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**Working Paper**

## Social safety nets and adjustment in developing countries

UNRISD Occasional Paper: World Summit for Social Development, No. 1

**Provided in Cooperation with:**

United Nations Research Institute for Social Development (UNRISD), Geneva

*Suggested Citation:* Vivian, Jessica (1994) : Social safety nets and adjustment in developing countries, UNRISD Occasional Paper: World Summit for Social Development, No. 1, United Nations Research Institute for Social Development (UNRISD), Geneva

This Version is available at:

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occasional paper no. 1  
world summit for social development

*social safety nets  
and adjustment  
in developing countries*

*by jessica vivian*



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UNRISD work for the Social Summit is being carried out in part with the support and co-operation of the United Nations Development Programme.

Editing: Jenifer Freedman  
Proof-reading and layout: Rhonda Gibbes  
Dissemination: Adrienne Cruz

UNRISD/OP/94/1

ISSN 1020-2285

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geneva, july 1994



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## Preface

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The World Summit for Social Development, to be held in Copenhagen in March 1995, represents an important opportunity for the world community to focus attention on current social problems and to analyse the dimensions, roots and directions of social trends. The purpose of the Summit is twofold: first, to elaborate effective strategies with which to confront social problems and promote social development, and, second, to mobilize public support for these strategies through informed debate and discussion. In the process, the goals of social development will be reassessed, and long-held assumptions about social development will be re-examined.

There are three major items on the agenda on the Social Summit: the reduction of poverty, the generation of productive employment, and the enhancement of social integration. UNRISD's work in preparation for the Summit focuses on the last of these: as countries confront the seemingly intractable problems of social conflicts, institutional breakdown and mass alienation, the topic of **social integration** has assumed increasing importance in public debate.

The series of UNRISD Occasional Papers brought out as part of the Social Summit preparatory process reflects research carried out on a range of issues that affect social integration. This paper examines the adjustment-related "social safety net" programmes currently being implemented in a number of developing countries, synthesizing the findings of case studies on such programmes from 13 countries. The author, a researcher at UNRISD, summarizes the evidence regarding the characteristics and performance of adjustment-related safety net programmes. She takes up three main questions: (a) How well do adjustment-related safety net programmes address either the social costs of adjustment, or social problems in the context of adjustment? (b) Do such programmes work to improve the social and political acceptability of adjustment measures? (c) Can such programmes be seen as models for new, more efficient and effective means of social service provisioning?

The paper argues that, although safety net programmes have had some notable successes, they are not the answer to the social impacts of adjustment, and should not serve to deflect efforts to refine adjustment programmes so that their social costs are better contained. Furthermore, because safety nets are increasingly portrayed as not merely short-term palliative measures, but as representing a potential alternative model for social service provisioning, the long-term impacts of this essentially residualist approach to social development should be more explicitly and thoroughly examined.

July 1994

Dharam Ghai  
Director

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## introduction

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It has long been acknowledged that structural adjustment measures entail significant social costs, at least in the short term, and that these costs are likely to have their severest impact on the poorest sectors of society. Even those who believe that adjustment measures will ultimately be in the best interests of the poor acknowledge the “frictional” difficulties of the transition period, and it is generally accepted that the poorest groups suffer disproportionately because of their vulnerability and lack of economic flexibility.

Concern with the social costs of adjustment increased in the late 1980s, with the publication of empirical studies documenting the impact of adjustment measures (most notably Cornia et al., 1987), as well as with increased popular opposition to such key adjustment-related policies as devaluation and reductions in consumer subsidies. The response among international agencies has been, on the one hand, at least some willingness to acknowledge the possible advantages of more gradual adjustment programmes, as well as a professed interest in amending the standard adjustment package to match countries’ particular social conditions. On the other hand, in many countries a range of compensatory measures has been introduced, meant to mitigate the social costs of adjustment. These social adjustment packages — or, as they are commonly called, “social safety nets”<sup>1</sup> — usually involve both targeted social services and benefits, and various types of project-based “social funds”.

This paper reports on the preliminary findings of ongoing UNRISD research on social policies in the context of economic restructuring in developing countries.<sup>2</sup> It opens with a discussion of the rationale behind targeting and compensatory programmes, and then describes findings regarding the characteristics of existing social funds. These programmes are then assessed in terms of the three main objectives with which they have been attributed: alleviating poverty and unemployment, improving the political viability of adjustment programmes, and creating new social infrastructure and institutions able to improve the efficiency and effectiveness of social service delivery. This last goal implies a role for social safety nets that goes beyond short-term palliative measures, approaching what might be termed social restructuring. Finally, several caveats are drawn from the research findings regarding the limitations of purely compensatory or project-based approaches to social service provisioning in the context of adjustment.



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## rationale of selective social policy and compensatory programmes

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The social costs of structural adjustment have always been recognized in the adjustment model: because adjustment measures are meant to change the structure of the economy, they will necessarily have distributional effects, and thus by definition will create winners and losers. The problem is compounded by the phenomenon of “exit before entry”, as enterprises hurt by adjustment exit the economy before enterprises benefiting from adjustment enter it (Johnson, 1994). Thus the losses from adjustment normally precede the gains. But who will comprise the winning and losing groups from adjustment in any particular country is not immediately clear without local social and economic analysis. The adjustment model is strictly agnostic about how real wages will change, as well as welfare effects on households more generally — “it is simply an empirical matter” (World Bank, 1990:2). Factors determining the impact of adjustment at the household level include, among other things, what is produced and consumed, whether labour is bought or sold, and characteristics of existing markets and access to them.

Although the early adjustment models were able to predict social impacts, they did not foresee how socially and politically disruptive the “human face” dimensions of adjustment were to be. The decline in real per capita household income in adjusting countries, especially in Africa and Latin America, as well as the greatly increased incidence of poverty, was both striking and well-documented by the late 1980s. Although the argument was made that in the absence of robust counterfactuals such changes could not be attributed to adjustment measures — they could also be linked to the economic crisis that necessitated adjustment, and might have been worse without adjustment — by the late 1980s the lending institutions had acknowledged the fact that early adjustment packages had paid insufficient attention to the social dimensions of adjustment (e.g. World Bank, 1987). Thus in 1987 the World Bank’s Operational Guidelines were amended to require analysis of the impact of adjustment programmes on the poor and attention to measures to alleviate their negative effects (Ribe and Carvalho, 1990).

This increased attention — at least in the public discourse — to the social dimensions of adjustment coincided with something of a shift in emphasis regarding the overall purpose of the adjustment package: while in the early 1980s adjustment policies tended to be justified quite simply with the argument that external deficits were unsustainable, and countries must live within their means (e.g. Tseng, 1984), by the late 1980s there was more emphasis on adjustment as a precondition for what became described as the ultimate goal of poverty alleviation (e.g. Chia et al., 1992). The argument became focused on the contention that

poverty could not be addressed without economic growth, and that structural adjustment was the most efficient way to return to a sustainable growth path. Adjustment was thus portrayed not merely as a matter of fiscal responsibility, but also as the best solution to the long-term problem of poverty. The analogy used was that of crossing a desert: it is a difficult trek, but better conditions would be reached on the other side (e.g. Demery and Addison, 1987).<sup>3</sup>

However, it was not *a priori* clear from the adjustment model that the poor would benefit from the increased growth that was supposed to come with adjustment (Glewwe and de Tray, 1991). At about the same time that interest grew in exploring the implications of this fact, calculations made of the economic benefits attributable to a healthy and well-trained workforce helped to generate concern that “human capital” not be allowed to “depreciate” during the adjustment period. Together, these two concerns implied an increased willingness to mitigate the social costs of adjustment — an acknowledgement that some groups would need special help to “cross the desert”. But it was still maintained that the social costs must be addressed within the overall constraints of adjustment measures — otherwise the pain would simply be prolonged (the desert would be unnecessarily and artificially widened) (Ribe et al., 1990).

