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Social inclusion programmes and their impact on sustainable and inclusive development and growth

Social inclusion programmes and inclusive growth in developing countries

Note by the UNCTAD secretariat

Executive summary

Developing countries have made significant progress in economic growth performance in the past two decades, with an average real growth in gross domestic product (GDP) of 6.1 per cent over the period 2000–2010. While this growth has led to substantial reductions in poverty rates, there are concerns that it has not been inclusive, particularly in Africa and least developed countries (LDCs), in the sense that it has gone hand in hand with an increase in the absolute number of poor people as well as an increase in inequality. It has also not created enough jobs to absorb new entrants into the labour force.

Against this background, this note examines why recent growth in developing countries has not been inclusive and discusses what is needed to move towards more inclusive growth and development pathways. It argues that growth is a necessary – but not sufficient – condition for poverty reduction and that fostering inclusive growth and development in developing countries requires the development of productive capacities and structural transformation, the creation of decent jobs and the adoption of social inclusion policies that give vulnerable groups an opportunity to participate in and benefit from economic growth. In this context, the note highlights and discusses selected social inclusion programmes that have been put in place in some developing countries and draws lessons from these programmes for other developing countries.

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Introduction

1. Achieving inclusive growth and development is undoubtedly a fundamental challenge facing developing countries today. Over the past few decades, the economic-growth performance of developing countries as a group has improved markedly, with real GDP growth increasing from 4.7 per cent in 1991–2002 to 7 per cent in 2003–2007 and 5.3 per cent in the post-crisis period 2008–2012 (table 1). Compared with the 1990s, recent growth has led to significant reductions in poverty rates in developing countries. The proportion of people living on less than $1.25 a day, that is, extreme poverty, fell from 47 per cent in 1990 to 27 per cent in 2005 and 22 per cent in 2010 (United Nations, 2013).[1] Despite this positive development, in many countries, particularly in Africa and LDCs, recent growth has also been associated with an increase in the absolute number of poor people. For example, in sub-Saharan Africa the number of poor people rose from 289.7 million in 1990 to 413.8 million in 2010. There has also been an increase in inequality in many countries. These developments have raised concerns that the recent growth experienced by developing countries has not been inclusive and that more needs to be done to ensure that growth is more broad based and touches the lives of vulnerable groups in a positive way.

2. While growth is a prerequisite for inclusive development and prosperity, it does not automatically reduce poverty or vulnerabilities; neither does it ensure that its benefits are fairly distributed. Studies have shown that growth is a necessary but not a sufficient condition for poverty reduction and that the degree of inequality plays an important role in determining the ultimate impact of growth on poverty. In this context, achieving inclusive growth and development would require, among others, policies aimed at reducing inequality in income and assets; fostering social dialogue, particularly among workers and employers; promoting social justice and reducing vulnerabilities. The vulnerability of population groups has been a major factor inhibiting inclusive development; therefore, efforts towards a more inclusive development path and process should focus on addressing this issue. Poverty is a major source of vulnerability because the poor have the fewest buffers or resources to cope with hazards or shocks. However, vulnerable people do not only include the poor, but also, among others, the elderly, the ill, the unemployed, women and minorities. In this regard, policies to enhance social inclusiveness must be based on a holistic view of vulnerability to ensure that all population groups benefit from the development process.

3. This paper examines why recent growth in developing countries has not been inclusive and argues that fostering inclusive growth and development requires the development of productive capacities and structural transformation, the creation of decent jobs and the adoption of social inclusion policies that give vulnerable groups an opportunity to participate in and benefit from economic growth. The paper also identifies and discusses selected social inclusion programmes that have been put in place in some developing countries and draws lessons from these programmes for other developing countries. Furthermore, it examines emerging issues and challenges associated with the implementation of social inclusion programmes and offers suggestions on how developing countries can move to more inclusive growth and development pathways.

[1] Although the decline in poverty rates has been observed in all developing-country regions, there are important regional disparities. Between 1990 and 2010, for instance, poverty rates fell from 45–14 per cent in South-Eastern Asia, from 12–6 per cent in Latin America and the Caribbean, and from 56–48 per cent in sub-Saharan Africa (table 2).

Table 1
Output growth
(Annual average percentage)

	1991–2002	*2003–2007*	*2008–2012*
World	2.9	3.7	1.7
Developed economies	2.6	2.6	0.3
Developing economies	4.7	7.0	5.3
Africa	2.9	5.8	3.6
East, South-East and South Asia	6.5	8.3	6.8
West Asia	3.7	6.9	4.0
Latin America and the Caribbean	2.9	4.8	3.0
Oceania	2.2	3.1	3.4

Source: UNCTAD, 2013a.

