

Conclusion

Risk, Poverty and Public Action

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1. The need for more public action

This last chapter¹ presents a brief discussion of some of the main lessons from the research published in this book. It will focus on the scope for public action to provide insurance against poverty. There will be no attempt to give a comprehensive overview of the conclusions from the different chapters or a complete general discussion of all the issues involved. Rather, I want to focus on a few questions. First, how strong is the case for public action for more social protection in developing countries? What are its limitations? Secondly, what lessons have we learned for the form public action could take, given limited budgets? What role, if any, is there for existing non-market institutions, for the state, for the private sector or for development aid? While discussing these questions, I will point to a number of gaps in the research on these issues.

Why public action for more insurance and social protection?

The presence of uninsured risk results in welfare losses. For the poor, it is a reason for substantial hardship. At present, many poor people are not offered opportunities to insure themselves against this hardship, while the support offered when shocks occur is often limited. Viewed like this, there is no doubt that more social protection is a good idea, justifying public action to foster more insurance and mechanisms to protect the poor. In the presence of insurance and credit market failures, there is a further problem: the poor may enter into activities and asset portfolios with low risk, but also low returns. This in turn affects their long-term income and their ability to move out of poverty. Furthermore, shocks may have long-lasting effects: productive assets may be destroyed or sold off to survive, health may be undermined or children may be taken out of school. The result is higher poverty that may persist. This suggests that uninsured risk may lead to poverty traps: there is persistence in poverty, caused by the market imperfections, the presence of risk and the household's responses to it. Temporary support may avoid households to fall into the trap, and may also lift them out – providing a strong case for offering broader social protection.

There is a growing literature on models of the poverty trap. The class of models relevant for our case is what some have called 'historical self-reinforcement' or 'path dependence' models (Mookherjee and Ray (2001))². Effectively, the level of well-being and assets at a particular point is having a permanent impact on the options available. For example, in a large number of models, asset inequalities result in some

¹ Some ideas and conclusions in this chapter are based on a discussion among all authors contributing to this book. I am grateful to all of them. The views expressed in this chapter are my own as are the errors.

² Much of the current theory literature focuses on growth traps as coordination failures (the Rodenstein-Rodan model, and its modern proponents, such as in Murphy, Shleifer and Vishny, 1989, and Romer, 1986, etc.). Multiple equilibria and low growth equilibrium are possibilities in this setup. Shocks can play an important role in these processes. A substantial shock is needed to push one to a low growth or GDP level equilibrium when there are multiple equilibria; a positive shock may push you out again (as in the coordination failure models). As a model of how risk and shocks affect poverty, it is not entirely satisfactory.

groups (or possibly countries) staying permanently behind others. Some of these models may have multiple equilibria but they do not need to have them – it is just that ‘history’ matters. Examples are the models in Banerjee and Newman (1993), Dasgupta and Ray (1986), Galor and Zeira (1993), etc. Typically, credit market imperfections conspire with asset inequality to cause traps³. Risk and insurance market failures result in poverty traps via the risk management and coping mechanisms chosen by households to avoid destitution. Alternatively, by wiping out assets, shocks could push households down the asset distribution into these traps as well. The overall result is permanently lower incomes and lower growth for particular households. They could be trapped below some threshold – for example, defined in terms of assets or of nutritional status, as in Dasgupta and Ray (1986). Banerjee in this volume presented a model where at low levels of protection, there could be a poverty trap, in which the poor will not invest into profitable but risky activities, while the rich will take up these activities. These different models have in common that there are efficiency losses in the economy, linked to the lack of insurance compounded by existing inequalities. There are high marginal returns from shifting resources towards the poor, and they outweigh the marginal losses to the rich. In short, within particular ranges of transfers, there is no efficiency-equity trade-off from redistribution. Alternatively, aid-financed social protection would imply both efficiency and equity gains.