An obvious answer to the dilemma of the need to increase social support while reducing overall expenditure was targeting — the allocation of expenditures to those groups most in need and most likely to benefit from them. Proposed targeting took two forms: first, the reallocation of existing social expenditure in order to increase efficiency and equity (e.g. shifting funds from secondary to primary schooling, from curative to preventative health care, and generally from urban to rural sectors); second, the creation of supplementary programmes designed specifically to reach the poor and those directly affected by adjustment (e.g. public works programmes, infrastructure development, nutrition interventions, unemployment compensation and retraining initiatives, credit and other support for micro-enterprise development). The first type of targeting — expenditure shifting — was seen as a way to correct the tendency for better-off groups to capture the bulk of social expenditure, and thus to greatly increase welfare benefits within a given budget constraint (Bloom, 1991; Colclough, 1991; Griffin, 1992). The second type of targeting — restricting additional interventions to particular groups — was considered the only feasible way to administer compensatory measures within the terms of the adjustment package.

Targeting, in fact, was embraced so enthusiastically, and was portrayed as such an ideal solution to the social problems of adjustment, that some writers considered it necessary to warn that targeting should not be considered a panacea: “the real world is not quite so straightforward. There are good reasons why this best of all possible worlds is not available to policy makers in developing countries, and hard decisions will have to be made that weigh up the costs and the benefits of targeting” (Besley and Kanbur, 1991:70). Indeed, it is clear that it is politically much more feasible to implement targeted programmes that are additive in nature — especially when such compensatory programmes receive external financial

support — than those which seek to reduce resource allocation to privileged groups (World Bank, 1988).

Aside from acknowledging the possible political difficulties in implementing targeted measures, it should be noted that the distributional effects of targeted policies — when they are implemented, as they must be, in the real world — are not as unambiguously positive as the theoretical models would suggest. As Sojo (1990:183) puts it, “universal policies are regressive when they do not adequately take into account certain characteristics of the recipients, or as a result of the regressive nature of their funding or of other factors such as inefficiency”. On the other hand, “selectiveness is regressive — regardless of the concrete performance of some programmes — when it is part of a strategy of dismantling policies which have had a significant progressive impact”.

It is important, in other words, to distinguish the **effectiveness** of untargeted interventions from their **efficiency**, as Ribe et al. (1990) point out. For example, untargeted food subsidies in both Brazil and Egypt in the early 1980s transferred more, in absolute terms, to the rich than to the poor. However, in Brazil the percentage increase in the real income of the poor was eight times as great as that of the rich, while in Egypt the subsidies increased the real income of the poor by 17 per cent, and the real income of the rich by 3 per cent. The possibility of such a trade-off between efficiency and effectiveness implies that interventions that are effective in reaching the poor “should not be reduced or eliminated unless and until alternative means of reaching the poor are firmly in place” (Ribe et al., 1990:10).

Concern with poverty and equity was not the only — or at times even the primary — rationale behind the development of social safety nets in the context of economic restructuring, however. By the mid-1980s, internal political opposition to adjustment measures coming from both poor and middle class groups had threatened the successful and full implementation of adjustment programmes in a number of countries (Johnson, 1994), and interest was raised in finding ways to overcome this opposition. In the event, the lending institutions relaxed their emphasis on firm, swift, and undiluted adjustment packages where it became clear that adjustment would not be sustained in the face of political opposition: at this point they became more supportive of measures meant to address the social costs of adjustment. As an official of the International Monetary Fund (IMF) put it, “in essence, the underlying rationale [of social safety nets] was the necessity to buttress the social and political acceptance of the adjustment effort” (Kopits, 1993:107). The creation of the first formal emergency social fund, that of Bolivia, was influenced by a World Bank consultant who was a politician, and who helped convince the Bank of the political importance of highly visible action to address social issues if the package of economic measures was to have a chance of implementation (Marshall, 1992).

This political concern is reflected in the fact that often the first and most emphasized goal of safety nets is assistance to retrenched workers, especially public sector employees, who are both visible and relatively vocal victims of adjustment. Of the 28 adjustment packages associated with World Bank support

listed by Ribe and Carvalho (1990), 16 contained specific measures for the newly unemployed; of the remainder, no retrenchments were foreseen in seven cases — thus in only 5 of the 28 cases were retrenchments expected but not addressed by the programme. Of 21 safety nets in developing countries listed by Graham (1994), 12 are described as being targeted to the new poor, an additional 6 are targeted to both the new and the old poor, and only 3 (Chile, Venezuela and Zambia) are described as being targeted to only the old poor. Interestingly, in an UNCTAD (1994) report on safety nets, clear regional differences in target groups are shown: 9 of the 12 African programmes listed specifically target retrenched workers, while none of the 15 Latin American countries or of the six Asian countries listed do so.<sup>4</sup>

More recently, a third goal has been connected with social safety nets, and specifically with social funds, that centre on institutional reform and the creation of social infrastructure (e.g. Grosh and Jorgensen, 1992). The idea that is evolving is that the approach to social provisioning taken by social fund schemes — which commonly involves decentralization, including recipients in soliciting, designing and contributing to interventions, and, in short, making the process of social service provisioning more “participatory” — will have two impacts. First, it will reinforce and increase the viability of more narrow targeting of social expenditures by creating incentives for self-selection: the participation or labour requirement of most social fund projects means that better-off groups are less likely to attempt to capture the benefits. At the same time, the fact that beneficiaries are seen to be making a contribution helps to reduce the resentment of other groups, who become more inclined to view the recipients of social expenditure as “deserving”.

Second, and more importantly if more vaguely defined, the process through which social funds are implemented is seen as promoting equitable and democratic development processes. Because social fund projects often require some sort of group organization, it is believed they will help to strengthen civil society, to create new constituencies and support for new leaders, and in the process will restructure power relations, and give previously excluded groups a means and an opportunity to participate in a meaningful way. In short, social funds are seen as “a training ground in the democratic process” (Benería and Mendoza, 1994; Graham, 1994).

There is an implicit assumption that these three goals — poverty alleviation, increasing the political acceptability of adjustment, and institutional reform — are mutually compatible, and that safety net programmes (in the right circumstances, if properly designed, and so forth) can be expected to achieve all three. In fact, however, there are often incompatibilities between these three objectives. Most obviously, emphasis on the political function of safety nets has been demonstrated to reduce success in poverty alleviation in at least several cases. The picture is further complicated by several other factors: these three goals are based on incompatible assumptions about the nature of the state and civil society; priorities of national governments and external donors may not coincide; and the actual impact of the safety net scheme may have little relation to any of its stated goals. The remainder of this paper takes a closer look at safety net schemes in developing

countries: the different models and their assumptions, their observable characteristics and trends, and their impacts.

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## types of safety nets

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Social safety nets have been variously conceptualized and categorized in the last several years.<sup>5</sup> Here, the category “safety net” is used to cover a variety of mechanisms implemented in conjunction with structural adjustment measures, and designed to address either structural or transitional poverty and unemployment, to reduce the impact of adjustment measures on certain groups, or to create or improve both social and physical infrastructure. Emergency funds, compensatory funds, employment funds and social investment funds are various types of safety nets, although there are not always clear boundaries between these schemes: the terms are in themselves quite fluid, each country’s programme is conceived of somewhat differently, and the newer ones are often explicit hybrids of earlier approaches and are thus difficult to categorize.

The concept of social safety nets is not new — early “poor relief” laws were often described as safety nets, while public works programmes have a long history in both developed and developing countries. The term has more recently been explicitly linked to adjustment, and in this context has taken on a particular connotation. Most adjustment-related safety net programmes are meant to supplement the activities of existing ministries and agencies unable to address the direct or indirect social costs of adjustment. The functions of safety nets are to fill gaps, target the poor, directly address adjustment costs, and explore and experiment with more efficient approaches to poverty alleviation.

