to address human vulnerability/resilience to poverty by identifying synergies between SP, disaster risk management (DRM), climate change adaptation (CCA), and food security (FS); including early warning and rapid response systems. The initial IDS paper on adaptive SP cites *Heltberg, Jorgensen, and Siegel, 2008,* as one of the papers that inspired a multi-sectoral integrated approach to the multiple hazards/risks with numerous direct and indirect impacts associated with climate change (*OECD, 2008*).

Siegel and de la Fuente, 2010 highlight the similarities between SP and DRM/CCA interventions in Latin America and the Caribbean (LAC) region and the need for explicit cooperation and coordination among SP, DRM, and CCA. However, it was also highlighted that the differences in definitions/concepts between communities of practice were a constraint to a more cooperative and coordinated approach. An attempt was made to identify the similarities and bridge the differences in definitions and concepts.

Siegel, 2011a highlights the importance of innovations in ICT for early warning and rapid response systems and how they can be linked to spatially enabled governance to provide localized solutions to global climate change. *Siegel, Gatzinsi, Kettlewell, 2011a; b*, focus on ASP and explore how SSNs in Rwanda could be made more responsive to multiple hazards/risks (i.e., how to "climate-proof" SP systems) using early warning systems and objective triggers that can lead to flexible and response SSNs. *Siegel, 2013,* focuses on the critical role of ICT for anticipatory, responsive, and adaptive SP and synergies with evolving approaches to agricultural risk management; particularly the use of parametric (i.e., index-based) insurance based on rainfall.

c) Risk-Adjusted Social Floor and Risk-Adjusted Basic Needs Package

The SRM 1.1 conceptual framework was applied to demonstrate that a human-rights and global social justice approach to SP – when considering the direct and indirect multiple hazards/risks and impacts related to global climate change - could lead to a global social contract to globally guarantee, nationally manage, and locally implement a Risk-Adjusted Social Floor (*Siegel and Jorgensen, 2011; 2013*) or Risk-Adjusted Basic Needs Package *(Siegel, 2014*). *Siegel and Jorgensen, 2011; 2013,* and *Siegel, 2014,* emphasize that guidelines for implementation of a risk-adjusted social floor (RASF) or risk-adjusted basic needs package (RA-BNP)[71] can be found through existing and evolving

[71] In their original papers on this subject the authors coined the term "risk-adjusted social floor". It was at a time when the ILO's "Global SP Floor Initiative" (see Chapter II, Section II. C.) was just starting. The term "risk-adjusted social floor" was selected by Siegel and Jorgensen, 2011; 2013 because they wanted their concept to be familiar to that of the ILO, yet to be differentiated from the ILO concept which is overtly human rights based. SRM is explicitly based on social justice and inspired by human rights.

human rights and/or social justice approaches to SP, DRM, CCA, and FS; including innovations in finance, insurance, and information and communications technologies (ICT). Thus, the bottom-line is that globally, nationally and locally the technical, financial, and administrative capacities exist to implement a RASF/RA-BNP for all; if the political will – globally, nationally, and locally -- is forthcoming. According to the authors, a global social contract to guarantee every person a RASF/RA-BNP can be justified as a *social dividend* that is provided to all persons as their guaranteed share of the global asset-base (i.e., the global commons). Thus, every person would have a right to be entitled to a global social dividend that guarantees a RASF/RA-BNP social floor or social minimum "basic needs package" that is locally determined and administered; and risk-adjusted so that its real value in terms of purchasing power is maintained. The RASF/RA-BNP would thus be differentiated over space and time, to reflect local basic needs, risks, and purchasing power.

The papers *Siegel and Jorgensen, 2011 and Siegel, Gatzinsi, Kettewell, 2011a* were presented at an international conference on SP and Social Justice organized and held at IDS in March 2011. *Siegel, Gatzinsi, Kettlewell, 2011a,* was selected as a "best of conference paper" and an edited version - *Siegel, Gatzinsi, Kettlewell, 2011b* - was published in the IDS Bulletin. The paper on the RASF by *Siegel and Jorgensen (2013*) was published as an IDS Working Paper, and the paper on the RA-BNP by *Siegel (2014)* with guidelines for implementation was published on the US-BIG (Basic Income Guarantee) website http://www.usbig.net/

Annex II: OVERVIEW OF SUSTAINABLE LIVELIHOODS, ASSET-BASED APPROACH, RESILIENCE FRAMEWORK, AND GRADUATION MODEL

This Annex presents an overview of the Sustainable Livelihoods Framework, Asset-Based Approaches, and Resilience Frameworks. There is also an overview of the Graduation Model; which applies these frameworks/approaches in a unified manner.