For this to justify more social protection for efficiency reasons requires more empirical evidence. The review in Dercon in this book provided suggestive evidence from a number of contexts, with poorer households having low risk activity portfolios with lower returns. The evidence in Dercon (1996) suggests that the shift into low risk activities for the poorest quintile relative to the richest resulted in 20 percent lower incomes per unit of land in his study area in Tanzania. Extrapolating the results in Binswanger and Rosenzweig (1993), the efficiency loss is even higher for poor households in their Indian sample. Jalan and Ravallion in this volume went further and tried to test whether household income dynamics were consistent with the presence of multiple equilibria (where the lower level of income would be the poverty trap equilibrium). Their evidence does not suggest a pure poverty trap, but a relatively slow recovery from shocks, specifically for the poor: incomes may take several years to recover from shocks, and the recovery slower for the poor. The evidence in Dercon and Hoddinott suggests permanent effects on children from drought – lower adult height, poor education outcomes and therefore lower lifetime earnings. The impact of the drought in Zimbabwe on a particularly vulnerable cohort of children was estimated at about 7 percent of lifetime earnings. But it could be argued that this is not a wealth of evidence⁴. Furthermore, there is a need to establish much more firmly the quantitative importance of these effects in different context. More empirical work on the short and long-run consequences of uninsured risk on poverty and growth in the developing world is a priority.

³ Note that you do not have to have vast inequalities to cause ‘traps’ for some – as long as there is some level of assets needed to avoid a trap, one could get individuals trapped in poverty in most setups. In such a context, different outcomes are possible. Overall, growth could be lower, due to some growth trap society is stuck in. Of course, data from one country only could not do much in this respect. However, one could get specific poverty traps – or low growth/levels of income traps for some groups. For example, there could be a local income and growth trap – e.g. a geographical poverty trap as or group-specific traps – where specific characteristics cause the negative externalities to keep the group with these characteristics trapped.

⁴ Some studies found only limited long-term costs of uninsured risk, including on the poor – Jalan and Ravallion (2001) is an example.

Some limits to social protection

If, however, these effects from risk and shocks on the poor are indeed long lasting and quantitatively as important as the available evidence, then there is a case for intervention in the form of subsidised insurance. The marginal returns of the assets of the poor could be increased to levels similar to those unaffected by the insurance market failure. But one should be aware of the limits to such strategies. The key issue is that market failure and risk conspire to exacerbate any existing inequality – the poor cannot take advantage of opportunities if they cannot bear the risk, contrary to the rich. Providing more insurance removes the risk of worsening poverty or poverty traps – but it does not resolve the initial inequality. As Fafchamps in his chapter emphasised: full insurance locks agents into persistent inequality. It does not reduce it, nor is there any scope for a lucky agent to escape. In such a world, insurance is no substitute for redistribution.

Banerjee in his contribution warned for another problem: providing more insurance in the form of protection against downside risk may provide incentives for more risk-taking so that the poor take on high return, risky investments. But it may undermine their access to credit markets, if moneylenders and banks need sufficient incentives for the borrower to repay in case the project fails. Social protection may reduce these incentives, so the poor may become more excluded from credit markets. If they need access to these markets to grow out of poverty, they may become locked in long-term poverty because of social insurance. The empirical significance of these effects are unknown, but worth exploring.

2. Building on existing institutions

The strengths and weaknesses of informal risk-sharing institutions

In the context of public action to increase social protection, it would seem attractive to build on existing institutions. The presence of informal risk-sharing institutions in communities across of the world would offer such an opportunity. Their strengths are well-known: the fact that they tend to be nested within relatively well-defined communities and social networks allows one to achieve some risk-pooling without some of the standard information and enforcement problems plaguing market-based systems. In particular, social norms, sanctions and proximity reduce the problems related to moral hazard, adverse selection and enforcement. Even though the evidence shows that they may not be able to replicate first-best risk-sharing, they appear to offer at least some protection in contexts where market-based insurance hardly exists.

But we should not be blind to their weaknesses. Three issues are crucial: the type of risk they can handle, the exclusion of marginal groups from these institutions and their apparent inability to handle change. First, their ability to solve some of the standard problems with insurance markets is limited to only specific types of risk. They are typically only able to handle individual-specific (idiosyncratic) risk. Basic reciprocity relations cannot handle common (or covariate) risk. Even though it should be possible for these groups to build up assets to deal with more covariate shocks – indeed, some types of groups appear to be doing this, e.g. funeral societies (iddirs) in Ethiopia – in general, savings to cope with shocks are largely kept by households or individuals, not by groups. Similarly, savings groups, such as ROSCA's, may at times allow members to use the group for insurance purposes (e.g. allowing members to borrow or to bid for early disbursement), but their functioning means that they cannot deal with requests from all members for funds at the same time.