Safety nets often represent a significant departure from other governmental organizational structures and procedures. Typically, the umbrella agency is a “social fund”, set up as an intermediary agency, which does not directly implement projects, but rather solicits project proposals and evaluates them, and finances and monitors projects carried out by private contractors or self-help groups. The staff associated with the social fund are often much better paid than other civil servants, and may be paid directly from external funding sources. Sometimes the programme is given significantly greater infrastructural support than that enjoyed by other government departments, including communications equipment, computers and tailored computer programming (Jorgensen, 1992; UNCTAD, 1994; Graham, 1994).

Safety net programmes undertake a wide range of activities. The most common element is employment creation, which may involve both public works, especially infrastructure development, and private sector job creation. The latter is carried out at a much higher cost per job created than the former, but it is now felt that the benefits will be more sustainable, and the trend is toward this type of employment programme (UNCTAD, 1994). Training or retraining is provided to the

unemployed, and credit and technical assistance are given to the informal sector and to small farmers. Social infrastructure may also be funded independently of public works programmes: in many Latin American countries, for instance, schools, roads and clinics are constructed by private contractors, with employment generation being a secondary consideration. Safety net programmes are also commonly responsible for the delivery of certain social services, including nutrition supplements to targeted groups, primary health care and immunization drives, and literacy campaigns. Many safety nets also contain a compensatory element meant to reduce the direct impact of adjustment on certain groups: in Zimbabwe, for instance, exemptions from health and education cost recovery measures are paid out of the social fund on a means-tested basis, and grants are given to the urban poor to compensate for reductions in consumer subsidies (Mhone, 1994; ILO, 1993).

The targeting of safety net benefits takes a variety of forms. It may be carried out by region (for instance, the northern regions of Ghana; certain low income urban neighbourhoods in Mexico), by easily identifiable vulnerable group (children, mothers, elderly, widows, for example) or by a more formal means test associated with registration procedures for subsidized food or for education or medical services. But there is most interest in designing self-targeting mechanisms which reduce the incentives of the non-target groups to claim benefits. Such mechanisms may involve switching subsidies to inferior commodities (such as coarse or yellow maize meal or other less-preferred food), they often include work requirements (as in the food-for-work model), and they may involve imposing inconveniences, time costs and stigma on the beneficiaries (such as lengthy queues) (Grosh, 1994; Midré, 1992). Deliberately poor product quality in particular has long been associated with the targeting of food programmes, but the same idea is now being applied to the services associated with social investment funds, including day care programmes, housing, water and sanitation services (Grosh, 1994). Self-targeting is valued because it reduces administration costs and the likelihood that non-target groups will benefit, and it may also reduce the opposition of non-targeted groups to the scheme. However, it does involve opportunity costs for the targeted group, particularly in the case of work requirements, and it may reduce the percentage of the target group reached by the programme.

One of the most important distinctions to be made between types of safety nets concerns the process by which projects are selected, designed and prioritized. The traditional model of centrally based decision-making is still followed in some cases, but generally there is an effort to make the safety net participatory, or “demand-based”. This term refers to a process by which groups or communities submit proposals for project funding to the social fund, and then assume a certain amount of responsibility for implementing the project. This “participatory” aspect of safety net schemes is credited with a variety of advantages: it helps to ensure that projects are really desired by their beneficiaries, it encourages local organization as well as local conceptualization and prioritization of needs, and it creates self-targeting incentives. The demand-based approach does have certain limitations, however: it requires an exclusively project-based approach, it has difficulty in reaching the poorest or otherwise traditionally excluded groups, and

true participation is not always easy to achieve. The advantages and limitations of the demand-based approach are discussed in more detail below.

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## characteristics of safety nets and social funds

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As the discussion above indicates, there is a wide variety of ways in which safety nets are conceptualized, planned and implemented. The safety net model is evolving in response to experiences and experiments, and thus generalizations should be made with caution. However, there do appear to be some common characteristics and trends in safety net schemes in developing countries. These are discussed below.

### 1. external funding

With the exception of Mexico, safety net and social fund schemes are heavily externally funded. In Africa, the proportion of external funding ranges from 78 to 100 per cent; in Latin America, from 43 to 95 per cent, excluding Mexico (UNCTAD, 1994:18). The remaining costs are met primarily from government (this may include in-kind contributions). Beneficiary contributions are low, ranging from zero to 9 per cent in Africa, and from zero to 24 per cent in Latin America (UNCTAD, 1994:18). In the case of Mexico, external donors are not involved. The financing comes in large part from the sale of public sector enterprises, but also involves reallocation from other items in the national budget, including regular social expenditures (Benería and Mendoza, 1994).

The first emergency social fund scheme — that of Bolivia, started in 1987 — was designed prior to the confirmation of funding. In later programmes, funding for a safety net was likely to be offered to adjusting countries, with the programme developed in response to this funding incentive. In the case of Egypt, by 1991 there was not only external funding but external insistence that Egypt develop a safety net scheme (Fergany, 1994), as was the case for Peru in 1990 (Graham, 1994). In such circumstances, obvious lack of government enthusiasm suggests that the safety net programme would not have begun without external influence, and that it is unlikely to continue in the absence of external funds. Most countries would fall somewhere between these extremes, but it is clear that the offer of funding, or the knowledge it will be forthcoming, has a large incentive effect on the formulation of safety net programmes.

External funding for safety net programmes raises questions of autonomy and sustainability. There is concern in some countries that governments are losing control over their social policy to external bodies, as they had previously lost control of their economic policies. In addition, external funding creates uncertainty about the future of the programme, which may easily fall victim to changing donor priorities. Internal funding, on the other hand, raises questions of opportunity costs and politics: funds spent on the programme would otherwise have been allocated elsewhere, and efficiency may be adversely affected by political considerations. In addition, the question of sustainability remains if, as is the case with Mexico, a large part of the funding comes from privatization or other one-time sources of revenue generation.

## 2. project-based activities

With the exception of certain compensatory measures, the majority of safety net activities take the form of discrete projects, which in some cases may displace traditional programme-oriented social services. Mackintosh (1994:23) quotes an African health minister as saying: "These days, I'm not running a health service so much as a Ministry of Projects". Both the structure and the rationale of the safety net model promote this emphasis on project-based activities. The desire to increase efficiency by cutting through bureaucratic red tape and increasing reliance on the private and non-governmental sectors implies working through projects rather than programmes, because programmes, if they are to be comprehensive, require an extensive organizational structure not usually found outside of government. In addition, donors explicitly see a project framework as a way to maximize control over the safety net scheme, and particularly the activities of the generally untested non-governmental sector: in the case of Bolivia, the "practice of financing only carefully itemized budgets of very specific, short-term projects was ideal for working with organizations that often lacked solid internal administrative systems, had shifting membership, and had become accustomed to financing broadly defined programmes with external funds that were often spent with few restrictions and in the absence of close supervision by the donor" (VanDomelen, 1992:83). Safety net activities carried out on a project basis through ministries allowed similar control over at least some aspects of government activities.

The project approach, as has long been pointed out in the development literature, has a number of inherent limitations. These include difficulty in reaching certain groups, pockets of impact rather than broad coverage, and a tendency for duplication and lack of co-ordination to reduce efficiency. These are certainly problems in many existing safety net programmes (Gayi, 1994; Fergany, 1994; ILO, 1993; Mhone, 1994; Harriss, 1993; Jorgensen, 1992). Benería and Mendoza (1994) attribute the relatively low impact of the Honduran and Nicaraguan programmes to the terms and conditions of the project cycle, which led to an emphasis on technical rather than social appraisal, and created incentives to maximize the number rather than the quality of projects.