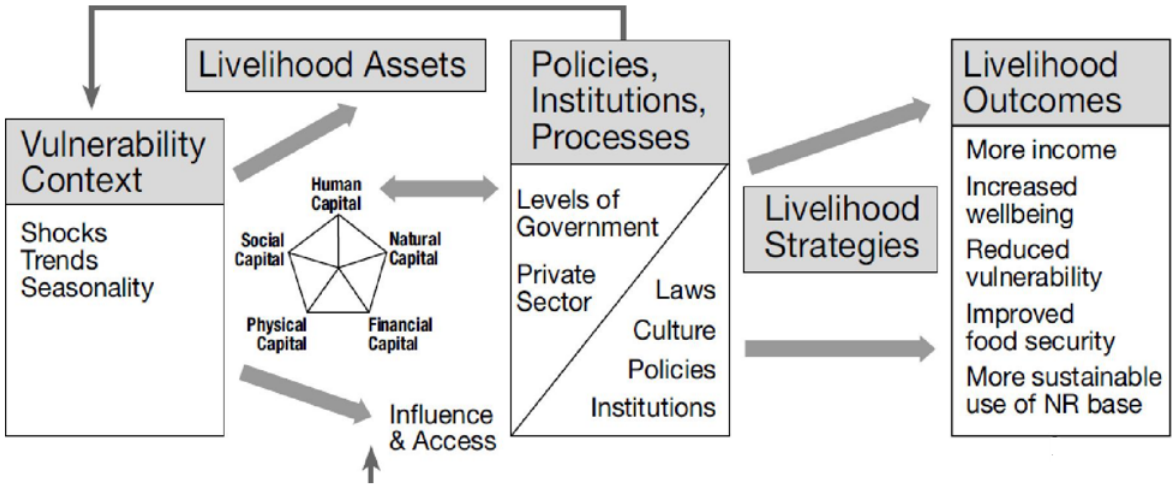
Sustainable Livelihoods Framework

Conceived as a means to reflect challenges facing poor rural HHs exposed to weather, pest/disease, and price risks, the sustainable livelihoods framework (developed by IDS in the early 1900s and popularized by DFID) has been a widely used simple conceptual framework that explains how HHs select different combinations of livelihood assets and livelihood activities to generate livelihood outcomes (i.e., HH well-being) in a risky world.

According to *Chambers and Conway,1992*: "A livelihood comprises the capabilities, assets (stocks, resources, claims, access) and activities required for a *means of living*; a livelihood is sustainable when it can cope and recover from stress and shocks, maintain and enhance its capabilities and assets; and provide better livelihood opportunities for the next generation."

Actually, the sustainable livelihoods framework and asset-based approach are very similar (*Moser and Dani, 2008; Hoddinott and Quisumbing, 2008*). In the sustainable livelihoods framework assets (or, "capitals") are actually referred to as "livelihood assets", and "livelihoods" are the activities that HHs undertake to achieve well-being subject to the context that includes markets, institutions, policies, and processes. See Figure A2.1.

Figure A2.1. The Sustainable Livelihoods Framework



Source: Dani and Moser (2008 p. 70).

Asset-Based Approaches: Overview

The asset-based approach points to the importance of assets in determining a HH's livelihood activities, the resulting expected income E(I) and variance of income V(I), and the HH's well-being.

Asset-based approaches explicitly address the question: "Who is expected to be poor in the future?" based on the lack of assets, and/or low returns on assets, and/or variability of returns on assets, and/or lack of risk management capacity (e.g., adjustments of asset-livelihood combinations). As such, asset-based approaches focus on the difference between structural poverty (i.e., chronic poverty from lack of assets and low returns to assets; E(I) < **C**) and stochastic poverty (i.e., "transient poverty" driven by the variability of returns (i.e., income) from assets; E(I) > **C** but E(I) + [-V(I)] < **C**). In fact, many HHs move in and out of poverty in any time period (i.e., transient poverty). As noted, the amount of transient poor HHs in the world is increasing; which has major implications for SP moving forward. For example, there is increasing recognition of the need for "portable SP" that does not limit the transfer of eligibility/benefits to a specific place; but instead allows for eligibility/benefits across space.

There has been a recent resurgence in applications of an asset-based approach at the World Bank for poverty analyses. For example, the asset-based approach was used as a conceptual/analytical framework for organizing the analyses of poverty reduction and shared prosperity in the Europe and Central Asia (ECA) Region (*Bussolo and Lopez-Calva, 2014*) and the Latin American and Caribbean (LAC) Region (*Cord et. al., 2015*), and for an analysis of extreme and chronic poverty in the LAC region (*Vakis, Rigolini, Lucchetti, 2015*). *Bussolo and Lopez-Calva, 2014,* and *Cord et. al., 2015,* highlight the importance of the intensity of asset use and the returns to assets and how these factors are influenced by location and the overall policy/institutional context; along with HH decision making and choices. *Vakis, Rigolini, Luchetti, 2015,* highlight the importance of hard-to-measure personal characteristics such as "state of mind" and aspirations and how they relate to decision-making behaviors and choices. A stylized relationship between assets, risks, (earned) income, (transfer) income and shocks was used by *Bussolo and Lopez-Calva, 2014:*

Income = (HH Assets x Intensity of Use x Asset Returns) + Transfers - Shocks

The authors highlight the fact that it is not enough to just make an inventory or index of a HH's assets, it is also important to know the "intensity of use" of the asset(s) and their returns; with potential individual/HH differences in both the intensity of asset use and asset returns. In addition to returns from productive assets, transfers (i.e., entitlements/claims are "returns" on political assets) are included as an important component of HH income/well-being while potential losses attributed to "shocks" can reduce total income/well-being. The stylized relationship also provides insights into the challenges of proxy means tests based only on an inventory of assets that do not include information on the intensity of use and returns. That is, there is a lot of potential for individual differences in choices and behaviors regarding the intensity of use and the returns, but also differences in the ability to access transfers (formal or informal, cash or in-kind).

There has been additional recent literature on applying the asset-based approach, and they are reviewed below. In general, there has been increased attention to the multiple

dimensions and characteristics of assets and combinations of assets (e.g., asset properties, attributes, functions, and portfolios), including their use, control, ownership, liquidity, and gender issues related to asset-livelihood allocation decisions and distributions on HH well-being outcomes (Quisumbing, et. al., 2014).

A point of consensus in the recent asset-based approach literature is that - to address poverty and vulnerability to poverty - there is a need for spatial targeting and a sequencing of SP interventions that support asset accumulation, and support for: a) basic needs, b) asset protection, and c) protection of gains by strengthening HHs asset-livelihood portfolios including risk management capacity. This holistic and sequential approach is consistent with the "Theory of Change" underlying the "Graduation Model" approach for ultra-poor HHs.