Furthermore, informal risk-sharing institutions are best suited for small disbursements for relatively frequent events. Using these groups for events requiring very high payouts relative to the income of the members would require either large groups or the accumulation of savings by the group. Sustaining reciprocity if the events are very rare is also difficult, since interaction becomes more limited. Enforcement of continued participation in such groups, without strong social sanctions, would require that transfers within the context of a risk-sharing network take the form quasi-credit, i.e. those contributing in net terms over time should be compensated for this, as if some of the transfers were in fact a loan (Platteau and Abraham, 1987; Ligon, Thomas and Worrall, 2002). In short, the type of risks these groups can insure is limited, but for good reasons. Providing support to broaden their coverage of risks, for example by encouraging larger groups to exploit risk-pooling incentives, may lead to the loss of the crucial information and enforcement advantages of the current groups, undermining their sustainability.

We should also not underestimate the inequalities embedded in some risk-sharing institutions. First, as is well-illustrated by De Weerd in this book, wealth and other socio-economic characteristics matter for networks: his finding that the poor have less dense risk-sharing networks than the rich is striking, leaving the poor more exposed. The need for insurance on the part of the poor also often leads to unequal or patron-client relations with richer households, and possibly poverty traps (Fafchamps (1992)). The fact that some marginal groups are excluded from risk-sharing institutions should not just be interpreted as a reflection of power relations – rather they reflect the inefficiency of the existing insurance arrangements. From an insurance point of view, the benefits of risk pooling provide incentives to increase group size and diversify its composition. However, even limited asymmetric information or enforcement problems may lead to rationing in insurance, or less than full insurance. Furthermore, credit market imperfections may imply that the poorest members in communities may simply not be able to contribute, even if not affected by ‘bad luck’, or they may tend to experience persistence in shocks – making them unsuitable candidates to be offered membership of a risk-sharing arrangement, unless purely based on altruistic or redistributive grounds.

Finally, there is little evidence that these informal institutions manage to sustain themselves in periods of change. Platteau in this book documented this for traditional institutions governing access to land and other common-property resources. However, besides much casual evidence, in general there has been little research on whether and how these institutions manage to sustain themselves in the face of rapid change, such as increasing population pressure or market liberalisation, or large shocks, such as the AIDS epidemic in Africa. Such change or shocks changes risk distributions, requiring a restructuring in existing arrangements, possibly putting pressure to exclude certain groups or undermining the social norms and sanctions sustaining these mechanisms. However, little is known about how well these institutions cope. Economic research should increasingly shift its focus from the functioning of mutual support in closed ‘village’ economies to changes in mutual support.

Scaling up informal institutions

Developing more widespread social protection embedded in more traditional risk-sharing institutions or, more broadly, community organisations would be valuable, if possible. It is bound to assist governance and the smooth functioning of social protection mechanisms. A good understanding of the strengths and weaknesses of

these informal institutions is therefore necessary. It is not clear a priori how successful such strategy could be. The key strength of indigenous organisations is their social proximity, allowing social norms and sanctions to partially alleviate some of the key causes of insurance market failure, in terms of monitoring and enforcement, but a key limitation is the type of risks these institutions can address. But in order to broaden the risks covered, more risk-pooling is necessary, either by making the group membership wider (in terms of space, occupations, ethnicity, clans) or by finding effective ways of reinsuring each of the groups. Clearly, this will involve losing some of the informational and enforcement advantages of local social organisations, resulting in lower efficiency, a higher cost structure and ultimately, less insurance unless it becomes subsidised. It would require an active role of intermediaries between the overall insurance system and the local institutions. The serious problems related to this have been well-documented by Conning and Kevane in their contribution in this book. The problems of exclusion of specific groups from local institutions and power relations in risk-sharing would also need to be addressed when building upon existing institutions, to avoid capture by the rich or powerful of the benefits from expanding protection. Solving these problems may again undermine the sustainability of these institutions.

These constraints on using existing social institutions as models for the design and vehicles of delivery of more social protection would provide a strong argument for the need to develop additional forms of social protection, alongside existing informal institutions. In practice, this seems to be observed strategy in many of poorest countries. As a number of contributions in this book emphasised, even in this case, ignoring the existing institutions would result in misleading inference on the net impact of formal social protection schemes. Some crowding out of the private transfers linked to traditional institutions when public transfers are introduced is widely observed. Traditional schemes may also be undermined by the development of formal schemes.