Table 2
Extreme poverty
(Percentage of people living on less than $1.25 a day)

	1990	*2005*	*2010*
Developing regions	47	27	22
Developing regions (excluding China)	41	31	26
Sub-Saharan Africa	56	52	48
Southern Asia	51	38	30
South-Eastern Asia	45	19	14
Eastern Asia (China only)	60	16	12
Latin America and the Caribbean	12	9	6
Western Asia	5.1	4.6	4
Northern Africa	5	3	1

Source: United Nations, 2013.

I. Why has recent growth not been inclusive?

4. There are two main reasons why recent growth in developing countries has not been inclusive. First, the growth model and processes followed by most developing countries over the past few decades did not generate enough good-quality jobs; second, most countries either do not have social protection mechanisms, or if they do, the mechanisms are weak. This makes it difficult for vulnerable groups to participate in the growth process and for the benefits of growth to be better distributed.[2]

[2] Unemployment is also a major challenge at the global level. Many developed countries suffered enormous job losses during the financial crisis and continue to struggle with high unemployment rates. They have, however, more mechanisms, that is, social protection programmes, in place to mitigate the negative impacts of the crisis and prevent people from falling into poverty. The International Labour Office (ILO) estimates that global employment growth in 2013 (1.4 per cent) is

Jobless growth

5. Although developing countries have enjoyed high growth over the past decade, they were unable to create sufficient jobs to absorb the rapidly growing new entrants to the labour market. One of the reasons why growth did not create sufficient employment, particularly in Africa and LDCs, is that it has not been transformative. Many developing countries in Africa and LDCs have not gone through the "normal" process of structural transformation characterized by a shift from low- to high-productivity activities within and across sectors and an increase in the share of manufacturing and modern services in GDP as incomes rise. The structural transformation observed in Africa and LDCs has been marked by an expansion of the services sector without significant manufacturing development; growth in that sector has been dominated by low-productivity activities often taking place in the informal sector. Given that the potential for employment creation is very high in manufacturing and a large percentage of the labour force in Africa and LDCs is in agriculture, the increasing dominance of the services sector has had a negative impact on employment. Another reason why recent growth has not led to significant employment creation, in the case of mineral and oil-rich countries, is the dominant role of the extractive industries in the production process of these economies. Since these industries are capital- and not labour-intensive and they operate in an enclave with very limited linkages to the local economy, the potential for employment creation is limited.

6. Recent growth has not gone hand in hand with the development of productive capacities – that is another reason why it has not led to the creation of adequate employment.[3] In many developing countries in Africa and LDCs, productive capacities remain weak due to low investment rates, slow technological progress and lack of economic diversification and transformation. Low levels of financial capital, infrastructural bottlenecks and weak human capital have also constrained entrepreneurship and the development of production linkages necessary to strengthen productive capacities and lay the foundation for sustained growth in employment. The low investment rate observed in many developing countries is a crucial constraint to employment and output growth. Investment can unlock growth directly and indirectly through the provision of better infrastructure (transport, energy, water and so forth), which enhances firm productivity, thereby creating an incentive for entrepreneurs to invest and employ more people. Recent studies suggest that investment is a key driver of long-run growth and development and that a minimum average investment rate of 25 per cent is required for poor developing countries to create employment and achieve significant reductions in poverty (UNCTAD, 2014). Currently, investment rates in several developing-country groups are well below the 25 per cent threshold (see figure).

7. In Africa, average investment rates are low, reflecting a heavy reliance on a consumption-based growth strategy. UNCTAD (2014) argues that a consumption-based growth strategy often results in overdependence on imported consumer goods, which affects the development and survival of local industries, the building of productive capacities and job creation. Furthermore, such a strategy eventually results in a balance-of-payments crisis, which tends to have strong negative impacts on growth and employment. In this regard, developing countries should have a growth strategy that balances the relative contributions of consumption and investment in the growth process.

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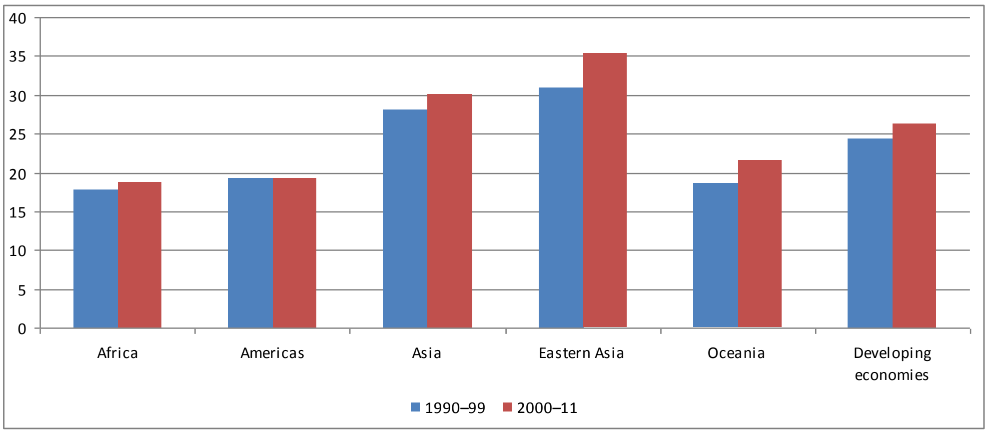
persistently slower than in pre-crisis years (1.7 per cent) (Department of Economic and Social Affairs (DESA), 2014).