An ongoing focus of asset-based approaches is the existence/absence of "poverty traps" (that hold HHs in poverty) and "asset thresholds" (that help HHs exit poverty). There is a focus on the difference between the "lack of assets", "low returns on assets", and "inappropriate asset-livelihood combinations"; including how the decisions and choices are made. In addition to asset-poverty traps and the possible need for a "big push", it has been noted that there are other types of "poverty traps" that need to be considered[72]:

- ⇨ Friction-driven versus scarcity-driven poverty traps: bad governance, lack of markets, and exclusion,
- ⇨ Geographic poverty-traps: remote areas, marginal lands, lack of natural resources,
- ⇨ Technological poverty-traps: economies-of-scale, lumpy investments, borrowing constraints,

[72] Recent papers about poverty traps includes: Carter and Barret, 2013; Stein and Horn, 2012;Mullainathan and Shafir, 2013; Quisumbing, et. al., 2014; ;; Kim and Sumberg, 2014; 2015; Wietzke, 2015; Yerovi, 2015; Barrett, Garg, and McBride, 2016; Barrett, Carter, and Chavas, 2019; Ikegami, et. al., 2019.

- ⇨ Health/Nutritional poverty-traps: health/nutritional status of HH members, and
- ⇨ Behavioral poverty-traps: individual traits and decision-making in HHs, good/bad decisions.

Because of the challenges of measuring/valuing different assets individually and in combinations (since asset values vary over space and time, and returns are stochastic), most of the literature recommends using mixed quantitative and qualitative analytical approaches.

It has been found that HHs with "seemingly similar" asset-livelihood portfolios (i.e., similar opportunities) it is possible to get very different outcomes because of the importance of individual/HH decisions, choices, and actions. It is particularly important to consider gender differentiation with respect to ownership and decision making about HH assets and livelihoods portfolios and risk management strategies.

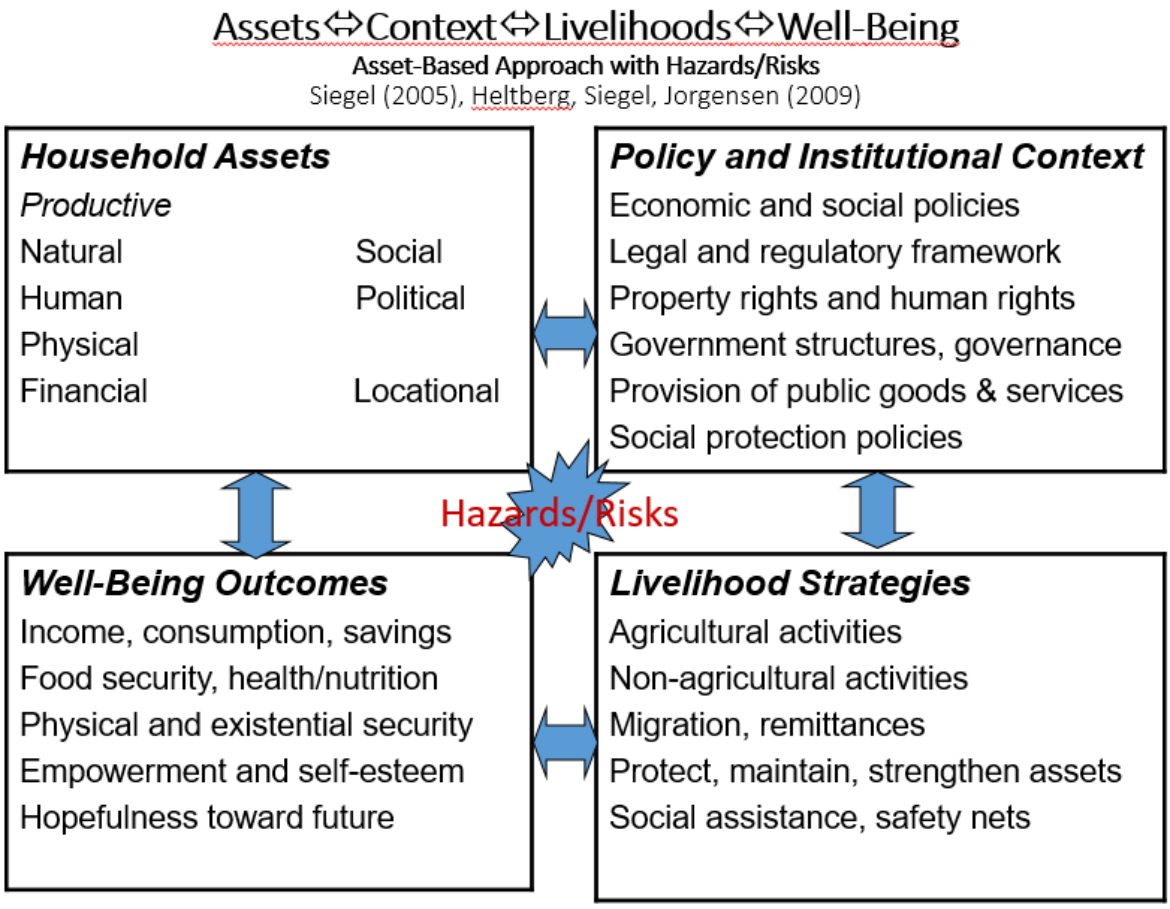
Asset-Based Approach and Risk Chain for SRM 1.1[73]