While the scale of crowding-out is important for the evaluation of the impact of formal schemes, some have commented that in itself, crowding-out is really not a problem, provided the emerging formal system provides superior social protection. The weaknesses of existing schemes, in terms of limited coverage of some of the poorest groups and the most catastrophic risks, and the lack of full insurance offered, may be a sufficient reason to let formal social protection crowd out informal systems (Morduch and Sharma, 2002). To establish this, more evidence is needed on the efficiency and equity of public systems relative to informal institutions, and the incidence and distribution of crowding-out. But if in the end a public system of universal or targeted coverage can emerge, the loss of these informal institutions may not be a serious problem.

Against this view on the possible irrelevance of crowding-out, however, at least one more issue should be considered. The existing informal institutions for risk-sharing may provide a much broader social function, for example, by encouraging more interaction and trust within these networks. As such, they contribute to the social capital of these communities. These externalities are hard to quantify, but it is possible that crowding-out would have higher welfare costs than could be calculated via standard approaches.

3. The scope for public action to provide broader social protection

The case for fostering better social protection seems strong, justifying public action and the allocation of budgetary resources to its provision. But this does not settle the issue of the form public action should take. State involvement is an obvious option, but encouraging NGOs, local social institutions and the private sectors to provide more insurance and protection should not be ignored. A general state-run system of universal social insurance and substantial direct means-tested transfers may seem an admirable ideal from an equity point of view, but it is unlikely to be the most cost-effective system, involving high administrative costs and possibly substantial incentive-related inefficiencies. The informational requirements make this generally unfeasible in poor countries with limited budgets and administrative capacity anyway. Still, it does not mean that public action cannot achieve substantial improvements in social protection, even given limited means. On this, what have we learned from the contributions in this book?

Possible measures can be classified in two categories: first, *ex-ante* measures that result in the poor and vulnerable taking out more insurance; secondly, *ex-post* measures that provide transfers to the poor when they face bad shocks that remained uninsured. *Ex-ante* measures would provide incentives and means to the poor to protect themselves better against hardship: examples are supporting self-insurance via savings, assisting income risk management by providing access to credit, supporting community-based risk-sharing and encouraging the introduction of insurance products tailored to poor contexts. *Ex-post* measures would provide a genuine safety net, appropriately targeted to the poor but large enough in scale and coverage to provide broad-based social protection at some minimally accepted and feasible level of standard of living. It could be part of a more general welfare support system, or specifically targeted for risk-related hardship. In the rest of this final section, I will discuss each of these possibilities further.

Introducing new insurance products

In recent years, microfinance institutions and even insurance companies in developing countries have started to design and provide insurance products for low-income clients. Life and health insurance are most common. Nevertheless, relative to micro-credit programs, they are typically still relatively limited. What scope is there for experimenting and expanding insurance products? First, it is worthwhile to recall some of the main reasons for the lack of insurance to start with. Market-based insurance requires a high information environment while problems of adverse selection and moral hazard will limit the extent to which insurance providers would be willing to offer insurance. Problems with enforcement of payouts for claims undermine the willingness of clients to take out insurance. A possible solution for this credibility problem requires the establishment of reinsurance markets, but this is not self-evident. Non-market insurance may benefit from a better information environment but there is no scope for insurance of important covariate or infrequent risks. Both market and non-market insurance solve some of the information problems they face by excluding certain groups and individuals from its arrangements.

Could micro-insurance, in the form of the provision simple, low-cost insurance contracts, tailored to low-income clients provide a way out? Such contracts need to overcome the same information and enforcement problems as market-based insurance, and the small scale of the contracts will make transactions costs high. Still,

just as with micro-credit, it could provide a service to low-income clients that otherwise would remain rationed in the market, even if it would mean rather substantial subsidies. It is nevertheless helpful to emphasise some differences with micro-credit provision. First, the enforcement problem in credit is faced by the loan provider, but in insurance, it is a problem for the client. Secondly, with credit, there is repeated interaction between borrower and lender during the repayment period and this implies regular transactions and monitoring costs. In the case of insurance, the information content of the regular payment of the premium is rather limited, while there are only small transactions costs for the provider, since the insurance can be easily withdrawn when the premium is not paid. For the provider, transactions costs are irregular and only high when a claim comes in. Finally, reinsurance is essential to keep the costs of insurance provision low. This implies the need for regulation, high quality of actuarial data and the certification of events to allow this reinsurance market to function.