[3] UNCTAD defines productive capacities as the productive resources, entrepreneurial capabilities and production linkages that together determine a country's capacity to produce goods and services and enable it to grow and develop.

Figure
Investment rates across developing-country groups
(Percentage of gross domestic product)



Source: UNCTAD.

8. The employment challenge associated with the growth process in developing countries is not only about the quantity of jobs – it is also about the quality of existing, as well as new jobs, created. DESA (2013) shows that in developing countries "the shares of working poor remain high and most workers tend to be employed in vulnerable jobs in still expanding informal sectors". Furthermore, in developing countries, over half of workers in the informal sector work under very poor and challenging employment conditions. In addition, one in three workers lives in poverty, which is not surprising, given the prevalence of low wages in developing countries, the lack of basic social protection, the neglect of basic measures of safety and health in the workplace and the lack of credible mechanisms to promote social dialogue between employers and workers. These facts underscore the need for policymakers to focus not only on increasing the number of jobs, but to pay more attention to the quality of jobs created.

Weak and inadequate social protection

9. The second factor that explains why growth has not been inclusive relates to the lack of sufficient and effective mechanisms to distribute the benefits of growth. Indeed, growth and social exclusion often co-exist, and growth has often led to and exacerbated existing inequalities, jeopardizing social cohesion and political stability (Martins and McKinley, 2011). To redistribute the benefits of growth, lower inequalities and poverty, and ensure that vulnerable population groups can actively take part in the growth process, governments need to implement well-designed programmes, such as social protection schemes (box 1). Social protection programmes can play a crucial role in reducing people's exposure to risks. They enhance the capacity of individuals to protect themselves against loss of income and other events that can push people into poverty. They are particularly useful in enhancing the participation of vulnerable groups such as women in the growth process. Despite this potential role of social protection programmes, many people in developing countries either lack or have weak access to social transfer schemes and services. The United Nations System Task Team on the Post-2015 United Nations Development Agenda (2012) estimates that 80 per cent of the global population has no access to comprehensive social protection that would enable people to cope with life risks. In this context, addressing this challenge should be on the priority agenda of governments in developing countries if they wish to build inclusive and sustainable societies in the long run.

Box 1. What are social protection programmes?

Social protection programmes are policies and instruments that address different sorts of vulnerability experienced by population groups in society. Their objective is to shield people against multiple risks and shocks and break the vicious cycle of vulnerability and poverty. They focus on several causes of poverty and social exclusion and can also unlock the productive capacity of those able to work. There is an ongoing debate about the boundaries of social protection policy (United Nations Development Programme (UNDP), 2010). In general, social protection has three main components:

- Social insurance: protection against risk and adversity throughout life (for example, loss of income, ill health, old age), designed mostly to keep formal workers and the non-poor from falling into poverty; contributory or non-contributory schemes
- Social assistance: social transfers in cash or in kind to support and enable the poor; in general non-contributory schemes
- Inclusion efforts and labour market policies: designed to enhance the capability of marginalized groups to access social services and programmes and join the labour markets.

As a result of the global economic and financial crisis of 2008–2009, there has been a shift from a needs-based approach to a rights-based approach to social protection. There is also renewed interest in social protection programmes both at the national and international levels. For example, in 2009, the United Nations System Chief Executives Board for Coordination launched the Social Protection Floor Initiative, which the General Assembly endorsed in 2010. The social protection floor is a comprehensive and pluralistic social protection system with linkages between its components; however, it is not an alternative to social insurance institutions where they exist. In 2012, the 185 member States of the International Labour Organization unanimously adopted the Social Protection Floors Recommendation, 2012, which provides guidance for building comprehensive social security systems aimed at covering at least four essential guarantees: access to essential health care, including maternity care; basic income security for children; basic income security for persons of working age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and basic income security for the elderly. In addition, the Group of 20 Seoul Development Consensus for Shared Growth (2010) placed a special emphasis on social protection mechanisms that support resilient and inclusive growth. The Rio+20 outcome document (A/CONF.216/L.1), entitled “The future we want”, adopted in 2012, also recognized the importance of social protection in fostering inclusive growth and development.