A practical difference between the sustainable livelihoods framework and the SRM asset-based approach is that *Siegel and Alwang (1999)* proposed a 6th asset; "political assets" (or "political capital"). Political assets were added to differentiate between social assets ("informal" social networks that are not recognized by the state), and "formal" social/political networks that have legal legitimacy (i.e., they convey some civil rights and/or entitlements). The difference between political and social assets are critical for SP/SRM because most national SP programs are targeted to citizens (and/or legal residents) who have the political assets (i.e., civil rights) that justify formal claims to social entitlements (e.g., transfers). On the other hand, social assets (i.e., social capital) and informal claims on family and friends and co-religionists are critical for assistance for the vast majority of poor HHs. Social and political assets/capitals are intangible HH assets that are complementary to a HHs tangible assets (natural, human,

[73] SRM 1.0 and SRM 1.1 were defined in Annex 1.

physical, and financial assets). In addition, the key role of hazards/risks with respect to assets, context, and well-being are highlighted in the graphic in Figure A2.2.

Figure A2.2: Asset-Based Approach for SRM 1.1



For the SRM 1.1 asset-based approach, "location assets" were considered as part of the HH's asset-base; along with social/political assets and productive assets. For the spatial assets and livelihood approach used for SRM 2.0, location was moved to the location-context. Although location is not usually considered as an asset, *Siegel, 2005* claims that locational factors - such as distance from rural and urban centers and presence/absence of economies-of-scale and agglomeration economies - need to be considered as an integral part of a HH's asset base because of their importance in determining the value of assets (i.e., income earning potential in terms of both livelihood opportunities and returns on assets) via agglomeration economies and other economies of scale. The new

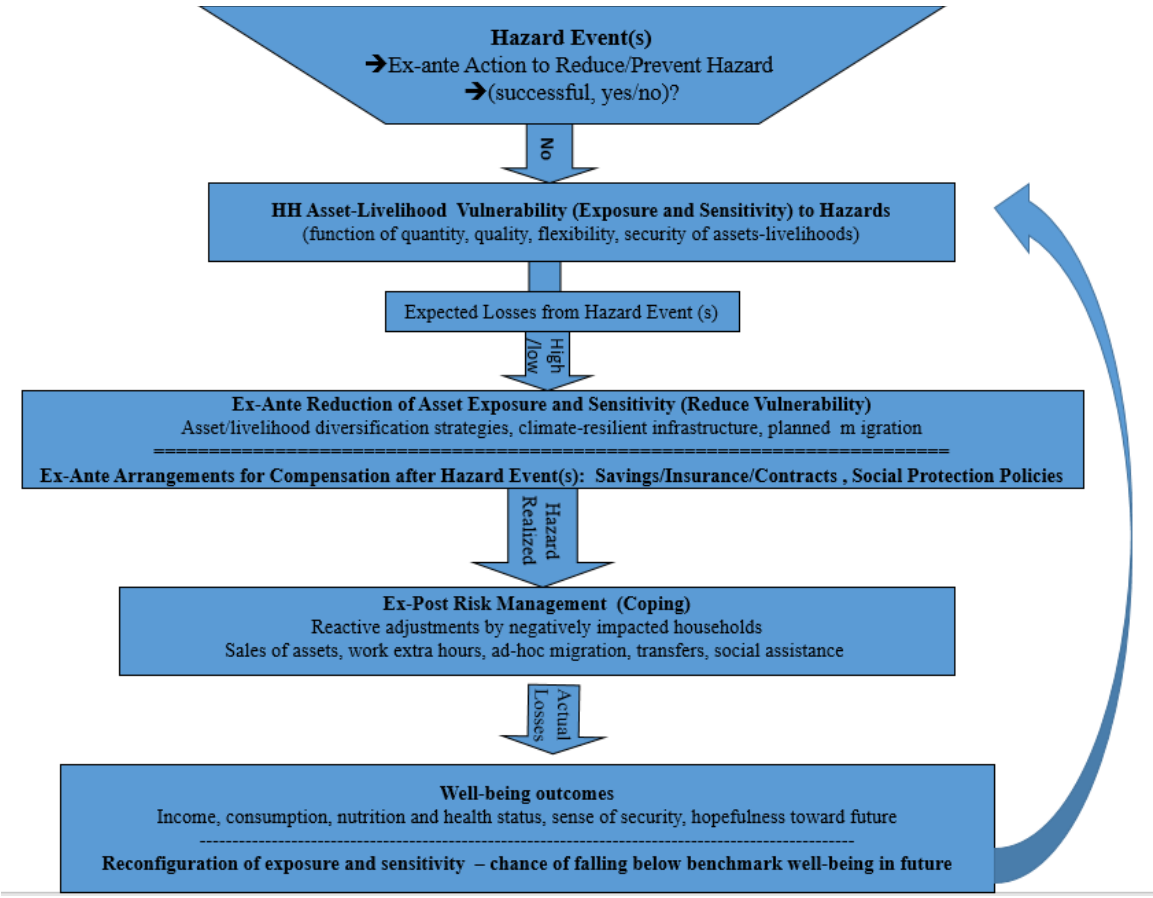
spatial assets and livelihoods approach for SRM 2.0 addresses this issue by considering the location-context together and the links to other HHs assets.

To help better understand HH decision making with respect to their assets and livelihood strategies a "risk chain" was developed for SRM 1.1 to "unpackage" the stepwise risk management decisions made by HHs both ex-ante to a hazard event and ex-post in response to any realized downside risk (*Alwang, Siegel, Jorgensen, 2001; Heitzmann, Canagarajah, Siegel, 2002*). Figure A2.3. Combining the risk chain with the asset-based approach it is possible to observe that HHs can, ex-ante, lower the expected losses from a (potential) hazard event by either preventing/reducing the probability of the hazard event occurring[74] and/or by reducing the exposure of asset-livelihood combinations.