The need for reinsurance and the costs of verification of claims imply that the types of risk that can be insured at relatively low cost are limited. Certain events may be easily verifiable – such as death or serious illness – so that life and health insurance may be obvious contracts to start with. But even in those cases there may be problems. To avoid adverse selection, there would be a need to exclude certain groups, based on disease (such as AIDS) or age – but these are groups that may suffer serious hardship without insurance. Reinsurance would require systems of certification – but what if in certain locations with poor institutions it may be easy to obtain false death or poor health certificates?

In general, there is surprisingly little research on micro-insurance, at least compared to the vast micro-credit literature. There is also little or no systematic evidence on how existing risk-sharing or other social institutions could be mobilised to provide a basis for more widespread insurance provision for different types of risk. The sceptical discussion in the previous section remains valid. But the main requirement now is to obtain empirical evidence. This also implies the need for experiments combined with research, preferably in the form of ‘natural’ micro-insurance experiments to evaluate its impact.

Alternative insurance products could also be promising. Weather indexed bonds, as suggested in Skees et al.’s contribution in this book, is one such example. A key advantage is that claim verification is straightforward: a key source of losses is insured, not the loss itself⁵. Still, given the high covariance of rainfall and other climatic factors across regions and countries, the development of reinsurance markets covering large geographic areas would be particularly important in this case. Whether products for weather or catastrophic risk can be introduced in some of the poorest countries remains to be seen.

Promoting more self-insurance via savings and micro-credit

Besides designing and supplying better insurance products for the poor, there is also scope for assisting the poor in protection themselves. As was discussed in the review chapters by Dercon and by Morduch, there is substantial scope for more self-insurance provided better savings instruments suitable for the poor can be offered. Key problems with existing self-insurance via assets is that they tend to be risky and

⁵ Developing weather insurance tailored to the poor may be less straightforward. It would require verifiable records on rainfall. But if the poor tend to live in marginal areas with limited agricultural wealth, few rainfall stations are likely to be available at present. Unless the local rainfall is highly covariate with rainfall in ‘richer’ areas, rainfall insurance would not offer much protection to them.

may well be strongly covariate with incomes, limiting their effectiveness, while financial savings products are typically not tailored to the poor, offering low or negative returns, and involving prohibitive transactions costs.

As an area for subsidised intervention and regulation, it also does not suffer from the important informational problems affecting credit and insurance. There is no issue of adverse selection or moral hazard, nor any serious reinsurance issues. The main issues are potentially high transactions costs and the need for credibility of the institution (Morduch and Sharma, 2002). With few exceptions, such as SafeSave in Bangladesh, initiatives remain relatively thin on the ground. Most savings instruments within microfinance institutions still appear to be mostly used as instruments for accessing micro-credit – for example, as a means of developing reputation and commitment. Flexible savings instruments for precautionary motives are usually not encouraged.

It does not mean that there is no further role for more standard micro-credit products, on the contrary. Increasing assets and incomes, that in turn allow savings to increase offers a virtuous cycle to provide a buffer against future hardship. Furthermore, access to credit can serve as a means of insurance, allowing the poor to borrow in bad years against future incomes. Finally, since profitable sources of income, suitable for diversification purposes in an income risk management strategy often involve important set-up costs, small loans could have a very large impact on income risk exposure. Overall, however, this requires that microfinance institutions offer flexible products that allow the poor to enter into credit despite being faced with substantial risk. One possible route would be to provide interlinked contracts, which typically offer more efficient outcomes than separate credit and specific insurance contracts – a standard solution for mortgage lending products in developed countries. An example would be to link credit with health insurance. There is substantial room for more experimentation and research on such products.

The role of targeted transfers

Ex-ante measures may provide substantial protection, but ultimately they cannot fully insure individuals and families. Informal mechanisms only offer limited insurance. Micro-insurance products will have to be simple, insuring only specific, highly observable risks, while high risk groups may have to be excluded by design. The existence of certain risks, for example catastrophic risks, can hardly be anticipated beforehand. Self-insurance fails if shocks happen to materialise in successive periods. All self-protection strategies require some outlay beforehand, at times high to guarantee the sustainability of the institution, and the poorest households may not be able to afford this, while credit to pay for insurance may not be available. In short, some ex-post measures, providing transfers to those affected by uninsured risk, would still be necessary as part of a social protection system.