II. Social inclusion programmes and their impact: Country experiences

10. Since the beginning of the new millennium there has been renewed interest in the design and implementation of social inclusion programmes in developing countries; this has gathered more momentum recently because of the impact of the global economic and financial crisis of 2008. This section provides a brief review of five successful social inclusion programmes in selected developing countries with a view to highlighting lessons for other developing countries. These are the Bolsa Familia programme in Brazil, the Girinka programme in Rwanda, a project aimed at reducing rural poverty through diversification from poppy cultivation in the Lao People’s Democratic Republic, the Self-help Group–Bank Linkage programme in India and the Productive Safety Net programme

in Ethiopia. The selected cases cover programmes on different continents, as well as in large and small developing countries.

Bolsa Familia programme (Brazil)

11. In 2003, Brazil launched a family-grant scheme known as Bolsa Familia. It is a conditional-cash transfer programme aimed at transferring income to poor households to reduce poverty and enhance their access to health, education and other social services. It is one of the largest social protection programmes in the world and has benefitted some 50 million poor people. In addition, it is estimated that it has contributed to a decrease in the poverty headcount index by 12–18 per cent, although the impact on poverty has been more pronounced in rural areas than in urban areas (Higgins, 2012). The programme has also reduced the risk of chronic malnutrition in children under five year by 30 per cent and had a dramatic impact on inequality in Brazil between 2001 and 2008, with the Gini index of inequality falling by about 0.7 percentage points per year on average over this period (UNDP, 2011).

12. There are several interesting features of this programme that other developing countries could learn from. First, it seeks to reduce poverty in a sustainable way by incentivizing beneficiaries to invest in the human capital of their children, thereby enhancing their ability to find jobs and transit out of poverty. Second, the mother of the children, rather than the head of the family, receives benefits. This promotes women's empowerment and ensures that the benefits reach vulnerable target groups such as children. Third, although benefits come with conditions, the consequences of non-compliance are gradual in the sense that beneficiaries receive a warning the first time they do not comply, followed by suspension, and finally, cancellation of benefits. Fourth, the financial cost of the programme is low. For example, in 2010, expenditure was $7.7 billion, about 0.4 per cent of GDP.

Girinka programme (Rwanda)

13. In 2006, the Government of Rwanda launched the One Cow per Poor Family programme, also known as the Girinka programme. It was initiated in response to the alarmingly high rate of childhood malnutrition and as a way to accelerate poverty reduction and integrate livestock and crop farming. The programme is based on the premise that providing a dairy cow to poor households helps to improve their livelihood through a more nutritious and balanced diet (with milk), an increased agricultural output as a result of better soil fertility and a greater income through dairy products commercialization. Funding for the programme is provided by the Government of Rwanda, non-governmental organizations and private citizens.

14. The eligibility criterion is to be a poor farmer (unable to buy a cow), but not so poor as to be landless, as beneficiaries must be able to produce forage for their cows. The selected farmer receives a cow in gestation and undergoes livestock training. The first female-born animal must be given to another worthy beneficiary in the community, who in turn will give away the first-born female. If a male is born, the beneficiary may sell it and use the funds to buy a heifer for reproductive purposes. Overall, the system has a powerful multiplier effect. The relevant training is coordinated by the Rwanda Agricultural Board. It includes workshops on calf feeding and cleaning. Supplies are provided to beneficiaries to help them care for their cow. The aim is to equip poor families with the necessary animal husbandry skills to care for the livestock with the support of district and sector veterinary officers.

15. By October 2013, over 180,000 households had been provided with a cow, and 35,000 female births had taken place. The programme is now estimated to have reached more than 4 per cent of the country's households. The programme expects to have a

cumulative total of 350,000 beneficiaries by 2017. Girinka brought significant changes to the lives of poor Rwandans, notably as it increased agricultural production, especially dairy production. Between 2009 and 2011, national milk production increased 11 per cent, and meat production, 10 per cent. Most beneficiaries have been able to produce enough milk for the local market and enjoy an additional income.

Reducing rural poverty through diversification from poppy cultivation (Lao People's Democratic Republic)

16. In the Lao People's Democratic Republic, nearly a quarter of the population lives below the poverty line, earning less than a dollar a day. In the country's Northern provinces, poverty-reduction efforts in rural areas were hampered by the long-lasting dependence of farmers on poppy cultivation. To address this socioeconomic problem, including the related social issue of opium addiction, the Government adopted a national plan to encourage alternatives to poppy cultivation, a goal that has almost been fulfilled. In 2007, the United Nations Industrial Development Organization (UNIDO), the United Nations Office on Drugs and Crime (UNODC) and the Government launched a project to bring an end to the problem of high economic dependence on poppy cultivation in three districts of Oudomxay province, where this type of economic concentration was considered a factor of lasting poverty. The principal goal of the project was crop diversification, with a focus on value addition. UNIDO provided technical assistance to develop new productive capacities at village, district and province levels, while UNODC took steps to help improve living conditions in a drug-free environment in which legal alternatives to the opium industry were deemed possible. Implementation took place between March 2007 and June 2011, with a budget of $1.3 million, to which Japan contributed through the United Nations Trust Fund for Human Security.