A critical (and sometimes confusing) part of the risk chain is the assumed sequential HH decision making and the stage referred to as the "expected losses". See Figure A2.3. This is really an intermediate step in the risk chain when a HH can "look forward" and assess the hazard/risk profile and their own assets and livelihoods portfolio at the end of the past period and beginning of the next period. This is the decision node that

[74]Individuals and HHs can migrate to prevent specific hazards/risks. In turn, they need to deal with changes in the hazard/risk profiles and opportunity sets for HHs based on their asset-livelihood portfolios.

Figure A2.3: Risk Chain Used for SRM 1.1



Source: Heltberg, Siegel, Jorgensen, 2009.

allows HHs to make decisions on the location/context (migrate yes/no?) and the allocation of assets and livelihoods and thereby changing the HH's exposure to exogenous hazards/risks. Therefore, a HH might face an expected loss in the following period, but according to SRM 1.1, they can make ex-ante adjustments by preventing/reducing the risk (including migration) or lower the risk exposure by changing the assets and livelihoods portfolio.

It must be emphasized that ex-ante risk management options have real costs and opportunity costs for individuals/HHs and governments. It is appealing to intuitively claim that: "It is better to act ex-ante rather than ex-post" or that "an ounce of prevention is worth a pound of cure", but it is really an empirical benefit/cost question, and many poor HHs and governments prefer to not incur ex-ante risk management costs

and take their chances with ad-hoc coping. Early warning systems linked to responsive social safety nets to support planned coping are an investment (cost incurred) by society. Such planned coping (i.e., social assistance) can help HHs cope without adopting adverse ad-hoc coping and degrading their assets-livelihoods after a hazard event is realized (*Siegel and de la Fuente, 2010).*

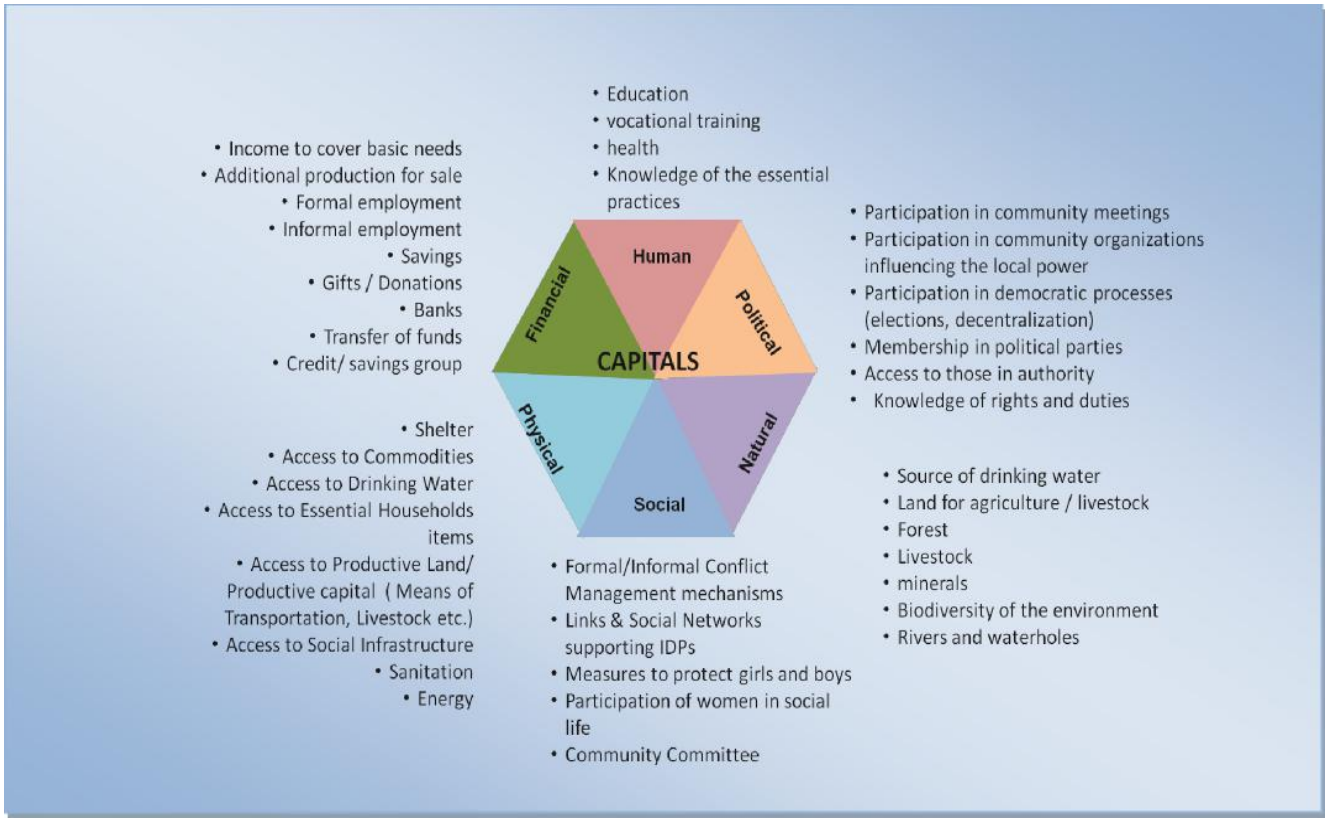
It is assumed that HHs adjust their asset-livelihood portfolio with different well-being outcomes in mind (including the risk-return trade-offs); subject to available technologies, exogenous prices, infrastructure, social and political conditions, and various endogenous and exogenous resource and market constraints (*Siegel and Alwang, 1999)*. A HH's asset-livelihood diversification strategies can lead to either: a) increased returns and lower instability, b) lower returns and lower instability, c) higher returns and higher instability, and d) lower returns and higher instability of returns (which clearly is not a rational HH choice).

