Inclusive lifecycle social protection: why is it opposed by the World Bank and IMF?

Stephen Kidd

18th April 2018
The poor: a fictional construct

- Middle class and rich above $10 PPP per day
- Vulnerable $4 – $10 PPP per day
- Moderately poor $1.25 – $4 PPP per day
- Extremely poor below $1.25 PPP per day

Middle class?

Insecurity

Poverty

Extreme poverty
Consumption and incomes are highly volatile

Consumption dynamics in Uganda (2 years)
Consumption dynamics in Indonesia (1 year)
Old fashioned poor relief approach or inclusive lifecycle social protection

Childhood
- Child benefit

Working Age
- Unemployment benefit
- Maternity benefit
- Survivors’ benefit
- Disability benefit

Old Age
- Old Age Pension

Poor Relief
Many countries offer:

- Social insurance and civil service pensions for those in the formal sector
- Social assistance for “the poor”

However:

- Those in the middle are excluded from social protection
- Yet, many live in poverty and insecurity
- And, are more powerful politically

There are major political challenges if countries continue to exclude the missing middle
Poverty targeting usually excludes the majority of intended beneficiaries.

**Ethiopia (PSNP)**

- Exclusion error
- Correctly excluded
- Correctly selected
- Inclusion error

**Pakistan (BISP)**

- Exclusion error
- Correctly excluded
- Correctly selected
- Inclusion error

Percentiles of households (ranked based on consumption expenditure per capita)
World Bank’s promotion of Anti-Social Registries using proxy means tests

If PMT were an accurate targeting methodology, all households would be aligned along the red line.

Instead, it looks like targeting by helicopter drop.
Mongolia: using threats to target the universal Child Money scheme

**IMF/World Bank claims**

- **Mongolia: Universal Child Money scheme is:** ‘not ..... well-targeted and not effective in protecting the poor.’ And, it will be better-targeted when given to 60% of children
- **Mongolia has ‘an improved ability to target’**
- ‘The main targeted program, food stamps, had already been shown by the ADB to have a significant impact on food security.’

**Reality**

- Universal Child Money reached 99% of all children, including those living in poverty
- Let’s be serious! It’s a proxy means test.
- Food stamps reach only 2% of population. Transfer for children is ¼ the size of the Child Money transfer

Let’s be serious! It’s a proxy means test.
## Opposition to universal pensions

<table>
<thead>
<tr>
<th>World Bank recommendations</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World Bank recently recommended that Namibia should target its universal pension</strong></td>
<td><strong>Universal pension reduces national poverty gap by 87% and reaches all older persons</strong></td>
</tr>
<tr>
<td><strong>World Bank stated: ‘Lesotho cannot afford to waste money [on its universal pension] by providing transfers to people who do not need them’ and ‘Many of the elderly live in non-poor households where they are adequately catered for by relatives’</strong></td>
<td><strong>World Bank’s 2018 State of Social Safety Nets shows that 95% of older people in Lesotho are in the poorest 20% of the population</strong></td>
</tr>
</tbody>
</table>
Efficacy of types of pension in reaching the poorest

2018 State of Social Safety Nets Report claims: ‘Despite the challenges of implementing an old-age social pension system targeted exclusively at the elderly poor, the policy has been found to reduce national poverty at almost twice the rate of a universal approach.’
Higher levels of investment deliver higher impacts

**Philippines Pantawid costing 0.38% of GDP**

Poverty rate without the Pantawid programme

Poverty rate as result of the Pantawid programme

**South Africa’s Social Grants costing 3.4% of GDP**

Poverty rate without the social grants

Poverty rate as a result of the social grants
So, what type of social protection will countries adopt?
The higher the coverage of a scheme, the broader the alliance across the recipients.

So, if a scheme includes only the ‘poor,’ the beneficiaries are weak politically.

If the beneficiaries include a broader group, they become more powerful, which leads to more investment and higher quality schemes.
The World Bank itself has admitted: “The historical ... evidence suggests that the forces pushing for better targeting are more regularly motivated by cutting entitlement bills and ensuring financial sustainability than by helping the poor.”

**Conclusion: why the support for poor relief?**

- **Ideology?**
  - Is the neoliberal Washington Consensus alive and well?

- **Naivety?**
  - Do WB ‘experts’ really believe that ‘targeting the poor’ is good for the poor?
But, how do we explain this?

Using this diagram, the World Bank argues that Kyrgyzstan’s Monthly Benefit for Poor Families (MBPF) scheme is ‘considerably more pro-poor’ than the categorical scheme.
Thank you