17. Some 36,000 persons in 22 villages benefited from the assistance delivered. Under the auspices of UNIDO, more than 30 village productivity groups were created in 16 villages and were provided with tools and processing equipment. Over 1,000 people were trained in basic agro-processing skills to produce sesame oil, handmade paper, brooms, bags knitted from natural fibres and other tradable products. At the same time, drug addicts were treated and rehabilitated within communities, which also was an important poverty-reduction outcome of the programme. Project recipients have been sharing their newly acquired knowledge with relatives and friends, nearly doubling the number of beneficiaries. A productivity and marketing centre was established in Oudomxay City and has been providing local farmers with a much-needed interface between remote villages and relevant markets, including the capital city, notably through fairs such as the Lao Handicraft Festival.

Self-help Group–Bank Linkage programme (India)

18. Following the Self-help Group movement that started in Bangladesh under the leadership of Nobel Laureate Mohamed Yunus, the National Bank for Agriculture and Rural Development of India in 1992 introduced the Self-help Group–Bank Linkage programme on a pilot basis, before a nation-wide implementation phase in 1996 (Narang, 2012). The Bank's goal was to provide the rural poor with microfinance by leaning on synergies between the strength of the formal banking system and the flexibility of the informal Self-help Group model. The result was the provision of adequate financial services to very poor rural micro-entrepreneurs.

19. A self-help group is a small and economically homogeneous group of 15 to 20 rural poor, who initially put savings in common to create a credit access facility. Members save small amounts regularly, generally $0.25 to $1 a month. The collective savings are lent to members, with decisions on loan approvals being taken by the group. An account is opened

in a formal bank, where savings are deposited. After six months of savings collection, the bank examines the performance of the group and issues commensurate loans to it. The motive is to combine the access to low-cost financial services with a process of self-management and development. Self-help groups have been a platform for poor women to discuss and resolve their problems. Members are taught to manage cash flow shortages and avoid money lenders. A group would help its members to invest in asset creation, diversify their occupations, and improve their risk-bearing capacity. The Self-help Group–Bank Linkage programme has proven to be an appreciable source of profit for rural and semi-urban bank branches, with fund recovery rates in excess of 90 per cent.

20. The National Bank for Agriculture and Rural Development has made considerable efforts to target the poorest of the rural poor. Over 90 per cent of the beneficiary groups are women's groups, four fifths of which are in underserved rural areas. Most of these women are from the lowest castes and other disadvantaged groups. According to a Bank report on the status of microfinance in India, there were 6,953,000 self-help groups with a bank linkage on 31 March 2010, and 4,851,000 of these had outstanding loans. The estimated number of households covered by this microfinance model is about 97 million. The southern Indian State of Andhra Pradesh is on its way to achieving near-universal financial inclusion as a result of self-help group activity. Other southern States are also moving quickly in this direction. The Self-help Group–Bank Linkage programme has not only been a tool for poverty alleviation, but also an avenue for offering Indian women the possibility of gradually breaking away from exploitation and isolation.

Productive Safety Net programme (Ethiopia)

21. Until 2005, the main response to poverty and hunger in Ethiopia was the annual emergency appeals. The Ethiopian Government introduced the Productive Safety Net programme with a view to allowing the gradual substitution of a productive and development-oriented safety net to tackle chronic and seasonal hunger for the ad hoc emergency appeal system. The project sought to mobilize predictable, multi-annual resources; replace food with grants as the primary medium of support; and make mobilized resources available for critical capital, technical assistance and administrative costs.

22. The first step in the programme was to launch labour-intensive public works to enable large groups of people to earn money and alleviate their food insecurity. Next, at-risk households were identified and given grants. The public works consisted mainly of the construction of roads and water systems. A flexible system of salary payment was established to ensure that food-insecure households would never be without means in periods of greatest needs. The programme was effective at targeting beneficiaries and achieving administrative cost efficiency, as it used existing government systems and therefore enjoyed economies of scale. Over 7.6 million rural – often chronically food-insecure – people were reached, involving nearly 200 million paid workdays. As project beneficiaries used the cash transfers to invest in farming inputs and livestock, individual asset bases grew, despite the irregular frequency of transfers in general. Other community projects also addressed some of the roots of food insecurity by rehabilitating severely degraded land and creating productive community assets – such as terraced fields, feeder roads and small-scale irrigation systems. As a result, agricultural productivity increased, and food security improved among participating households.