Asset-livelihood portfolio diversification might imply different impacts on different HH members based on gender or age. For example, livestock herding is often a boy's responsibility and investments in livestock can lead to school absence or withdrawal. Female HH members have specific responsibilities (e.g., staple food production, food preparation, childcare, water, and fuelwood collection, laundry) with considerable time requirements. Asset diversification will inevitably have direct or indirect impacts on demands for labor of different HH members, *Siegel and Alwang, 1999.*

Resilience Frameworks

The OECD has adopted a ***Resilience Systems Analysis Framework*** (OECD, 2013) that uses the same 6 assets as the SRM 1.1 asset-based approach; reinforcing the importance of separately considering social and political assets. The linkages between HH and community assets to improve HH and community resilience are also highlighted. See Figure A2.4.

Figure A2.4: Key Assets for HH and Community Resilience



Source: OECD, 2013.

OECD, 2013 defines resilience as the ability of HHs, communities, and nations to *absorb* and recover from shocks, while *adapting* and *transforming* their asset-livelihood portfolios to better manage hazards/risks in an uncertain future. Thus, it is assumed that resilience can be strengthened by improving: a) *absorptive capacity* (i.e., ability to prevent/reduce hazards/risks and cope with their negative impacts using existing asset and livelihood portfolios), b) *adaptive capacity* (i.e., the ability to adjust, modify, or change/diversify assets and livelihoods portfolios in the future to take advantage of new opportunities and respond to new challenges), and c) *transformative capacity* (i.e., the ability to transform the assets and livelihoods portfolio by changing the context through changes in inclusion, property rights or policies, and/or to change location through migration. The step-wise decisions that comprise a HH's absorptive, adaptive, and transformative capacities for resilience are similar to the HHs sequential decisions considered when linking the asset-based approach and risk chain; similar to SRM 1.1.

The ***Resilience Assessment Framework*** has been used the Food Security Information Network (FSIN), a joint initiative of several leading international development and humanitarian agencies; including the World Bank.[75] The framework was specifically conceived to help advise in the design of projects and M&E systems for drought/conflict/disaster-prone areas of the Horn of Africa and the Sahel.

The FSIN Resilience Assessment Framework draws on the sustainable livelihoods and asset-based frameworks to explain the relationship between the context, the unit of analysis (i.e., level of aggregation), characteristics of the hazard/risk (e.g., stress or shock), HH exposure to stresses and shocks via livelihood assets, risk management activities (i.e., structures/processes) and livelihood strategies, the success or failure to adapt to the stress or shock (i.e., sensitivity), and how it impacts HH well-being (i.e., livelihood outcomes) via a "resilience pathway" or a "vulnerability pathway". See Figure A2.5.

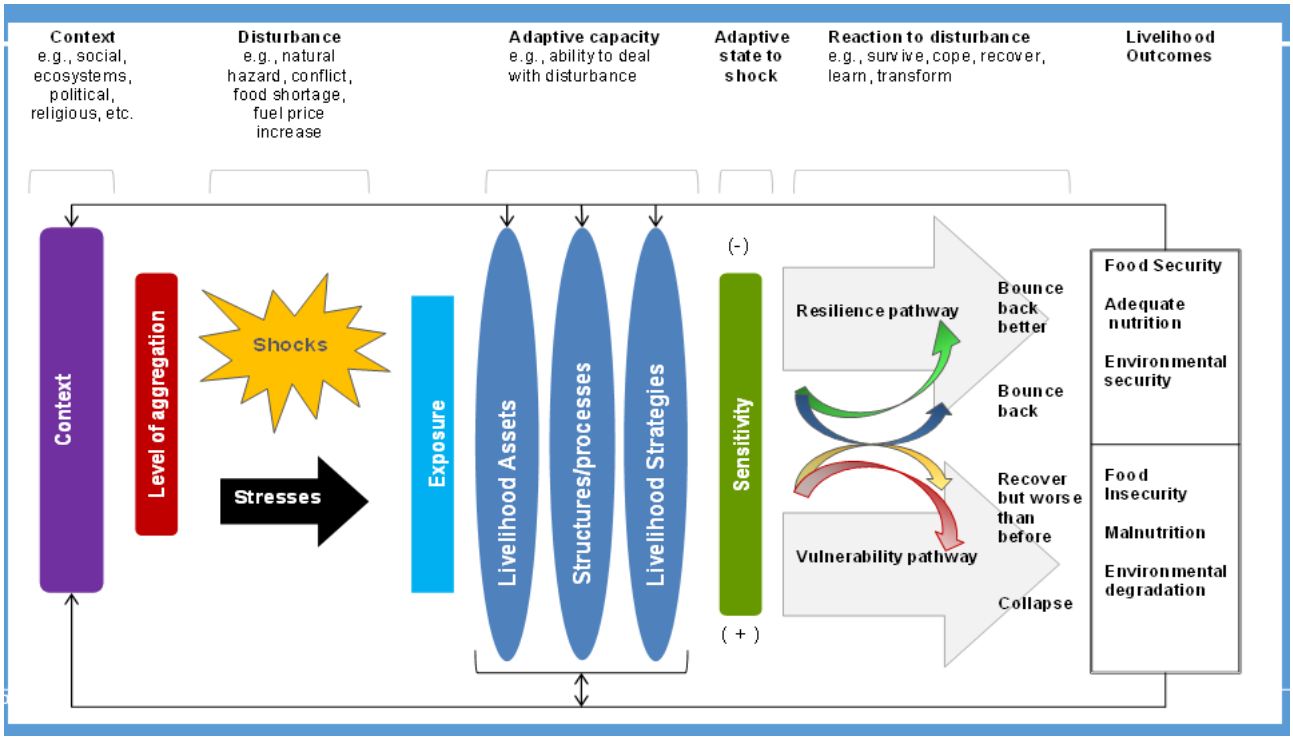
The FSIN Resilience Assessment Framework considers the vulnerability/resilience of whom (for example, individuals, HHs, communities, national governments) and to what (the shock or stress to which the system is exposed), the degree of exposure (large or small), sensitivity (ability to cope in the short term), ability to adapt in both the anticipation of and in response to changing conditions over the long term, and how the system HH responds to the disturbance (for example, survive, cope, recover, learn, transform). The FSIN schematic in Figure A2.5 is very similar conceptually to the SRM 2.0 spatial assets and livelihoods approach to HH well-being.