The original rationale behind the use of the project approach in safety net schemes was that they are by definition transitional measures, meant not to replace more standard social policies but rather to supplement them through the difficult adjustment period (Jorgensen, 1992). Thus safety nets were not initially intended to alleviate poverty or unemployment, but rather to prevent further declines until such time as adjustment-led growth made them unnecessary. However, in many countries this rationale has been superseded by events: as will be discussed further below, not only are safety nets now expected to tackle both transitional and structural poverty and unemployment, but in many cases they are seen as medium- to long-term policy shifts, rather than as temporary emergency measures.

### 3. slow beginning

Although the early safety nets, designed as emergency measures, were funded and launched relatively quickly, more recent programmes have often faced long delays between the proposal and implementation stages. To some extent, this seems to be a function of donor conditionalities: the programmes with the fewest donors, and which are granted the greatest autonomy, begin most rapidly, while those with many donors, especially when donor funds are tied to specific projects, experience delays of months or even years. In at least some cases (e.g. Egypt, Ghana and Peru), however, governments contributed to delay (Gayi, 1994; Fergany, 1994; Graham, 1994).<sup>6</sup>

### 4. emphasis on visibility

Safety net programmes tend to be heavily advertised, both to domestic and international audiences. Indeed, visibility is often an explicit criterion in project selection. In Ghana, the visibility requirement is written into the project document, with particular emphasis on visibility in the sensitive areas of education and redeployment. This criterion is specifically linked to the objective of enhancing “the sustainability and acceptability of the [structural adjustment programme]” (Gayi, 1994:33). In Honduras and Mexico, the media are extensively used and carefully managed to convince the public of the efficiency and legitimacy of the social funds (Benería and Mendoza, 1994). Bolivia’s social fund was featured on nightly television spots showing successful sub-projects (Ribe et al., 1990). In Egypt, both official and commercial publicity is used to portray the social fund as being successful, particularly in employment generation and the alleviation of poverty (Fergany, 1994).

This emphasis on visibility derives from the use of safety nets as political instruments, intended to convince the public (as well as international critics) that the social costs of adjustment can be successfully managed, and that the current government is serious about doing so. The extent to which this political objective is acknowledged varies with the country, the speaker and the audience addressed, but it seemed to be common to virtually all safety net programmes. In Ghana, a

World Bank official called PAMSCAD (the social fund) “a big public relations exercise” (Gayi, 1994:33): the fact that this official declined to be named is indicative of the ambivalence on the part of donors and officials about open acknowledgement of the political function of safety net programmes.

In principle, this political objective can be compatible with the more commonly mentioned objectives of poverty alleviation, employment generation and social development, especially if the government depends on a broad-based constituency for support. It can even be argued that, by using safety net programmes to broaden their political support, governments can create a virtuous circle whereby the poor gain power and help to maintain progressive government policies (Graham, 1994). However, in practice there are often trade-offs to be made between these two goals. Most obviously, the visibility criterion means that speed and rhetoric are valued over long-term impact. For instance, school building repair is a popular project in Honduras because it can be done quickly and can provide an attractive backdrop for a television spot, while an irrigation project requiring legal and administrative procedures before construction is even started is relatively less preferable (Benería and Mendoza, 1994). Gayi (1994) contends that the emphasis on visibility in project selection in Ghana diverted attention and resources to projects not in the interests of the poor or vulnerable, and he thus argues that social funds are a “face saving” rather than “human face” component of Ghana’s adjustment.

## 5. male bias

Although safety nets usually rely on the notion of “vulnerable groups” for much of their targeting, and although it is generally acknowledged that women suffer disproportionately from the effects of adjustment, the primary direct beneficiaries of safety net activities are men. Women do benefit from some of the compensatory components of safety nets, particularly nutrition interventions, but, where data are available, they indicate that women are clearly disadvantaged especially in the employment generation component of social funds. A survey in Bolivia indicated that 99 per cent of those employed by the social fund were men (Newman et al., 1992). In Honduras, 75 per cent of the jobs created went to men (Benería and Mendoza, 1994). Even in India’s rural employment programme, often cited as being relatively successful in reaching women, only 16 per cent of participants are women (Harriss, 1993).

In Mexico, although a micro-enterprise development component that targets women is included in the safety net programme, few women’s projects are actually funded (Benería and Mendoza, 1994). The situation is similar in Zimbabwe: of a sample of 30 small enterprise development projects that had reached the funding stage, only one came from a woman (ILO, 1993). In Ghana, 1 per cent of the disbursed funds were earmarked for women’s projects; otherwise there was no attempt to reach women, and no data on gender were collected (Gayi, 1994).

Buvinic (1993) argues that this male bias is neither accidental nor incidental, but built into the structure of safety net schemes: participatory or “demand driven”

social investment funds tend to provide employment to men and social assistance to women. They do not reach women with employment because they have no explicit gender policy, and because they depend on executing agencies to carry out the projects. These agencies, including NGOs, are generally much better equipped to provide relief than to challenge traditional gender roles. In addition, the political function of safety net programmes increases the likelihood that the standard assumptions about the nature of the household — as being a co-operative unit with a central male breadwinner — will be made. Because of their basically populist orientation, safety net programmes are likely to assert their commitment to uphold traditional “family values” (Midré, 1992; Buvinic, 1993; Benería and Mendoza, 1994).

## 6. proportion of affected population reached

Although the data are incomplete, it is clear that the total impact of safety net schemes varies widely, in large part due to funding levels — which range from an initial budget of about 10 million US dollars in Zimbabwe, to 80 million in Ghana, over 600 million in Egypt, about 100 million in Honduras, 300 million in Bolivia, and 2-3 billion in Mexico (UNCTAD, 1994; ILO, 1993). The level of funding is obviously correlated with the proportion of the population reached: beneficiaries in Ghana amounted to 0.3 per cent of the population, 0.5 per cent in Egypt, 13 per cent in Honduras, 19 per cent in Bolivia, 27 per cent in Mexico (UNCTAD, 1994). These figures should be interpreted with caution, however, as they include a certain amount of double counting. In addition, programmes that are primarily employment focused will have fewer direct beneficiaries than those which involve the creation of social infrastructure (schools, clinics, etc.), although the benefits of the latter are likely to be spread more widely.

Employment creation is common to nearly all safety net programmes, and it is usually presented as one of the central purposes of such schemes. It is also relatively easy to measure, and is thus often taken as an indicator of performance. The data indicate that employment programmes have measurable impacts, benefiting thousands of people; although when set against the scale of the unemployment problem the impact seems less significant. Nicaragua created about 137,000 jobs of varying length, for about 21,500 person-years of employment. In Honduras, the effects of the safety net programme on employment were judged to be minimal, as were those of the Mexican scheme (Benería and Mendoza, 1994).

Ghana’s programme had created only 3,200 person-years of employment by the time of its termination (UNCTAD, 1994). Although retrenched workers were specifically targeted, 95 per cent of them were not reached (Gayi, 1994). Fergany (1994) warns that the employment figures associated with the safety net programme in Egypt should be regarded with caution, but even official figures show a minimal impact. Expected permanent job opportunities, according to programme documents, will total almost 113,000, while unemployment was estimated in the early 1990s at about 3 million persons.

In Zimbabwe, less than 1 per cent of retrenched workers have been reached by the training programme designed to assist them (Mhone, 1994), while only 0.13 per cent of retrenchees (0.001 per cent of the unemployed) have benefited from private sector development funding (ILO, 1993). Figures indicative of the impact of certain compensatory measures are also available for Zimbabwe: only 26 per cent of the urban poor who were targeted by a food support scheme benefited from it, and less than 10 per cent of the target group benefited from educational support measures (Mhone, 1994). In each case, the low impact can be attributed, at least in part, to an application procedure that was complex, centralized and bureaucratic.