III. Implementing effective social inclusion programmes: Lessons and challenges

Financing and sustainability

23. The availability of adequate financial resources is critical to effective implementation of social inclusion programmes. This fact has often been used to argue against the use of social inclusion programmes in developing countries on the grounds that they cannot be sustained. However, there is growing evidence that these programmes are affordable in developing countries if they are well designed and implemented. For example, the budget for one of the most well-known and widespread programmes – the Bolsa Família conditional cash transfer programme in Brazil – was only about 0.4 per cent of GDP in 2009 and covered about 13 million families. In South Africa, the Child Support Grant covering about 90 per cent of eligible poor families with children (7.5 million children) costs approximately 1 per cent of GDP. While the cost of social protection schemes can be significant, and resources need to be mobilized, policymakers should also keep in mind that there is an opportunity cost to not implementing those programmes. For example, the European Communities (2010) argues that the cost of a well-designed floor is small compared with the cost of not providing social protection in terms of poverty and vulnerability, social disintegration, low educational achievement, loss of assets and related effects on productive capacities. Moreover, effective social protection floors can pay for themselves in the long run by enhancing the productiveness of the labour force, the resilience of society and the tax revenues often forgone because of ineffective collection (ILO, 2011).

24. Fiscal space is necessary to secure long-term, predictable and sustainable financing for social inclusion schemes in developing countries. Fiscal space can be increased by improving revenue collection and savings, better allocating expenditure and increasing spending efficiency. To improve revenue collection, domestic resource mobilization is critical. This requires, for instance, broadening the tax base, improving tax and customs administration to combat tax evasion and strengthening the financial system. A number of interesting approaches have been used in some developing countries to reallocate expenditure. Mozambique, for instance, used savings from a phased-out fuel subsidy to fund its social protection floor, and Costa Rica and Mauritius converted military spending to social spending (ILO, 2014). Several countries have also made use of oil revenues or a commodity tax to finance their social protection schemes (for example, Mongolia finances a universal child benefit from a tax on copper exports, and the Plurinational State of Bolivia funds a universal old-age pension from a tax on gas exploitation). There is also a need to improve efficiency in the use of government revenue to maximize the impact; this can be accomplished through, among others, improved governance, transparency and accountability. Donor support has also played a positive role in financing social inclusion programmes in developing countries. But it is not a sustainable mechanism for financing such schemes and often weakens domestic policy ownership in recipient countries.

Disincentives effect in the labour market

25. Another argument that is often put forward against social inclusion programmes relates to the possibility that it can create disincentives effects in an economy. For example, some argue that such programmes create disincentives to work. However, the impact evaluations carried out in Brazil and South Africa have shown that households receiving cash transfers looked for work significantly more extensively and intensively and found employment more successfully, resulting in higher labour force participation among recipient households than households that did not receive support (Samson, 2009). This

suggests that when schemes are well designed, perverse incentives and leakages can be kept in check.

Administration of social inclusion schemes

26. The design and management of social inclusion schemes is a complex task that presents challenges, one of which is how to cover the entire population at risk; another is to ensure that the benefits accrue to the intended population groups. For example, one of the challenges associated with the Girinka programme in Rwanda is that people who would have been able to buy a cow from their own resources received a cow from the programme. The administrators of social programmes must have the ability to identify intended beneficiaries to avoid such leakages and enhance the impact and effectiveness of social programmes. A variety of methods have been used to reduce leakages. For example, some countries make use of modern information and communications technology – for example, electronic delivery systems – to identify beneficiaries and deliver benefits. In addition to the high information and administrative costs, targeting can create stigma by labelling beneficiaries as poor. When targeting occurs through conditionalities, it can lead to potentially negative repercussions. For instance, children can be penalized if their parents fail to comply with the conditionalities. Targeting can also lead to undesirable exclusions. For instance, programmes aimed at formal sector workers exclude many people in developing countries, given that a large share of the workforce operates in the informal sector. This concern led to the design of several schemes that are not tied to employment and do not target the poor exclusively. Nevertheless, several programmes target women in particular on the grounds that, given the disproportionate access to social protection by men, policies measures are required to improve women's access. Available evidence suggests that targeting women leads to better outcomes, one of the reasons being that women tend to spend more household income on the health and education of their children, which leads to higher long-term returns.

27. The effective administration of social inclusion programmes also requires leadership, political will and commitment. Leadership is needed to provide a vision, as well as an overall framework for the planning and implementation of programmes. It is also critical for gaining public support on the desirability and value added of such schemes. People tend to have more confidence in the ability of governments to effectively provide public services when the leadership is honest, responsive and transparent. Furthermore, leadership is critical for effective coordination of the various government sectors, agencies and non-governmental organizations that play a role in setting up social schemes and ensuring coherence with national policies. Political will and commitment are also needed to ensure that adequate resources are made available for the implementation and sustainability of the programmes. Government implementation of social inclusion programmes also have to build the capacity of public officials to design and carry out social policies. Administrators of social programmes need to be able to assess the costs and benefits of various social programmes before making an informed decision on which programmes would have better impact in terms of achieving the overall goal of the government. The effectiveness of programmes will depend in part on the extent to which administrators have the capacity to implement adopted policies. In this regard, in countries where public officials do not have the required skills, capacity-building should be a key part of the development of social programmes, and the implementation process should be gradual.