This is not the place for an exhaustive discussion on the scope and form of a transfer-based safety net (see Drèze and Sen, 1989; Van de Walle and Nead, 1995). A few issues are relevant for our discussion. For example, targeting support is probably the most efficient solution given limited means, but one should be aware of the potential errors of targeting, especially for those requiring support but excluded due to imperfections in the targeting design. Self-targeted programs may seem most attractive, where the design of the program ensures incentives for participation only by the target group and not by others, so avoiding costly identification of the beneficiaries. Workfare programs such as food-for-work are often designed in such a way, but the return to the beneficiaries has to be kept low to ensure incentives for

others not to participate. Coverage is typically not complete: certain groups may not be reached by such programs, for example, women that have took after children may not find the time to take part. Alternative targeting schemes, such as allowing community leaders to select beneficiaries or schemes based on observed characteristics (such as nutritional status or livestock ownership) have their own costs and problems (Conning and Kevane, 2000; Ravallion, 2002). In the case of uninsured risk transfers, the question of who should be targeted is also not self-evident. In principle, for an efficient safety net, one should be most concerned with reaching those for whom protection will avoid poverty traps or persistence, via their effects on investment and activity choice. Given the problems of identifying those currently poor, it is unlikely that one can identify these using any of the possible targeting methods.

In setting up a transfer-based safety net, it is definitely worth exploring whether existing local risk-sharing institutions could be scaled up. As discussed before, whether the informational advantages outweigh their weaknesses is not clear. But the question of who should be covered by the safety net should also be based on an assessment of its full impact, including on existing informal institutions. Crowding out may reduce the welfare impact, even though if the safety net breaks down power relations, this may be welfare increasing as well. As discussed in Ligon and in Dercon and Krishnan in this book, targeting issues may also have limited relevance if risk-sharing is taking place: informal arrangements could even help to compensate fully for targeting errors. This is an illustration of a more general point: formal safety nets cannot exist in isolation. Any public action to increase social protection will have to take into account existing risk management and coping mechanisms.

Institutions, credibility and public action

Allocating resources for social protection programmes is not enough to ensure their success. There is also a need for sustainable institutions that can fulfil the commitments implied in the *ex-ante* and *ex-post* social protection measures discussed before. Insurance or savings contracts need to be honoured, and transfer schemes operational in all contingencies. Different agents, including NGOs, community organisations or the private sector, could play a significant role in the delivery of these social protection measures. There is a crucial role, however, for the government to develop and support an appropriate regulatory and institutional framework for such programs. But this is not self-evident.

Recall that a key objective for the provision of insurance against poverty is to make sure that risk is not a reason for persistent poverty, by ensuring that uninsured risk does not force the poor to invest in activities and assets of low profitability to limit their own exposure to risk. Social protection measures can only ensure this if they are fully credible to the poor: in other words, they can be sure that the protection is available, so that they do not have change their behaviour towards even less risky livelihoods. Ultimately, sustainable and transparent institutions are required to deliver this credibility.

This implies that the safety net must be available at clear, pre-announced terms at all times – even if a highly covariate shock implies that large numbers will require it, and irrespective of the budgetary costs in such a case. This requires substantial planning, organisation and commitment of resources. Furthermore, if micro-insurance contracts are offered, then they must be honoured at all times, requiring well-developed reinsurance mechanisms, or forms of state or similar guarantees. Institutions are also unsustainable if the enforcement of contracts becomes

too costly. One issue is that there must be credible ways of proving claims. Developing easier ways of verification, and establishing records and actuarial data would cut transactions costs and assist the development of reinsurance markets. Savings institutions need deposit insurance schemes or strict regulations on their use of the clients' savings. Savers require a low risk environment, including credibility about macroeconomic stability and inflation, or protection from embezzlement.

Fostering credibility in social protection is therefore an important task. Governments in developing countries not only have limited means to establish broader social protection. Their institutions are often not sustainable and therefore well-intentioned social protection measures may lack credibility. Credibility is not easily gained, and governments in poor developing countries face an uphill struggle to acquire it. This identifies an important role for aid and the donor community: by supporting and guaranteeing the enforcement of these measures it would allow social protection to provide genuine insurance against poverty.

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