## 7. difficulty in reaching the poorest

The metaphor of a “safety net” implies an ability to prevent every person from falling below a certain level or standard of living. However, adjustment-related safety net schemes have experienced significant obstacles to directly reaching the poorest groups in society. There appear to be three primary reasons for this difficulty. First, the emphasis on the project approach, and especially demand-based projects, presents a number of obstacles to participation by the poorest: these types of projects involve writing proposals, soliciting estimates, and in some cases require technical expertise such as producing blueprints or engineering assessments. NGOs, which often carry out these activities when independent or government co-ordination is limited, tend to be concentrated around urban areas and have a limited reach into the poorest and most remote communities (Grosh, 1992; Vivian and Maseko, 1994). In addition, the typically weak channels of communication from the poorest communities to the rest of the country limit knowledge about and ability to participate in demand-based programmes. These factors were significant in the Bolivian case, where per capita expenditures were regressively distributed by region: the least poor area received US\$ 23.97 per capita in commitments from the fund, while the poorest received US\$ 9.45 per capita (Grosh, 1992:41).

Second, in a number of cases political considerations led to a loss of targeting focus on the poorest. In particular, an urban bias was evident in many countries, especially where emphasis on visibility was the strongest (Gayi, 1994; Benería and Mendoza, 1994). In some cases, patterns of clientelism were maintained in the distribution of benefits from the safety net programme, to the detriment of the poor (Graham, 1994).

Third, in many safety net activities, opportunity costs present barriers to participation by the poor. In the case of demand-based projects, the poor are faced not only with the need to work around existing local power structures in the organizational phase, but also with the need for a significant time investment before benefits are received or even committed. Often, it is the poorest who can least afford this time commitment. In addition, compensatory programmes are sometimes set up in such a way that opportunity costs become prohibitive. In

Zimbabwe, for instance, school fees are reimbursed, rather than waived, on a means-tested basis for a portion of the target population, requiring a relatively large initial cash outlay for some people. The food support scheme provides a monthly allowance of 4 Zimbabwe dollars (less than US\$ 0.70) per person to poor urban households to compensate for the removal of food subsidies. The application procedure for this benefit requires documented proof of birth, employment, marital status, dependents and incomes. For many of the urban poor that the programme was designed to reach, the costs of application make it unremunerative (Mhone, 1994; ILO, 1993).

## 8. relative lack of impact evaluation efforts

With the exception of the Bolivian programme, safety net schemes have, as yet, undertaken very few attempts at social impact evaluation. What assessment there is takes the form of determination of numbers of projects funded or contracts awarded, rather than of the needs of the target population or the social impact of the intervention (Benería and Mendoza, 1994; Gayi, 1994; Fergany, 1994). As UNCTAD (1994:19) puts it, “evaluation is one of the weakest features of safety nets. Very few of them set quantitative targets, and even fewer review the fulfilment of those targets [...] Impact is evaluated by indicators such as the number of people who benefit from projects or the number of benefits provided — but there is a lack of more sophisticated indicators such as improvement of living conditions”. In other words, every kilometre of road or clinic or school built is counted as a benefit, regardless of whether the recurring costs of maintenance, health staff and teachers can be covered, whether medical supplies or school books are available, or whether people can afford the fees for access to these services.

In some countries it may be the case that the safety net programmes are too new to allow comprehensive evaluation. However, in most cases a provision for social impact evaluation has not been written into the programme design, and there has been no attempt to collect any sort of baseline data. In part, this may be due to the “emergency” nature of the programme. It is also indicative, however, of the centrality of the political function of the safety nets, whereby short-term visibility is valued over long-term impacts.

## 9. tendency to become long term

Safety net programmes were originally sold to donors as short-term, emergency measures, with a strictly limited lifespan, meant to provide a “bridge between the crisis and the reactivation” (Jorgensen, 1992). They were not intended by their original designers to solve the problems of poverty or unemployment — it was expected that adjustment would address these problems — they were merely meant to be palliative measures, making it easier for some people (not necessarily those most directly affected by adjustment) to make it through the transition period. However, quite soon they came to be embraced, particularly by donors, as a way to mitigate the social costs of adjustment (Jorgensen, 1992). Soon after that, their

mandate was stretched to include not only transitional but also structural social problems. In particular, it was hoped that they would be able to provide examples of more efficient and equitable methods of social service provisioning, and even that they would stimulate the creation of institutional forms and relations which would strengthen civil society and provide the basis for more equitable development trends (Graham, 1994).

In the process, the stipulation that safety nets remain strictly temporary measures was largely abandoned. Both of the original safety net schemes — those of Bolivia and Ghana — have been terminated, but both have been re-institutionalized on a semi-permanent basis. None of the 25 other safety net programmes started between 1987 and 1992 have been closed, and “the trend seems to be towards establishing long-term safety nets or indefinite programmes” (UNCTAD, 1994:15). Only 3 out of the 12 African programmes have a specified duration (either five or six years). Six out of 15 Latin American programmes have a specified termination date, while two of these have built-in provisions for extension (UNCTAD, 1994:15).

The country studies indicate that safety nets are increasingly seen as part of a longer term strategy of social and bureaucratic restructuring. The Egyptian fund seems likely to continue at least as long as funding is available (Fergany, 1994); the Ghanaian programme has been incorporated into long-term development strategy (Gayi, 1994), and there are indications that the Mexican government wants to institutionalize PRONOSOL (the Mexican safety net) on a more permanent basis (Graham, 1994).

One reason for this trend toward institutionalizing what was originally meant to be a temporary measure is that the period of time during which “frictional” difficulties from adjustment are experienced has proved to be longer than expected: “transitional” problems sometimes emerged as structural ones, especially where the distributional effects of adjustment were regressive. If adjustment is a process of crossing a desert, not only is the desert wider than had been predicted, but its boundary is unclear, and the trek has left some people far behind.

A second reason that safety nets have tended to linger beyond their original termination date hinges on their utility as political instruments: a government that has won political capital from its programme will be reluctant to dismantle it while the programme remains popular. This has influenced decisions regarding continuation of even the least politically linked programmes, such as that of Bolivia (Barton, 1992). In addition, donors themselves may in some cases be reluctant to close safety net programmes, which are generally relatively successful in absorbing and distributing funds (Barton, 1992).

The trend toward institutionalizing the safety net approach is an important one, because it means that these programmes must now be assessed on an entirely new basis: when safety nets are short-term emergency measures, strictly complementary to existing social programmes, and especially when they do not represent significant opportunity costs, whatever benefits they can provide are

welcome extras. When, however, the safety net approach becomes incorporated into long-term development strategy, and provides a model for alternative forms of social service provisioning, it becomes imperative to assess its long-term social impacts more carefully.

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## assessment of safety nets

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As was noted above, safety net programmes in developing countries have been variously credited with making progress toward three separate goals: poverty and unemployment alleviation (both frictional and structural), defusing social and political opposition to structural adjustment measures, and spurring a process of institutional reform involving a strengthening of civil society and leading ultimately to more meaningful democratization. The first thing to be observed in assessing progress towards these disparate goals is that they entail various contradictory perceptions of the roles and responsibilities of the different actors involved. On the one hand, the state is ostensibly given the responsibility for establishing, directing and setting the priorities for the safety net programme — a model that implies a basically benevolent state. The explicit use of safety nets as means to attract support for government policies also implies that the state is seen as taking a leading and positive role in setting the social policy agenda.

On the other hand, there is actually a great deal of control, on the part of lending institutions and donors, both over the implementation of safety net schemes and the national economic and social policy agenda. When such external controls are portrayed as being applied in the interests of the poor, the implication is that the donors are allied with “the people” against the state: this is a model of a benevolent “meta-state”, comprising donors and the national and international “development community” through whom they work, which is best able to act in the interests of the poor. At the same time, although this model implies an extremely centralized decision-making process, it also calls for “grassroots” organization, empowerment and participation in decision-making: implicitly or explicitly assuming that such participation will be compatible with the externally determined policy priorities. As Mackintosh (1994) observes, these contradictory perceptions have not been resolved in the prescriptive literature on social sector reform.