IV. Facilitating inclusive growth and development

Promote job-rich growth

28. The generation of decent jobs should be at the core of any credible programme to foster inclusive development. Good jobs give people a sense of self-esteem and reduce their vulnerability to adverse shocks. They also lay the foundation for sustained poverty reduction. Research studies suggest that growth has to be transformative if it is to generate sufficient jobs to absorb the rapidly growing new entrants into the labour force in developing countries (UNCTAD, 2013b and 2014). In this regard, developing countries should diversify the structure of their economies from production and exports of commodities to production and exports of dynamic products with high value added. Transformative growth requires a shift from low- to high-productivity activities both within and across the agriculture, manufacturing and service sectors, as well as a shift towards employment-intensive sectors. Owing to the employment-creation capacity of manufacturing and its association with higher productivity, incentives should be provided for its expansion. Industrial policy has been used effectively by developed and emerging economies to direct investment towards manufacturing and other strategic and priority activities in an economy and should be used by developing countries to promote job-rich growth. But the focus should not be on manufacturing alone. Given that agriculture continues to be the main source of employment and income in many developing countries, there is also a need to promote agriculture to diversify the sector towards more value added activities such as agro-processing.

29. In the context of Africa and LDCs, promoting job-rich growth also requires nurturing and supporting micro-, small- and medium-sized enterprises. Currently, most people earn their incomes through self-employment or in small and micro enterprises operating in the informal sector. In general, these jobs are poorly paid and exclude workers from social protection. Furthermore, the survival rate of these enterprises is low, and this has had negative consequences for employment creation. Governments need to implement policies to enable these enterprises grow and attain minimum efficient production sizes and enhance their capacity to create decent employment. Providing market information, support for business services and enhancing access to affordable credit will go a long way towards enhancing the survival rates of these enterprises.

30. Promoting job-rich growth also requires strengthening productive capacities in developing countries, and investment is crucial. As a driver of structural transformation, investment is critical for sustaining growth, creating employment and reducing poverty over the medium to long term. As mentioned in the previous section, in developing countries, where growth is consumption driven and investment rates are low – in Africa, for example – a rebalancing of the contributions of consumption and investment to the growth process is needed to create a robust foundation for sustained growth and job creation. To enhance the contribution of investment to growth, it is necessary to provide better infrastructure, address imperfections in the credit markets that make it difficult for enterprises to access loans at affordable interest rates, and reduce risk and uncertainty facing local and foreign investors. Further, it is important to improve the productivity of investment because enhancing the contribution of investment to growth is not just about boosting the quantity of investment. It is also about ensuring that it goes to strategic sectors of the economy and making better use of existing investments through better project selection and targeting, as well as maintenance of infrastructure. Governments should leverage the potential of foreign direct investment for inclusive growth by strengthening linkages between foreign and local enterprises, raising the absorptive capacity of local firms, promoting joint ventures between local and foreign enterprises and making policy relating to foreign direct investment consistent with the promotion of domestic

entrepreneurship (UNCTAD, 2014). Technology and innovation policies are also important in building productive capacities and promoting job-rich growth. For example, increased spending in research and development, coupled with investment in human capital, will strengthen the absorptive capacity and technological capabilities of developing countries and enable them to embark on a technological catch-up with more developed countries. This is an important factor in building productive capacities and creating decent jobs by shifting the economic structure of the economy from low to high value added activities.

Scale up social inclusion schemes

31. While creating more and better quality jobs is critical for inclusive growth and development, it is not sufficient because some groups may still be excluded or remain vulnerable in the growth process (box 2). They may not have the skills to engage in productive employment; they may be ill, too old, or denied an opportunity to actively take part in growth. Social protection plays an important role in addressing these vulnerabilities and should be scaled up in developing countries to exploit its potential to contribute to reducing inequality and strengthening social justice and cohesion.[4] The recent financial crisis has shown that social protection programmes can play a meaningful role in the development process by ensuring that economic progress made in good times is not wiped out during bad times. In the absence of social protection, families affected by crises are forced to sell their assets, reduce their food intake and take children out of school, thereby deepening poverty (European Communities, 2010).