According to the FSIN Resilience Assessment Framework, "resilience is the ability of a HH, community, or country to anticipate, adapt to, and recover from the effects of shocks in ways that reduce vulnerability, protect its assets, contribute to its recovery, and support its economic and social development." *(Frankenberger, et. al., 2012, cited*

[75] Food Security Information Network (FSIN) is a global initiative led by the FAO, WFP and IFPRI (funded by USAID and the EU) with an objective to strengthen food and nutrition security information systems for producing reliable and accurate data to guide analysis and decision-making. See: http://www.fsincop.net/

by del Ninno and Coll-Black, 2016). Similarly, Barrett and Costas,2014, p.14625, define *development resilience* as: "the capacity to avoid and escape from unacceptable standards of living – "poverty", for short – over time and in the face of a myriad of stressors and shocks." And, then, they declare that development resilience is "thus closely related" to the concept of vulnerability.

Figure A2.5: Resilience Assessment Framework



Source: FSIN, 2014.

The temporal dimension of vulnerability/resilience to poverty can be addressed by using the concept/measure of "persistent poverty" as defined by the EU. To measure persistent poverty, a HH's poverty status is assessed over 4 years (the present year and 3 years backward*). Persistent poverty* is defined as being in relative income poverty in the current year and at least two of the three preceding years. This dynamic backward-looking definition/measure of poverty is a good proxy for the forward-looking concept of "vulnerability/resilience" to poverty. That is, a persistently poor HH is assumed to be vulnerable to future poverty (poor in 3 of 4 years present/past), and a HH that is not

persistently poor (at most poor only in 1 period in the present/past) can be considered resilient to future poverty.

The Graduation Model: From Theory to Practice

The Graduation Approach was conceived by BRAC, an NGO based in Bangladesh. In 2006 BRAC joined forces with the Ford Foundation and later with the Consultative Group for Addressing Poverty (CGAP). The Graduation Model approach targets ultra-poor HHs (i.e., chronic poor HHs) in need of a "big push" using a step-wise sequential approach with five building blocks: a) targeting of beneficiaries, b) provision of consumption support, c) facilitation of savings, d) life and business skills training and regular coaching, and e) asset transfer. Life and business skills training and regular coaching are provided before and after receipt of productive assets. The Graduation Model integrates and operationalizes many of the key concepts of the sustainable livelihoods, asset-based, and resilience frameworks/approaches. The World Bank's SP&J Global Practice new initiative on productive economic inclusion (PEI) draws upon the Graduation Model approach.

The Theory of Change behind the Graduation Model is the following (*Devereux,2014*):

1. There are **many poor HHs who are more risk-averse and less productive** than they could potentially be, due to: a) lack of resources (assets and livelihood opportunities), b) high-risk environments, c) lack of credit, and d) lack of know-how.

2. **If income/assets/resources are provided**, HHs will be able to build their asset base, thus building more resilience to future shocks enabling a structural transition in the asset-base and minimizing negative stochastic transitions into poverty.

3. The **regularity of predictable payments** will insure against downside risk and enable beneficiary HHs to move into activities with higher productivity and higher returns.

4. Over time beneficiaries' **lives and livelihoods will be transformed in a sustainable way**, allowing them to support themselves so they are able to 'graduate' away from external support.