The situation is further confused because of varying rationales and priorities for safety nets given by governments and lending institutions, publicly and privately. Especially in the case of the lending institutions, it seems clear that the political function of safety nets is considered central — however, this may not be acknowledged to all audiences. Groups most directly affected by adjustment (often middle class retrenchees) are often assured the safety net is meant to mitigate the

social impact of adjustment. The safety net's benefits to the poorest, on the other hand, are more likely to be stressed in the external development community. Thus the Ghanaian programme was advertised in-country (especially by the government) primarily in terms of its labour redeployment function, while externally it was portrayed (especially by the World Bank) as a poverty alleviation measure (Gayi, 1994).

Any assessment of the performance of safety nets, therefore, must be accompanied by the disclaimer that the expressed objectives of existing programmes may not always correspond to their actual priorities. Thus there is conceivably a difference between the actual performance of existing schemes and the potential accomplishments which such schemes may have, if their actual priorities were to be reformulated to be more in line with their stated goals. In addition, any assessment based on objectives will necessarily emphasize deficiencies rather than accomplishments, which would be better understood by more micro-level studies than those involved in this research programme.

## 1. on poverty

Safety nets are generally described both as a way of addressing the direct social costs of adjustment, and alleviating poverty in the context of adjustment. All of the programmes target the poor, but some stress adjustment-caused poverty (the new poor), while others emphasize pre-existing poverty (the old poor). On the face of it, if (as was indicated above) only a fraction of those in need are reached and, further, if there are impediments to reaching the poorest, it must be concluded that the safety nets are not successful in directly alleviating either frictional or structural poverty.

Indeed, although safety nets are often described as being mechanisms for poverty alleviation, it is seldom claimed that they have actually worked to make a significant impact on the overall problem of poverty. Most obviously, extreme spatial patchiness of impact is evident in many programmes. To some extent this is a matter of the scale of the programmes: it is clear that the massively funded programmes have made much more impact than those which are basically token efforts.

However, the lack of a significant impact on poverty is also due in part to the widespread structural nature of poverty in developing countries, and the inherent limitations of the project approach with regard to structural reform. For instance, the support given to the micro-enterprise sector in Zimbabwe by the safety net programme ignores the fact that the informal sector there is not as dynamic and independent as is commonly assumed: it depends on the formal sector for both inputs and markets, and value added in this sector is relatively low (Mhone, 1994). Thus the formal sector crisis does not represent an opportunity for informal sector growth, but rather has a severe contractionary spillover effect into the informal sector. In addition, ease of entry has meant crowding and diminishing profit margins in the informal sector in recent years (Mhone, 1994). Thus the services



offered by the safety net to certain individuals, including retraining and credit, primarily serves to reshuffle the position of individuals within the sector, rather than to make the informal sector more productive, or allow it to take a leading role in the economy.

In general, as Fergany (1994) notes, the notion of a comprehensive safety net originated in mature capitalist economies, and the model does not work in the same way in the greatly different structural conditions of developing countries. An effective safety net — one which, as the term implies, is able to prevent all people from falling below a certain level — is much more feasible if the poor represent 10 per cent rather than 60 per cent of the population (Atkinson and Hills, 1991; Burgess and Stern, 1991). A safety net programme is most useful where it covers the fewest numbers of people, and is used to address particular risks (unemployment or injury, for instance). For obvious budgetary and administrative reasons, it is less useful where large numbers of people are involved (as in cases of widespread structural poverty), or where the risks covered are universal (such as aging) (ISSA, 1992; Ahmad, 1991).

But even if existing adjustment-related safety nets cannot be said to directly alleviate poverty on a substantial scale, two questions remain: do they nevertheless have direct benefits which justify their costs? Do they have indirect effects that may multiply their impacts?

If the performance of safety nets is judged against the overall scale of development problems, these programmes are obviously insufficient — but this is just as obviously an unfair standard. In fact, hundreds of thousands of individuals have been touched directly by such schemes. In addition, at least the most effective programmes have measurable indirect effects due to the relatively large amounts of money they inject into the economy, which is spread relatively well, at least geographically. An assessment of macro-economic effects undertaken for the Bolivian programme suggests that for every job directly created by the safety net, another 1.1 jobs were created in the economy (Grosh, 1992). In 1989, 66 million US dollars entered the Bolivian economy through the scheme; this was calculated to generate an increase in GDP growth of about 1.3 per cent. A general equilibrium model was constructed which suggested that investment through a safety net has somewhat better impacts, in terms of higher growth, lower inflation and greater employment, than the same amount of funds introduced through normal channels would have (Grosh, 1992).<sup>7</sup>

The effective question, therefore, is not whether safety nets alleviate poverty, but whether another approach would do so better, and whether such an approach would be feasible. This question must obviously be addressed separately for each country considering a safety net scheme. The research suggests, however, that while the earliest safety net schemes implied little in the way of investment trade-offs — the Bolivian programme, for instance, attracted some funding which might otherwise not have entered Bolivia — later schemes are more likely to be designed and funded from within the given constraints of an adjustment package. In such a

situation, greater care must be taken to evaluate trade-offs and possible alternative approaches to the goal of poverty alleviation.

In sum, it seems reasonable to assume that the effects of social funds on poverty, and even on inequality, are positive, as far as they go — at least to the extent that they imply limited financial and institutional opportunity costs. Whether they go far enough to justify the programme, and whether better alternatives are available, needs to be considered on a case-by-case basis.

## 2. on the political viability of adjustment

Even a cursory examination of safety net programmes in developing countries makes clear that the primary rationale of most such programmes is based on creating support for adjustment measures. There are two intended audiences here: most obviously there is a national one, which is of immediate concern to the survival of country-level adjustment measures. But there is clearly also an international target audience: the safety nets are meant to assuage the doubts of certain agencies, organizations and academics that the short-term costs of adjustment might not be worth its long-term benefits. IMF and World Bank representatives invariably make use of safety nets in international fora, citing them as an indication that — although the social dimensions of adjustment had been previously neglected — the problem is now **really** being addressed. In the words of one Fund official, “we are increasingly and **increasingly** increasing our attention to social issues”.<sup>8</sup>

Leaving aside the desirability of this approach — remaining agnostic, in other words, about whether the standard adjustment package is in the long-term best interests of the poor, and thus whether it is justifiable to support adjustment by any means available — the question becomes: if this is a public relations exercise, how successful is it?

Evidence on the political impacts of safety net programmes is somewhat mixed, with some programmes being clearly more persuasive than others. Political success depends to some extent on the actual impact of the programme, but another important variable is the extent to which safety nets are **perceived** to be a political instrument. In Chile (under Pinochet), jobs programmes were withdrawn from communities involved in political opposition activities; in Peru the social fund employees were brought to cheer at political rallies, and jobs were increased prior to elections and phased out afterwards;<sup>9</sup> in Senegal, clientelism was incorporated into the working of the scheme, with the only proposals funded coming from mayors of the governing party (Graham, 1994). Under such circumstances, the perception is that safety nets are “business as usual”, and their impact on the political acceptability of adjustment is minimal. Similar dynamics undermined the legitimacy of the PAN food distribution programme in Argentina: widespread reports of fraud and *clientelismo* reduced support for the programme both among its beneficiaries and those providing funding (Midré, 1992).

In other cases, however, a real effort seems to have been made to delink the safety net programme from the ruling party, and to work in a transparently non-partisan manner. Neutral administrators are appointed, and efforts are made to involve groups from across the political spectrum. This is reported to have been the case in Bolivia, El Salvador and Zambia, and to have contributed to the success of these programmes and to their ability to deflect criticism of adjustment (Graham, 1994). The lesson here seems to be that if the political objective is to support the adjustment policies of the government, rather than the ruling party itself, a safety net is more likely to have the desired political impact.