32. There are several options available to governments in the design and delivery of social protection programmes, and they contribute to inclusive growth in various ways. For example, social assistance increases the disposable income of poor and low-income households, which has a positive impact on consumption. Given that these households are generally consumers of domestic goods, social assistance boosts domestic demand with a considerable employment multiplier. Furthermore, when payments are used for savings or repayment of debt, they free up income for productive activities and enable households to protect their assets. Regular and reliable income transfers can also help unlock productive and entrepreneurial capacity through investments by recipients in productive physical and human assets by becoming better skilled, educated and equipped. Social insurance, for example, protects people’s assets when adversity strikes and encourages households to invest in riskier and higher productivity and return activities. Finally, labour market policies or inclusion efforts facilitate the inclusion of vulnerable population groups into productive employment. They include job search assistance and guidance, creating labour market exposure with the public and private sectors, technical and financial assistance to start new businesses, skills development and assistance in completing and fostering formal education (ILO, 2011).

33. The case studies of social inclusion programmes reviewed in the previous sections indicate that social insurance and assistance are not the only instruments that governments in developing countries can use to promote social inclusion. For example, they can also improve access by vulnerable groups to expanding economic opportunities through micro-finance schemes, as demonstrated by the Self-help Group–Bank Linkage programme in India. Such schemes promote financial inclusion, thereby lifting one of the constraints to the development of productive capacities in developing countries. Government support of labour-intensive public-works programmes and investment in education and training are also important mechanisms through which developing countries can enhance the ability of

[4] In high-income countries, it is estimated that levels of poverty and inequality are approximately half of those that might be expected in the absence of such provisions (ILO, 2014).

vulnerable groups to participate in the growth process. Assistance to small-scale informal enterprises to help them enter the formal sector will also play a crucial role in unlocking the potential of these enterprises and enabling them to benefit from, as well as contribute to, the growth process.

34. While there is a strong case for social inclusion programmes in developing countries, all countries are not expected to use the same instruments or package of programmes. The choice of policies and instruments will depend on country-specific circumstances, political realities and resource availability. For example, oil-rich countries are in a much better position to finance large and comprehensive social inclusion programmes, compared with non-oil rich countries. Furthermore, in countries where the finance constraint is relatively more binding and where the identification of recipients is a major issue, perhaps public works programme may be a better option than a general system of cash transfers.

Box 2. Understanding the vulnerability of women in the growth process

Several factors account for the high vulnerability of women compared with men in the growth and development process:

- Women are disproportionately represented among the poor
- There is a gender gap in terms of labour force participation and unemployment rates (both in favour of men)
- Women tend to work more in the informal sector and self-employment without access to social protection, for example, informal agriculture and domestic work
- They have less voice and representation in terms of social dialogue
- They continue to face a number of constraints (legal, cultural, social norms) that limit their access to the labour market, productive assets and better-paid work
- Women often take up part-time and flexible jobs, resulting in underemployment or unemployment during times of financial crisis
- Given that many women work in the informal sector and are thus excluded from employment-based social security schemes, which kick in during a financial crisis, they are disproportionally affected by shocks.

These facts underscore the need for gender issues to feature prominently in social inclusion programmes to enhance their impact. Economies that pay more attention to the needs and vulnerabilities of women through social protection programmes lay a better foundation for sustained development and are also likely to have more inclusive societies.

V. Conclusions and questions for discussion

35. Developing countries are increasingly playing more important roles in the global economy and have had high economic growth over the past two decades. While this growth has led to significant reductions in poverty rates in those countries, there are concerns that it has also been associated with an increase in inequality and that the benefits of recent growth have not been fairly distributed across different population groups in society. Furthermore, available evidence indicates that the recent growth in Africa and LDCs has not been positively transformative, either in terms of the economic structure or the building and strengthening of productive capacities that is required to shift the majority of the labour force from low-productivity, low-technology and poorly paid activities to ones with higher

productivity and value added. In this regard, there is a need to induce structural transformation in developing countries to enhance the quality of growth and ensure that it can be sustained in the medium to long term.

36. This paper argues that growth is a necessary but not sufficient condition for poverty reduction and that fostering inclusive growth and development in developing countries requires the development of productive capacities and structural transformation, the creation of decent jobs and the adoption of social inclusion policies that give vulnerable groups an opportunity to participate in and benefit from economic growth. Against this backdrop, this paper reviews existing social inclusion programmes in selected developing countries and their impact as mechanisms for fostering social inclusion with a view to drawing lessons for other developing countries. It also identifies the following questions to guide the panel discussions and debate by member States:

- How can developing countries create and support more inclusive development pathways?
- What are the linkages between structural transformation, employment creation and inclusive growth?
- What has been the impact of social inclusion programmes in developing countries, and what lessons have been learned from these programmes?
- Should social inclusion programmes specifically target women and other vulnerable groups?
- What are the implications of the growing informality of enterprises and labour for inclusive development?
- How can developing countries better integrate social protection policy into national development strategies?

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