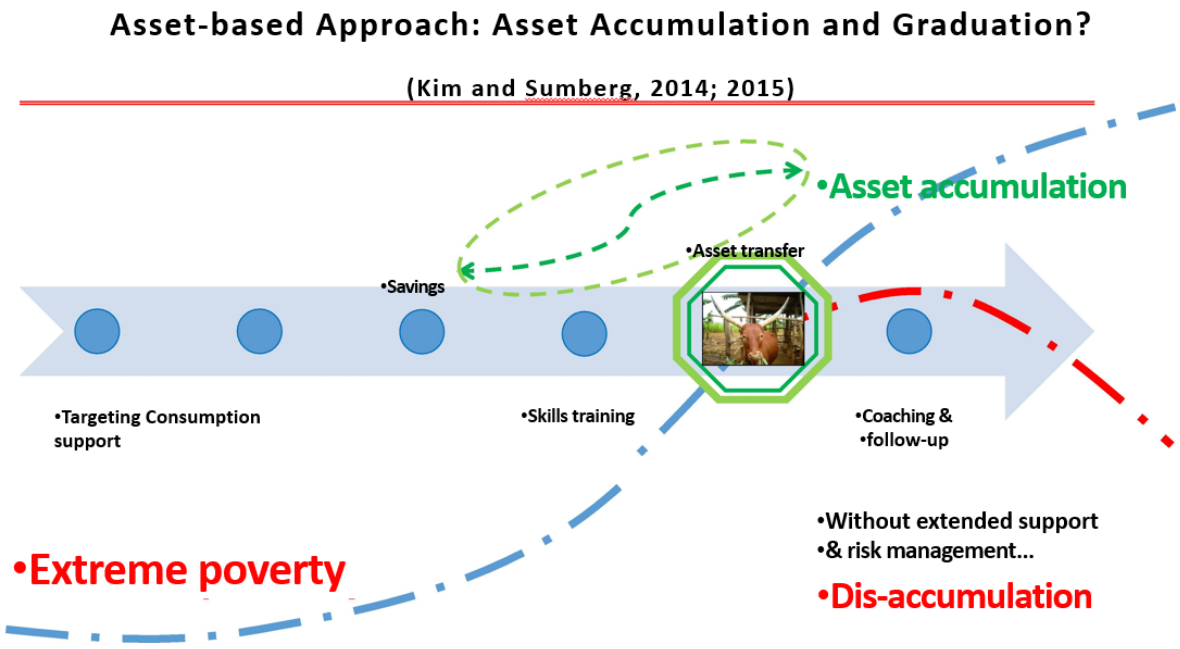
5. **Local multiplier and spill-over effects** from more productive and market-engaged HHs will have a positive aggregate community effect that is larger than the sum of all the individual HH effects.

6. This transformation will be 'virtuous' because strengthened, **more resilient HH livelihoods characterized by higher levels of productivity** will have a self-sustaining momentum with pro-poor growth effects.

This Theory of Change for the Graduation Model is consistent with an SP/ SRM approach and focuses attention on reducing vulnerability to poverty for chronically poor HHs using a "big push". Figure A2.6, below, highlights the sequential and holistic design that includes consumption support and training before the asset transfer, and specialized interventions to help HHs accumulate assets while managing the risk of backsliding. a personalized face-to-face manner or to use digital technologies and videos to lower the delivery costs. There is a need for timely and adequate benefits to be able to allow HHs to accumulate and maintain assets over time and to provide HHs with risk management support *(Gatzinsi, Hartwig, Rawlings, 2019).*

Evaluations of applications of the Graduation Model have been undertaken using mixed qualitative and quantitative methods, randomized controlled trials (*JPAL-IPA 2016; Banjerlee, et. al., 2018; Phadera, et. al., 2019*). Studies of the Graduation Model pilot projects indicate that most HHs selected asset-livelihood packages with livestock (which is the most popular rural livelihood). Asset transfer costs were about US$ 125 to US$ 465 per beneficiary. Together with complementary consumption support, coaching visits, health/nutrition assistance, the total costs per beneficiary were about US$ 345 to US$ 2,700. Thus, the value off the asset transfer tended to be less than 50% of the total transfer. Costs per beneficiary in the 18-month program are relatively "high" compared to most poverty reduction programs, but so are the benefits.

Figure A2.6: Graduation Model: Using an Asset-Based Approach (with Risk Management).



Source: Kim and Sumberg, 2014, 2015.

Some initial lessons learned from evaluations of the Graduation Model pilot projects include (*JPAL, 2015*):

a) There were broad and lasting economic impacts:

=> sustainable improvements in food security, asset holdings, savings,

b) Improvements in HH well-being came from increased income and security:

=> productive assets and training used to generate new higher return livelihoods,

c) There were improvements in psychosocial well-being:

=> more happiness, less stress, improved women's empowerment, health status, political participation, and

d) The outcomes of the pilots were consistent across multiple contexts and implementing partners:

=> the approach seems successful when administered locally and adjusted to the local context.

Follow-up research on the Graduation Model approach (*Banjerlee, et. al., 2018*) has shown that some of the initial positive short-term impacts were not always sustainable over time. There is an ongoing debate about the need for and sequencing of all the project components, and to what extent the caring and coaching activities need to be provided in a personalized face-to-face manner or can be provided using digital technologies and videos to lower the delivery costs.

A recent paper by *Phadera, et. al.,2019*, evaluates the impacts of a livestock transfer project in Zambia inspired by the Graduation Model. This paper brings together the asset-based approach and resilience framework by: "*Drawing together the methods and theories related to poverty traps, vulnerability, and ecological resilience* (, by *Phadera, et. al.,2019,* p.205)." They measure HH resilience as the probability of accumulating and retaining a minimum level of assets required to remain non-poor in the face of diverse shocks and stressors. Importantly, they examine both expected returns to assets, E(I), and the variance of returns to assets, V(I), and they conclude that programs focus too much on E(I) and that there are many situations that I > **C** and E(I) > **C**, but E(I) + [-V(I)] < **C**, resulting in non-poor HHs still being vulnerable to poverty.

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ABSTRACT

This paper updates the Social Risk Management (SRM) conceptual framework; the foundation of the World Bank's first Social Protection Sector Strategy. SRM 2.0 addresses the increasingly risky and uncertain world; with opportunities and outcomes driven by possible disruptions from technology, markets, climate change, etc. SRM 2.0 is a spatial assets and livelihoods approach to household well-being featuring a risk chain covering all households across the lifecycle and for both positive and negative events. Key findings: Location and context are critical for household choices; assets are key to sustainable resilience to poverty, new assets and livelihoods need to be considered for the 21st century, and resilience and vulnerability to poverty are two sides of the same coin. Operationally, SRM 2.0 points to the need for a greater focus on asset and livelihood building programs in addition to traditional poverty alleviation and risk sharing programs, better integration between rights-based and risk-based approaches, more inclusive targeting, and consideration of global social protection.

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