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DAC Network on Poverty Reduction

Risk, Vulnerability and Pro-Poor Social Risk Management - Cross-cutting themes emerging from the work of all POVNET Task Teams

Discussion paper by Finland, Germany and the UK

**4-5 November 2004
OECD - La Murette - Room 3**

This note is submitted for DISCUSSION under item 6 of the draft agenda for the POVNET Plenary meeting of 4-5 November 2004, provided by Finland, Germany and the United Kingdom.

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Risk, Vulnerability, and Pro-Poor Social Risk Management
- Cross-cutting themes emerging from the work of all POVNET Task Teams
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1. The mandate of POVNET is to focus on the multidimensionality of poverty and on the relationships between inequality, economic growth and poverty reduction in developing countries. The multidimensional conceptual framework of poverty, as presented in the DAC Poverty Reduction Guidelines (2001, p. 39) has provided a strong backbone for the joint work of members.
2. Most recently three POVNET Task Teams have focused on serious work on the rethinking needed in one of the five dimensions of multidimensional poverty, i.e. the economic dimension, in order to ensure that the poor people are really involved in generating - and sharing the benefits of - economic growth and globalization. Specific challenges have been identified in areas such as infrastructure, agriculture and private sector development, and therefore three POVNET Task Teams have concentrated on exchanging experiences and sharing best practice on these themes, with the aim of making growth really pro-poor.
3. The previous POVNET Plenary meeting 30-31 March 2004 decided that the task teams should seek synergies and to work together on key issues emerging from the work of all three task teams, especially such emerging issues that reach into two or three task team areas. (Draft Summary Record, paras 27-29).
4. Under Item 6 of the draft Agenda of the POVNET Plenary meeting 4-5 Nov 2004, these "*Cross-cutting themes and synergies*" will be discussed. The objective of this discussion is to identify a number of cross-cutting themes that will allow us to connect up and build synergies among the different work strands and to develop a more holistic policy approach that should strengthen aid effectiveness. According to the draft agenda, the discussion should aim to select, say, two themes on which to initially concentrate work.
5. As noted in the draft Agenda, one theme that clearly emerges from the ongoing work of all the three sub-groups is "*risk and vulnerability*", i.e. the need to manage and to reduce risks and vulnerabilities through various mechanisms of "*Social Risk Management*" or "*Social Protection*".
6. A common finding in all of the three sub-groups is that the lack of reliable risk management mechanisms is a major barrier to *pro-poor economic growth and poverty reduction*. In order to reduce their vulnerability to unmanageable risks the poor households often engage in low productivity and low profitability economic activities, only because they are also less risky than high productivity/profitability alternatives. Therefore reliable risk management mechanisms are clearly needed in order to 'unlock' the 'enterprising spirit' and human capital of the great majority of poor households and enterprises.
7. Another related challenge for which the DAC-members also need harmonised best practice approaches is that related to the chronically poor people such as HIV/AIDS-patients and their orphans, other vulnerable children, the very old, the severely disabled, etc. As noted in the Draft Summary Record of the POVNET Plenary 30-31 March 2004 (paras 9-10), POVNET members outlined the situation of the *chronically poor* (groups not emerging from poverty) as one of the important issues meriting further discussion. "*We need to move beyond a view that any*

growth is poverty reducing and thus that all growth is pro-poor...It is important to look at growth, but also beyond it, at both its distributional implications...."

8. A further common finding of all the three current POVNET task teams is, that systematic policy efforts and institutional mechanisms for risk and vulnerability reduction cannot be limited sectorally to the sectors covered by the current task teams (agriculture, private sector development, infrastructure) alone, but require cross-sectoral strategies and approaches both at the local and national (and perhaps even global) levels.

9. We propose that a new POVNET task team be established to assess best practices in cross-sectoral risk and vulnerability reduction (RVR) and social risk management (SRM) and to develop appropriate approaches for DAC members to harmonize our and our developing partner governments' efforts in the area.

10. The theme of *Vulnerability/Security* was already during 1999-2001 identified by POVNET as one of the essential dimensions of poverty reduction (DAC Poverty Reduction Guidelines, p. 39). This is, however, an area in which much less conceptual (and practical) work has been done jointly by DAC members than on all other dimensions of poverty - and poverty reduction. The texts of the DAC Poverty Reduction Guidelines on this theme were largely adopted from the interesting conceptual work done by the World Bank (Holzmann and Jorgensen 1999, World Bank 2001) on Social Risk Management (SRM). Since then, however, the work on Social Risk Management, Risk and Vulnerability Assessments, and Social Protection more generally has progressed considerably, through the efforts of both the World Bank as well as DAC-members (e.g. GTZ, DFID, Finland, and others), and by the ILO. It is time to take stock of the experiences, to distil best practices and to seek common harmonized approaches to really pro-poor RVR/SRM, in the contexts of the PRS-processes of our developing partner governments.

11. The proposed new POVNET task team will benefit from the work done this far on RVR/SRM in the three task teams on pro-poor growth through agriculture, infrastructure and private sector development. For instance:

- a) One of the key outcomes of the Agriculture task team is the 'hot topic paper' on *Risk and Vulnerability* by John Farrington.
- b) According to the task team on Private sector development, *the Reduction of Risk and Vulnerability* is one of the five essential conditions of pro-poor growth, i.e. a pattern of growth that provides opportunities for the poor to improve their livelihoods and meet consumption needs, and serves to empower the poor to take advantage of these opportunities.
- c) In the work of the Infrastructure task team the *safety* and *accessibility* of infrastructure (e.g. *for the people with disabilities*) has emerged as one of the essential conditions that determine the *pro-poorness* of infrastructure development.

12. Finland, the UK and Germany are prepared to act as the three facilitators of the new task team on Risk and Vulnerability Reduction / Social Risk Management (RVR/SRM). Some other DAC-members and multilateral partners have already tentatively indicated their willingness to participate in and to contribute to this work. We would welcome further indications of interest from DAC members and multilateral partners before, during and after the POVNET Plenary meeting 4-5 November in Paris.

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