### 3. social sector restructuring

The social sector reform proposals of which safety nets are a part emphasize a system of provision that is decentralized, and that often involves NGOs or the commercial private sector rather than relying exclusively on the traditional government channels. However, this decentralization is combined with a maintenance of central control over policy-making, priority-setting and monitoring: a system of “managed” competition is set up which is expected to increase both efficiency and accountability, as competing providers are assumed to have more incentive than government bodies to respond to policy priorities. The central objective of these reforms is to stimulate institutional change that will impact upon the perennial problems of bureaucratic inefficiency and corruption (Mackintosh, 1994).

It is further hypothesized that this type of reform will have spillover and multiplier effects in civil society: the safety net schemes linked with structural adjustment are thought to provide an opportunity to reshape coalitions and power relations. Demand-based schemes are considered to be particularly effective in this regard, because, through them, non-governmental and non-powerful groups are given a way to actively participate in the system — a process by which they become “empowered”. As these groups become more organized, their political influence increases, and their support becomes more valuable to the ruling party, which is then more able to cut the benefits to privileged groups upon whom it had previously depended for support. Social funds are thus seen as the means by which new groups can be attracted to join a pro-poor coalition, and to enable this coalition to generate sufficient support to maintain a pro-poor government.

This type of social sector reform proposal constitutes an attempt to link the neo-liberal, market-based model of social provisioning to the formerly “alternative” approaches of participation and empowerment in a kind of “neo-liberal populism”. This is an interesting concept. It implies that safety nets are not merely short-term palliatives, to be judged against the number of projects they have completed, but should rather be seen as part of a process of long-term social restructuring, which will end with a more equitable distribution of power in society. There are, however, a number of obstacles to the realization of this scenario. First, as Graham (1994)

observes, governments cannot afford to implement unpopular social programmes on top of unpopular economic programmes; thus, depending on distributional patterns in society, the pro-poor agenda of the social reforms may fall victim to the usual concessions to existing powerful groups. The prevalence of a strong male bias in these programmes is one indication that they make little attempt to touch the more entrenched societal structures. Furthermore, the stress on ensuring that beneficiaries are “deserving” of the interventions — by being willing to work, for instance, or to consume inferior commodities — suggests that power relations remain unchanged.

More generally, if social sector reforms are intended to stimulate positive institutional change, a closer look needs to be taken at the potential for the desired institutional structures to in fact materialize. Cernea (1993) warns of the fallacy of the “*fiat lux*” (“let there be light”) approach often taken by development interventions with regard to the social institutions necessary for their implementation: it should not be assumed that social organizations, no matter how efficient or equitable or rational, can be called up out of thin air. Instead, the processes through which institutional change occurs, or is blocked, must be understood in each context in which such change is expected.

First, the concept of “participation” is more problematic than it is commonly assumed to be, both in terms of how participation can be stimulated, and what its outcomes will be. As Wolfe (1981) observes, participatory efforts tend to mobilize the enemies of social change more effectively than its friends. In addition, the social groups who succeed in enhancing their capacity to participate typically focus on consumption rather than social restructuring, and they are particularly concerned with the extraction of benefits from the state — even when this might seem alien to the logic of their organization, as is the case for co-operatives, for instance. More importantly, “‘community development’ often gives the locally powerful new ways of exploiting the poor” (Wolfe, 1981:257). Doyal and Gough (1991:308), agree: “In a society of pervasive inequality and unmet needs, greater participation can at best act as a figleaf to cover the powerlessness of the poor. At worst, it aggravates their deprivation and limits their power still further [...] Furthermore, ‘community provision’ in the context of the existing sexual division of labour is all too often a metaphor for the reliance on the unpaid labour of women”.

These general warnings about the nature of “participatory” interventions are borne out by some of the country studies. In Nicaragua, the safety net was less “demand-driven” than originally formulated: because of insufficient skills and suspicion of the scheme on the part of the targeted beneficiaries, many projects were in fact designed by engineers hired by donors (Benería and Mendoza, 1994). In both Honduras and Nicaragua, participation was largely of an *ex-post* nature, because participation in design, implementation and supervision of projects was considered too time-consuming (Benería and Mendoza, 1994). In Ghana, participation in safety net projects was described as “truncated”: beneficiaries contributed little more than labour or cash to projects. Project priorities were set centrally, and

interviews in beneficiary communities indicated they had not been consulted in project selection (Gayi, 1994).

Altogether, the social sector reform model which sees safety nets as an instrument of progressive social change is problematic in its generalized assumptions about processes of institutional change. Echoing the earlier literature on NGOs, the model envisions the creation of a decentralized, responsive network of social service providers, a “thickening web” (Annis, 1987) of grassroots organizations that are transparent, co-operative and stably funded, and that are able to bring new services to the poorest and most isolated communities previously excluded from government activities. However, another possible outcome of this decentralized approach is a limited patchwork of superficial interventions, their effectiveness impaired by duplication, lack of co-ordination, and various kinds of bias.

The outcome of social sector reform in any particular context will depend on the path of institutional evolution in that context. In turn, as Mackintosh (1994) points out, this evolutionary path will depend on a number of factors. First, the objectives and organizational culture of the service providers are important: although NGOs and community organizations may be value-driven, they may also be driven by the same kinds of objectives as the public agencies they are meant to replace, including bureaucratic growth, perks and tenure for employees. There are some indications that, as NGOs proliferate in response to funding availability, the organizations that are motivated by the latter types of considerations will become more common (Vivian and Maseko, 1994). Second, both the way non-public institutions change, and the changing interrelationships between them and the public sector need to be accounted for. Third, the link to the political context needs to be examined. Questions of particular importance include the interaction between public pressure and service provisioning; the nature of locally dominant private interests, including the effect of the exercise of political power; the sort of new private interests the reforms are creating; and the implications of these changes (Mackintosh, 1994).

In some cases, safety net programmes meet with opposition from bureaucrats, suggesting that they do create some kind of disturbance in existing power structures. This was the case in El Salvador and Mexico (Benería and Mendoza, 1994; Graham, 1994). In Bolivia, initial opposition to the programme on the part of bureaucrats was overcome by engaging government agencies on equal terms, essentially encouraging them to compete with NGOs (Grosh and Jorgensen, 1992). However, problems with social service provisioning caused by a lack of accountability and probity on the part of the state do not necessarily disappear with decentralization and divestment. In Egypt, NGOs sponsored by influential individuals get priority treatment in funding from the safety net programme (Fergany, 1994). In Ghana, a large NGO beneficiary of the social fund is a thinly disguised political organization (Gayi, 1994).

In addition, the costs of safety nets and social sector restructuring more generally must be counted not only in financial terms, but also in institutional terms: the process implies a dismantling of certain institutions, in the hope they will be supplanted by better ones. This hope may not always be realistic. Fergany (1994)

contends that the Egyptian government is steadily relinquishing its responsibility for guaranteeing the welfare of the poor, and that it is unlikely that more effective social agents will emerge to fill the void. In their discussion of the implications of safety net schemes for long-term social policy in Honduras and Nicaragua, Benería and Mendoza (1994) argue that such schemes do not provide a viable alternative model: because they depend on external financial institutions, they have to satisfy donors' technical requirements as well as whimsical presidential goals. Their constant preoccupation with fund raising, small project generation and speedy disbursement has been an obstacle for the conceptualization of a long-term social policy independent from international funding. At the same time, because they are based on projects, they have been unable to deal with the major structural obstacles preventing a long-term redistributive strategy for social development.

More generally, the current trend in social sector restructuring, including safety nets, incorporates a concept of residualism and selectivity in social policy.<sup>10</sup> In a sense, this is a regression: according to MacPherson and Midgley (1987), during the colonial era, welfare ideas and policies were essentially residualist — holding that “social welfare institutions should come into play only when the normal structures of supply, the family and the market, break down” (MacPherson and Midgley, 1987:134). That is, welfare services (including not only economic support but also other forms of social provisioning such as education and health services) were only to be provided to those who could not provide for themselves. After the Second World War, and especially during the 1960s, “the demise of residualism in Third World social policy thinking was dramatic” (MacPherson and Midgley, 1987:121). The alternative to residualism — and what most states aspired to, even if they did not achieve it — was institutionalism: a conception of welfare that sees social services as part of the normal primary functions of modern society.

Although there has been little work on the social impacts of different social policy models in developing countries, the dynamics of residualism have been extensively analysed in the context of developed countries (e.g. Esping-Andersen, 1990). It is hypothesized that this type of social service provisioning accentuates and perpetuates social divisions by distinguishing recipients from the rest of the community, and by structuring social expenditure as a gift rather than a right. In developed countries, the concept of a safety net has often been associated with a failure to take active measures to alleviate structural poverty, and with a certain stigmatization of beneficiaries (ISSA, 1992). In short, residualist policies work against the advancement of the “social dimension of citizenship”, which concerns “the rights of everyone to enjoy a certain minimum standard of life, economic welfare and security (Giddens, 1982:167), and which is considered to be an important component of social development.

Similar dynamics have been observed in developing countries, not only in the context of social policy, but in the context of development policy more generally. As Vandergeest (1991:439) puts it, “**gifts** empower the **givers**, who can withdraw the gift as they wish, and impose conditions on the receiver. In development, these conditions are constituted as a project of moral regulation [...] development agencies use the language of ‘helping people to help themselves’. **Rights** empower

the **receiver**, by shifting the obligation to the giver. The crisis of development at present is in part the attempt by neo-liberal régimes to shift the discourse of basic welfare from welfare ‘rights’ to welfare ‘gifts’ ”.

It would be too simplistic to portray safety nets merely as instruments in this struggle over discourse: as Benería and Mendoza (1994) observe, the agencies which design and run such programmes are crowded with left-wing intellectuals committed to changing the system. However, this type of social sector restructuring does fit squarely within the neo-liberal project of curtailing the activities of the state — a project which provides, at best, a limited model for social sector reform. As Harriss (1993) argues, the reason that the developing state is too often unresponsive to social needs is that its legitimacy does not rest in an important way on guaranteeing the welfare of its constituents — but such guarantees are not what markets are structured to provide. The only way to improve welfare under conditions of structural adjustment is to increase the accountability of the state. Although some hope that safety net programmes will have this effect, this is far from being an automatic outcome.

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## conclusion

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Ultimately, what one thinks of compensatory mechanisms such as safety nets depends largely on what one thinks of adjustment. Those who see adjustment as a necessary precondition for both economic and social progress, and believe that it is really in the best interests of society as a whole, will see safety nets as a political necessity, and will try to make sure they have as little distortionary impact on the adjustment process as possible. As Egger et al. (1993) point out, this is something of a paradox: the schemes distribute additional revenues without increased exports, they create low-productivity employment, and they prolong exactly the pattern of creation and distribution of income that adjustment tries to modify.

Those who see adjustment as unavoidable — who believe that “there is no alternative” — see safety nets at least as a way to mitigate some of the social hardships of the transition period, and at best as a way to help develop new forms of social relations that promote the establishment of democratic processes in the long run. Their objective becomes to design the most useful programmes possible within the overall constraints of adjustment.

Those who believe that the social costs of adjustment indicate a need to re-examine the standard approach are more inclined to see social funds as a “smokescreen” (Fergany, 1994). As Mhone (1994) argues for Zimbabwe, structural adjustment measures are likely to create enclave development, and to reinforce structural poverty rather than reduce it in the long run. The safety net package is completely unable to mitigate these effects; it can have little bearing on the outcome of the process and is essentially extraneous to the debate on adjustment.

It is, in fact, difficult to find fault with an intervention which brings a large amount of foreign funds into a poor country, distributes these funds relatively well, and, at least in some cases, has measurable multiplier effects. However, several caveats are in order: first, such programmes are not an answer either to the social costs of adjustment, or to poverty in the context of adjustment, and should not provide an excuse for not taking seriously the question of how to refine adjustment programmes to make them more sensitive to the needs and vulnerabilities of the poor. As Ribe and Carvalho (1990:35) note, this has not often been done: “For the most part, efforts to address the social impact of adjustment programs have focused on targeted projects rather than on design changes. Modifications in design other than social expenditure reallocations have received relatively little attention”. In other words, safety nets have been at times portrayed as the answer to the social costs of adjustment. This they clearly are not, and this fact implies that other options, including modifications to adjustment programmes, should be considered where the social costs are high.

Second, the institutional development hoped for as an outcome of the demand-based social fund approach should not be assumed: the fallacy of a “*fiat lux*” approach to institutional change should be avoided. Even “participatory” social funds will have uncertain social outcomes, and they may serve to block other channels of social organization.

Third, social sector reform models must be assessed in terms of their overall social efficiency and effectiveness as well as their impact on social development. Social policies have long-term effects on social divisions and social structures, and, if safety nets become institutionalized as an alternative model of social service provisioning, a long-term question is raised: what will be the legacy of the neo-liberal approach to social service provisioning? Will it promote or retard progress toward social development and positive forms of social integration? These questions must be addressed on the basis of a much better understanding of the dynamics of institutional change than is currently available in most countries.



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notes

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1. The term “safety net” is also used to describe new social packages in countries in transition to market economies; the present paper considers only safety nets in developing countries.
2. Safety net programmes examined in depth by studies commissioned for this project include those of Egypt, Ghana, Honduras, India, Mexico, Nicaragua and Zimbabwe. Social funds in Bolivia, Chile, El Salvador, Peru, Senegal and Zambia were also covered, as were social policies in China, Hong Kong and Papua New Guinea. In addition, a review of existing literature was undertaken.
3. The World Bank may now be retreating somewhat from this position linking adjustment measures directly with poverty alleviation: a recent Bank publication cautions that adjustment “cannot work miracles in reducing poverty or ensuring sustained equitable growth” (World Bank, 1994:xx).
4. Differences among these studies may be attributed to changes in the programmes over time, the vague nature of many programme descriptions, and inconsistencies between the programme objectives, as described in official documents, and programme implementation.
5. For instance, UNCTAD uses the term “safety net” to encompass three categories of activities, termed “social action programmes”, “emergency social funds” and “social investment funds” (UNCTAD, 1994:4). The World Bank, on the other hand, tends to use “social action programme” as an umbrella term.
6. There also seem to be regional differences: 7 out of 12 African programmes — but only one of the seven Latin American countries — were reported as delayed in the UNCTAD (1994) report.
7. Although the differences are not overwhelming given the relatively imprecise nature of such models: for the safety net, GDP growth was estimated at 2.5 per cent, inflation at 1.7 per cent, and employment at 57,000 jobs. For traditional channels of investment (public enterprises, the government and the financial system), GDP growth was estimated at 2 per cent, inflation at 1.9 per cent, with 45,000 jobs created (Grosch, 1992: 47).
8. At the United Nations Committee on Economic, Social and Cultural Rights, meeting on The Role of Social Safety Nets as a Means of Protecting Economic, Social and Cultural Rights, Geneva, 16 May 1994.
9. The PAIT programme under Garcia, although the Foncodes programme under Fujimori is also described as having an obvious political bent (Graham, 1994).

10. It has been argued that this is also the case for social policy trends in former socialist countries, even though the safety net programmes there are much more comprehensive than those of developing countries (Deacon and Hulse, 1994).

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Economic Restructuring and New Social Policies  
(May 1994)**

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